corporate information

Secretary and Registered Office

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Investec Group Limited
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Investor Relations

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Internet address : www.investec.com/investorrelations

Internet Address

www.investec.com

Registration Number

Investec Group Limited Reg. No. 1925/002833/06
Investec Holdings Limited Reg. No. 1985/005574/06

Auditors

KPMG Inc.
Ernst & Young

Transfer Secretaries in South Africa

Computershare Investor Services Limited
2nd floor
Edura
41 Fox street
Johannesburg
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P O Box 61051, Marshalltown, 2107
Telephone : +27 11 370 5000

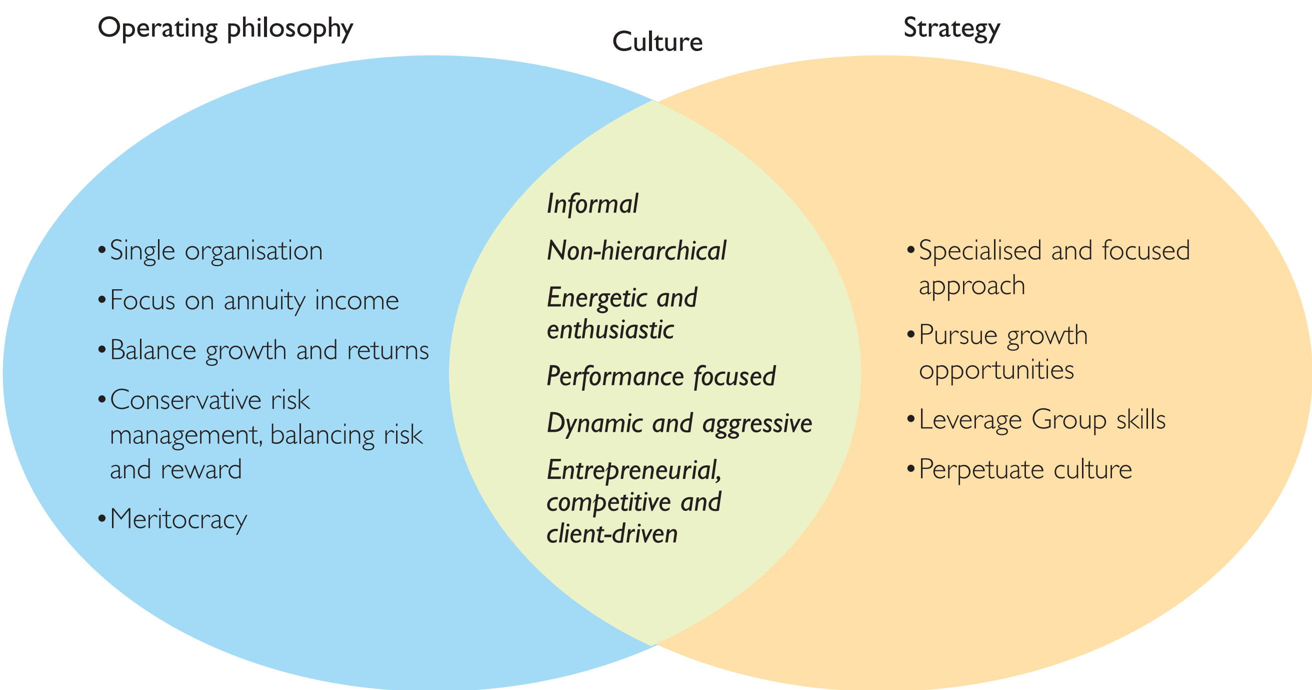
Transfer Secretaries in the UK

Computershare Investor Services PLC
P O Box 82
The Pavilions
Bridgwater Road
Bristol B599 7NH
United Kingdom
Telephone : +44 870 702 0001

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 cooperate 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

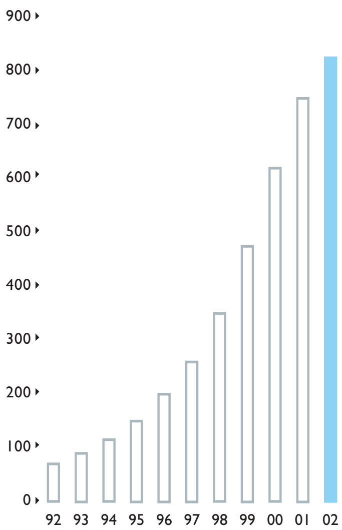
Refer to definitions on page 240

Investec Group Limited	31 March 2002	31 March 2001**	% change
Headline earnings attributable to ordinary shareholders (R'million)	1 684	1 314	28,2
Headline earnings per share (cents)	1 840,4	1 628,2	13,0
Dividends declared per share (cents)*	825	750	10,0
Net tangible asset value per share (Rands)	70,9	63,1	12,4
Total assets (R'billion)	303,8	194,7	56,0
Total shareholders' funds (R'million)	13 771	9 295	48,2
Total capital resources (R'million)	16 016	11 240	42,5
Assets under administration (R'billion)	758,9	514,6	47,5
Capital adequacy ratio (%)	13,2	15,3	(13,7)
Return on average tangible shareholders' funds (%)	27,6	25,8	7,0
Cost to income ratio (%)	65,5	63,2	3,6

Investec Holdings Limited	31 March 2002	31 March 2001**	% change
Headline earnings attributable to ordinary shareholders (R'million)	609	559	8,9
Headline earnings per share (cents)	1 574,3	1 368,7	15,0
Dividends declared per share (cents)*	750	680	10,3
Total assets (R'billion)	303,8	194,7	56,0
Assets under administration (R'billion)	758,9	514,6	47,5

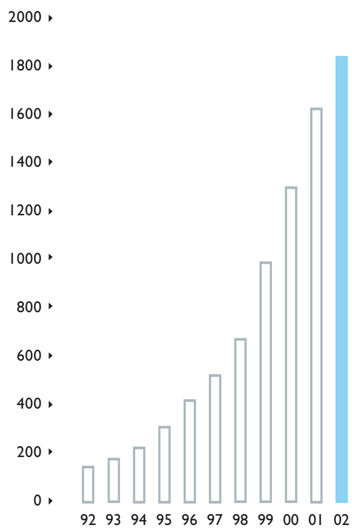
* This represents the interim and final dividend declared in the financial reporting year.

** Restated for changes to accounting policies and disclosures.



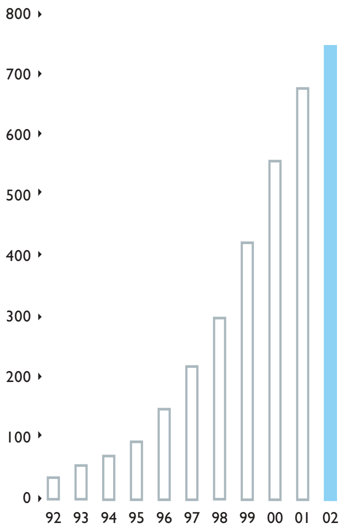
Investec Group Limited dividends declared (cents per share)

10 year compound annual growth rate: 28,0%



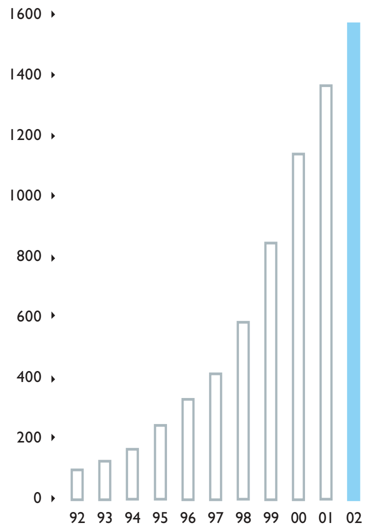
Investec Group Limited headline earnings (cents per share)

10 year compound annual growth rate: 28,9%



Investec Holdings Limited dividends declared (cents per share)

10 year compound annual growth rate: 35,5%



Investec Holdings Limited headline earnings (cents per share)

10 year compound annual growth rate: 31,3%

snapshot of the year

"It was the best of times, it was the worst of times ..." - Charles Dickens

The organisation demonstrated resilience in a challenging economic environment.

Despite a difficult operating environment, Investec reported satisfactory results, with headline EPS up 13%.

Solid results from the Group's banking and interest rate activities.

The Group's equity related activities were negatively affected by weaker market conditions.

Overall results reflect benefits of a balanced portfolio of businesses.

The Group continued to make a number of critical mass enhancing acquisitions and select recruitments in its core areas of activity.

Corporate Finance SA continued to perform strongly relative to its peers in the local market:

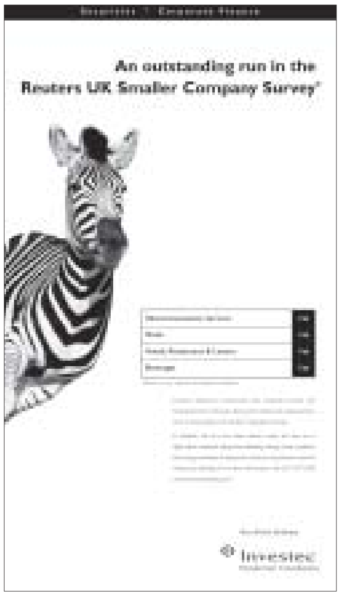
- No 1 M & A House - *Euromoney (July 2001)*
- No 1 in terms of value and volume of M & A transactions - *Ernst & Young Survey (March 2002)*

Significant milestone in the history of Investec - received permission to dual list the Group on the London Stock Exchange and JSE.

Despite negative sentiment surrounding Fedsure, the acquisition was rationalised and integrated, enhancing overall results.

Creditable performance from Investec Australia - platform for growth has been established.

Investec Investment Banking and Securities in the UK achieved five first place research rankings - *Reuters smaller companies survey (June 2001)*



Investec was ranked as the seventh most global bank by *The Banker (February 2002).*

SA Personal Investments - S & P award for the Best Larger Group over One Year and Best Group over Five Years.

UK European retail - S & P award for the Best Larger Offshore Fund Group for 2002.

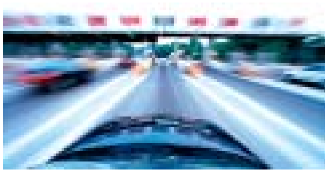
Investec showed ongoing commitment to improving communication with stakeholders:

- Best Investment Analyst Society Presentation
- 10th place out of top 100 JSE listed companies - Ernst & Young excellence in Financial Reporting Award
- Best Annual Report in the Financial, Insurance and Property Services category - SA Institute of Chartered Secretaries & Administrators

Treasury and Specialised Finance continued to build and enhance its international capabilities.

The Group successfully closed the N1-N4 Platinum Toll Road transaction - the largest project financing in SA to date.

Investec was ranked seventh amongst global Project Finance advisors for mandates won - *Project Finance International (January 2002)*



Investec Private Bank was ranked the leading private bank in SA for the second consecutive year - *2001 PricewaterhouseCoopers Survey*

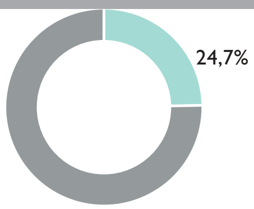
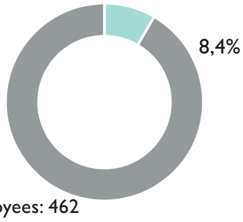
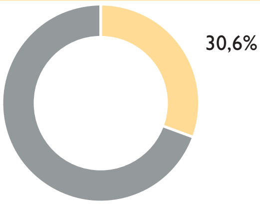
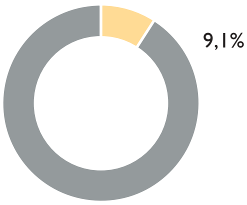
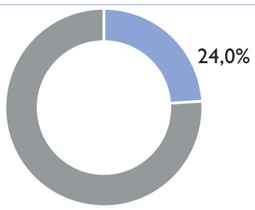
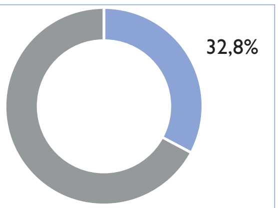
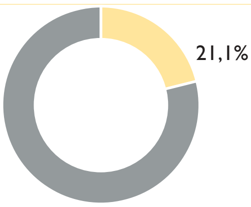
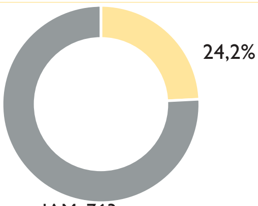
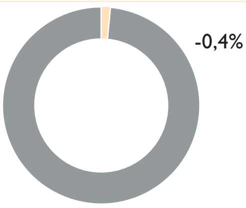
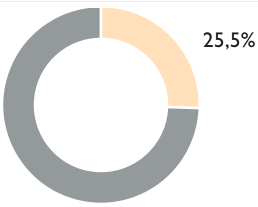
investec in perspective

By business

	Scope of activity *	Geographic representation	Core client base
Investment Banking	• Corporate Finance • Institutional Research, Sales and Trading • Private Equity • Direct Investments	• Principal markets: South Africa, UK • Other: Australia, Ireland, Israel, USA	Mid to large capitalisation companies, unlisted corporations, fund managers, government and parastatals
Treasury and Specialised Finance	• All non-private client deposit taking, corporate and public sector lending, structuring and proprietary trading activities	• Principal markets: South Africa, UK • Other: Australia, Ireland, Israel, Mauritius, USA	Select corporate clients, public sector bodies, financial institutions, banks, financial brokers
Private Client Activities	Private Banking	• Principal markets: South Africa, UK • Other: Australia, 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)
Asset Management	Asset Management: Institutional, Retail	• Principal markets: Southern Africa, UK • Other: Europe, Hong Kong, USA	Retirement savers via pension fund consultants (institutional) and independent financial advisers (retail)
	Assurance Activities: Investec Employee Benefits - administration business, annuity, group life and disability	• 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, US Dealing, Clearing and Execution	• Principal markets: South Africa, UK, USA • Other: Australia, Israel	

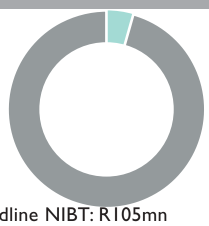
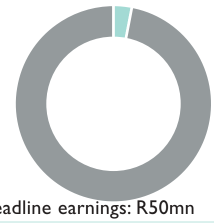
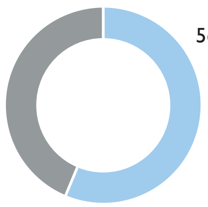
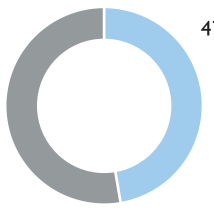
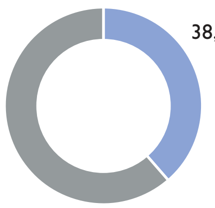
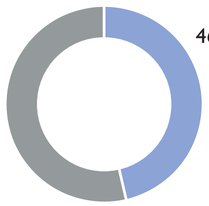
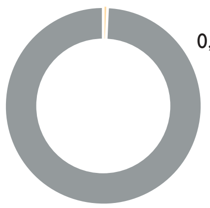
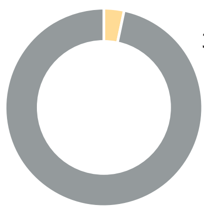
* The stage of development of these activities varies between each geographic region. Refer to pages 55 to 99 for a detailed description and operating review of the Group's activities.

** Headline NIBT represents net income before tax and exceptional items. Refer to pages 182 to 186 for detailed segmental information, including comparative figures for the year ended 31 March 2001.

% of headline NIBT **	Number of employees**	Salient features	Global management
Investec total: R2 369mn	Investec total: 5 529		
 Headline NIBT: R584mn	 Employees: 462	• SA: No1M&A house, 39 out of 105 transactions - R25bn • UK: 5 first place research rankings; recognised platforms; good growth prospects	Andy Leith & Bradley Fried
 Headline NIBT: R725mn	 Employees: 503	• Strong position in SA • Looking to build international capability	Richard Forlee
 Headline NIBT Pvt Bank: R353mn Headline NIBT PCPM: R216mn	 Employees Pvt Bank: 958 Employees PCPM: 855	• SA: Voted as the best private bank *(PWC Survey)* • Global loan portfolio: 1993: R2,8bn ➔ 2002: R28,1bn	Sam Hackner
		• SA: largest player • UK: long standing reputation • Total funds under management: 1997: R29,0bn ➔ 2002: R163,6bn	SA: Henry Blumenthal UK: Fred Carr
 Headline NIBT IAM: R280mn Headline NIBT Assurance: R220mn	 Employees IAM: 763 Employees Assurance: 576	• SA: market leading position • Total funds under management: 1991: R0,2bn ➔ 2002: R263,3bn	Hendrik Du Toit
		• Newly acquired from Fedsure • NAV: R2 522mn • Embedded value: R2 951mn	Ciaran Whelan
 Headline NIBT: (R9mn)	 Employees: 1 412		

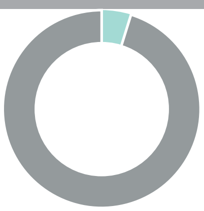
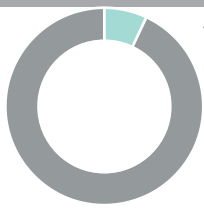
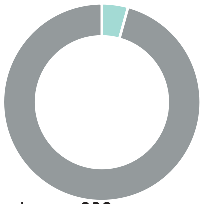
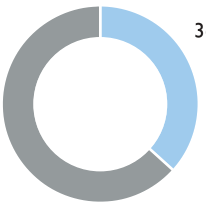
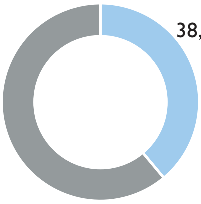
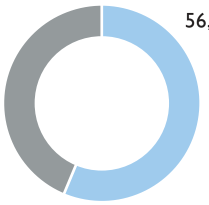
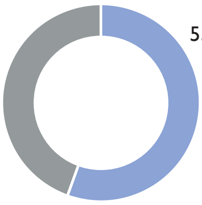
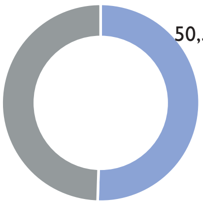
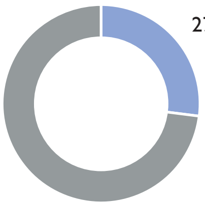
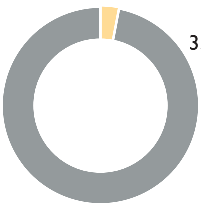
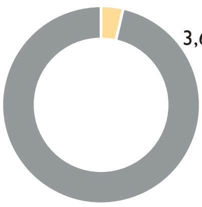
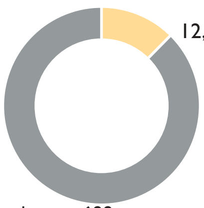
investec in perspective

By geography

	Scope of activity *	% of headline NIBT**	% of headline earnings**
		Investec total: R2 369mn	Investec total: R1 684mn
Israel	Asset Management, Investment Banking, Private Client Activities, Treasury and Specialised Finance	 4,4% Headline NIBT: R105mn	 3,0% Headline earnings: R50mn
South Africa & Other (including Australia, Botswana, Hong Kong, Mauritius)	Asset Management, Assurance Activities, Investment Banking, Private Client Activities, Property Activities, Reichmans International Trade Finance, Treasury and Specialised Finance	 56,3% Headline NIBT: R1 333mn	 47,3% Headline earnings: R796mn
United Kingdom & Europe (including Guernsey, Ireland, Jersey, Switzerland)	Asset Management, Investment Banking, Private Client Activities, Property Activities, Reichmans International Trade Finance, Traded Endowments, Treasury and Specialised Finance	 38,6% Headline NIBT: R915mn	 46,4% Headline earnings: R781mn
United States	Dealing, Clearing and Execution Activities, Investment Banking	 0,7% Headline NIBT: R16mn	 3,3% Headline earnings: R57mn

* The stage of development of these activities varies between each geographic region. Refer to pages 55 to 99 for a detailed description and operating review of the Group's activities.

** Headline NIBT and headline earnings represent net income before tax and exceptional items, and earnings attributable to ordinary shareholders and before exceptional items respectively. NAV is net tangible asset value. COI is cost to income ratio and ROE is return on average tangible shareholders' funds as defined on page 241. Refer to pages 182 to 186 for detailed segmental information, including comparative figures for the year ended 31 March 2001.

% of assets**	% of NAV**	Number of employees**	COI/ROE**	Global management
Investec total: R303 841mn	Investec total: R7 745mn	Investec total: 5 529		
 4,8% Assets: R14 657mn	 7,0% NAV: R543mn	 4,3% Employees: 238	COI: 59,7% ROE: 9,8%	Alan Tapnack
 36,7% Assets: R111 536mn	 38,9% NAV: R3 008mn	 56,3% Employees: 3 111	COI: 49,6% ROE: 36,7%	SA Joint MDs: Andy Leith & Glynn Burger SA Deputy Chairman: David Lawrence Australia: Geoff Levy & Farrel Meltzer SE Asia: Richard Forlee
 55,5% Assets: R168 628mn	 50,5% NAV: R3 912mn	 27,0% Employees: 1 492	COI: 72,7% ROE: 24,1%	Alan Tapnack & Bradley Fried
 3,0% Assets: R9 020mn	 3,6% NAV: R282mn	 12,4% Employees: 688	COI: 98,2% ROE: 14,0%	John Murabito & Mark Segall

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, Investment Banking, Treasury and Specialised Finance, Private Client Activities 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

- November 2001 - Investec receives permission to dual list on the LSE and JSE.

Acquisitions - background and strategy

- Historically the Group has made two types of acquisitions:
  - Critical mass enhancing - in existing areas of operation
  - Platform - entry into new markets considered to be of strategic value
- Hurdle return on investment (ROI): 15%

Platform

- Build business around people you acquire or capability you are seeking to build
- Identify opportunities to grow and improve ROI to above hurdle rate within three to five years

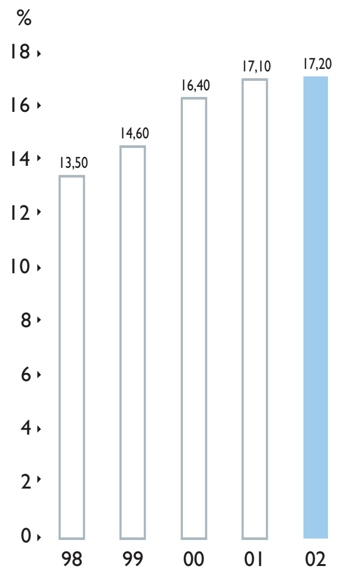
OR

Critical mass enhancing

- Leverage base by adding on assets and acquiring complementary businesses
- Aim to increase ROI beyond hurdle rate within 12 to 18 months
  - extract immediate synergies
  - on going growth

- Flexible entrepreneurial approach to identifying acquisition opportunities.
- Focus on core areas of activity - may require selling assets that do not have strategic fit.
- Management key to delivering benefits of acquisition - track record of identifying and integrating acquisitions.

Return on investment*



* Refer to definition on page 241.

southern africa

1980 - 1986

Investec acquires a banking licence. This enables it to expand its activities beyond leasing and instalment finance into such areas as corporate and professional banking, treasury, corporate finance and project finance. Regional offices are opened in Durban and Cape Town and a network of international contacts is established.

Having enjoyed a close relationship with Metboard Limited, a trust company established in 1937, Investec and Metboard are merged. This development adds portfolio management, a participation mortgage bond scheme and an in-house unit trust to the growing range of products and services offered by Investec.

Investec Holdings Limited is listed on the Johannesburg Stock Exchange (JSE), (now JSE Securities Exchange South Africa).

1987 - 1991

In a major restructure, Investec Bank Limited (now Investec Limited) is listed separately. An important consequence of this listing is to place control in the hands of Investec management and staff.

Investec acquisitions include property management company I Kuper & Company (Pty) Limited, Corporate Merchant Bank Limited (formerly Hill Samuel Merchant Bank Limited) and trade finance company Reichmans Limited.

Investec forges a strategic alliance with life assurance company Fedsure Holdings Limited, through the creation of a significant cross shareholding.

1992 - 1994

Investec acquires South Africa's oldest confirming house, Gerber Goldschmidt Finance (Pty) Limited.

Investec acquires control of the listed securities trading group, Sechold Limited (Sechold).

1995

Investec acquires fleet management company APA Network Consultants (Pty) Limited, renamed Investec Fleet Management. Investec's wholly owned subsidiary Reichmans acquires GDM Finance Limited.

Sechold is delisted.

Investec acquires stockbroking company Solms & Company Inc and becomes an active member of the JSE.

1996

Investec acquires South African stockbroker, Fergusson Bros. Limited. This is integrated with other trading activities to form Investec Securities Limited.

1997

The Group restructures, with all banking operations falling under Investec Merchant Bank Limited, which is renamed Investec Bank Limited, while the existing Investec Bank Limited is renamed Investec Group Limited.

Investec acquires the Mauritian-based bank, Banque Privée Edmond de Rothschild (Ocean Indien) Ltée.

The Group establishes asset management operations in Botswana and Namibia. Listings on the Namibian and Botswana Stock Exchanges follow. Investec Securities (Botswana) (Pty) Limited is registered and a licence to trade is approved.

NDH Bank Limited, one of the Sechold banks, is sold to Capital Alliance Group.

1999

Investec sells Securities Investment Bank Limited to Saflife Limited (subsequently renamed SIB Holdings Limited).

Investec acquires the Johannesburg Retail Stockbroking division of HSBC Simpson McKie (Pty) Limited.

2001

Investec acquires the insurance and financial services businesses from Fedsure Holdings Limited.

1998

Investec sells Investec Fleet Management to ABN Amro Lease Holding N.V.

Investec sells District Securities Bank Limited, one of the trading banks acquired under Sechold, to R Cadiz & Company.

2000

Investec buys the professional banking book of Mercantile Bank Limited in South Africa.

The private and corporate stockbroking businesses of Investec Securities and Investec Integrated Investments (formerly HSBC Simpson McKie Johannesburg Retail) merge, creating one of South Africa's largest private and corporate client stockbroking and investment management businesses. The combined entity operates under the "Investec Securities" brand.

Investec acquires certain of the assets of Global Capital Limited (including a controlling stake in SIB Holdings Limited).

Investec makes an offer to acquire 100% of SIB Holdings Limited.

Investec purchases the private client asset management business of Quyn Martin Asset Management in South Africa.

Investec acquires the private client loan portfolio of McCarthy Bank in South Africa.

2002

Investec acquires the debtors book of Regal Treasury Private Bank Ltd.

Investec acquires Merrill Lynch South Africa's private client operation in Cape Town.

uk and europe

1992 - 1994

Investec acquires London-based Allied Trust Bank Limited (ATB) in 1992 – the first international acquisition by the Group.

1995

Investec acquires London-based Clive Discount Company Limited (Clive), enhancing the Group's capability within the UK securities market and supporting its ability to distribute South African financial instruments internationally.

Investec acquires the money broking operations of Cazenove & Company, subsequently merged into Clive.

1996

Investec Bank (Jersey) Limited, a private bank based in Jersey, is established, a development motivated by the need to provide clients with additional offshore services.

Investec acquires London-based stockbroker and private client portfolio management company, Carr Sheppards Limited.

1997

ATB is renamed Investec Bank (UK) Limited

1998

All Clive trading operations are merged into Investec Bank (UK) Limited.

Investec acquires, from the Bank of Yokohama, Guinness Mahon Holdings PLC (Guinness Mahon). The purchase includes 44% of Guinness Flight Hambro Asset Management Limited (GFH). Investec acquires Hambros PLC which includes a further 44% of GFH.

Investec acquires management's stake in GFH, securing 100% control over the company.

GFH merges with Investec Asset Management and is renamed Investec Guinness Flight Limited.

1999

Investec Bank (UK) Limited and the banking business of Guinness Mahon merge. Investec Bank (UK) Limited now also incorporates Investec Henderson Crosthwaite (now Investec Investment Banking and Securities), Investec Private Equity and Investec Insurance.

The private client portfolio management and stockbroking activities of Henderson Crosthwaite merge with Carr Sheppards and the company is renamed Carr Sheppards Crosthwaite Limited.

Investec purchases Gandon Capital Markets, based in Dublin, Ireland, from GE Capital. The acquisition is an important link to the Irish corporate and institutional market and further enhances Investec's international structured finance and treasury capabilities.

Investec Bank (UK) Limited expands its private banking services with the acquisition of part of the banking business of Kleinwort Benson Private Bank.

2000

Investec Guinness Flight is rebranded Investec Asset Management.

2001

Investec Bank (UK) Limited acquires Radcliffes Trustee Company S.A. based in Geneva and Theodores Trust and Law Group based in Jersey. This augments Investec's trust and fiduciary capacity as well as its international private client structuring capabilities. These businesses now operate under the name Investec Trust Group.

2002

Carr Sheppards Crosthwaite recruits most of the international team from the Gerrard Group.

Investec acquires European Capital Company Ltd, and its team of project finance advisers and arrangers, thereby enhancing the Group's project advisory and finance capability in the UK.

israel, australia, united states and other

1996

Investec acquires a controlling interest in Israel General Bank Limited, the eighth largest bank in Israel. The acquisition is motivated by a desire to cement the already strong relationship and to develop synergies between South Africa and Israel.

1997

Investec establishes an operation in Australia.

Investec opens representative offices in Hong Kong, thereby securing an effective gateway into South East Asia.

1998

Investec acquires New York-based registered broker-dealer Ernst & Company - the Group's first acquisition in the USA.

Ernst & Company acquires New York retail broker Stuart Coleman & Company. The original engine of clearing and execution provides a foundation for the development of the Group's private client activities in the US.

1999 - 2000

Israel General Bank is rebranded Investec Clali Bank Limited.

Ernst & Company is rebranded Investec Ernst & Company.

Investec Ernst & Company acquires the retail broking firm of the Royce Investment Group on Long Island, USA.

2001

Investec Clali Bank Ltd is rebranded Investec Bank (Israel) Limited.

Investec Australia Limited acquires Wentworth Associates Pty Limited (rebranded Investec Wentworth) an investment banking boutique, thereby providing a strong platform for the development of Investec's specialised investment banking activities in Australia.

Investec Ernst & Company acquires the private client and clearing arm of Herzog Heine Geduld Inc in the USA.

Investec expands its investment banking capabilities in the USA through the acquisition of PMG Capital (rebranded Investec Inc).

2002

Investec acquires Melbourne-based Wright Financial Planning, providing retirement and superannution planning and private client portfolio management services.

Investec acquires Melbourne-based Chronworth Pty Ltd, a corporate finance advisory boutique.

Investec acquires the Unit Investment Trust business from ING Funds in the US.

Investec recruits a Life Sciences team and a TMT team in the US from Tucker Anthony Sutro Capital Markets and UBS Warburg, respectively.

Investec decided to exit the private client stockbroking business in the US, and sold it to its management on 10 May 2002 (subject to regulatory approval).

chairman's statement

- Hugh Herman

Results

The 2002 financial year was both challenging and rewarding for Investec. The world experienced its harshest economy for many years, with extreme volatility and uncertainty permeating financial markets. Internally, Investec faced the huge tasks of integrating Fedsure and obtaining permission to list in London. Nevertheless, the Group's geographic spread and diversified business model responded admirably to these challenges, with strong growth for the 23rd consecutive year.

Headline earnings increased by 28,2% to R1 684 million, while headline earnings per share rose by 13% to 1840,4 cents. The 10-year compound growth rate in headline earnings per share is 28,9% per year. A final dividend of 450 cents per share was declared, which brings to 825 cents the dividend for the full year, an increase of 10% on the previous year.

Global and local operating environment

The exuberance of the late 1990s and the consequent downturn have created a challenging and complex environment. The global slowdown was already in evidence at the beginning of the financial year, with the first synchronised recession since the mid-1970s. Further declines in equity markets and ongoing emerging market difficulties, in addition to the unprecedented and appalling attack on the World Trade Centre on 11 September 2001, have led to an extremely volatile political and economic environment.

In South Africa, the rapid decline in the value of the currency dominated trends in financial markets, while rising interest rates and continued emerging market contagion, especially from Zimbabwe, exacerbated negative market sentiment. Despite these adverse influences, the country benefited from sound domestic fiscal and monetary discipline as well as improvements in tax collection.

Highlights

The listing in London

The most exciting development in the past year was the announcement in November 2001 that Investec had obtained permission from the South African Minister of Finance and the South African Reserve Bank to establish a Dual Listed Companies (DLC) structure, with linked companies listed in London and Johannesburg. Investec's mission, to be one of the world's great specialist banking institutions, led to the Group adopting an internationalisation strategy to establish a presence in significant financial centres abroad. As a consequence of the Group's rapid international expansion, it now competes in an increasingly global business environment, where the availability and cost of capital is vital. In order for Investec to raise capital to improve the competitive positioning of both its South African and foreign operations, it recognised the need to obtain a listing on the London Stock Exchange.

Investec expects that the DLC structure will increase its global profile, enhance its capital raising capability, lower its cost of capital and improve access to international capital markets. Furthermore, the flexibility offered by the DLC structure should allow Investec to focus on its strategy to enhance and expand its capabilities within the markets in which it operates.

Fedsure

In addition to the challenge of the listing, a significant amount of the Group's energy and resources were spent on dealing with the uncertainty surrounding the Fedsure acquisition and the difficulties and delays encountered in concluding the transaction. With the support of Investec's infrastructure and the energy and commitment from staff, the uncertainty surrounding the Fedsure acquisition has been removed and the business units have been substantially rationalised.

Developments

Investec continues to focus on its strategy of pursuing growth opportunities, based on the Group's track record of organic growth and successfully identifying and executing acquisitions.

The Group acquired PMG Capital (since renamed Investec Inc) in the US at the beginning of the financial period. Investec's US investment banking services and research capabilities were further enhanced later in the year, with the recruitment of two teams in the chosen niches of TMT and healthcare.

In Australia, several new businesses were established and select critical mass enhancing acquisitions made. The Group strengthened its corporate advisory capability through the acquisition of a mergers and acquisitions boutique in Melbourne, Chronworth Pty Ltd, and established a Private Equity and Structured Finance division.

The Treasury and Specialised Finance division expanded its international capabilities, with the Equity Derivatives and Commodities teams making substantial progress in creating an infrastructure and establishing an external presence. In addition, the acquisition of the European Capital team in November 2001 indicates a significant step in developing the Group's project finance and advisory platform in the UK and Europe.

During the year, the Group's Private Client Stockbroking capabilities were enlarged by the acquisitions of two teams from the Gerrard Group in the UK and Merrill Lynch South Africa's private client operation in Cape Town.

Investec has a strong entrepreneurial, value-based culture, distinguished by the high degree of passion, energy and stamina of its staff. The Group, recognising the need to attract highly talented professionals, made a number of select appointments during the year in both the UK and SA, broadening the diverse talent pool at Investec.

Investec as a corporate citizen

During the past year, Investec strengthened its Social Investment division, to ensure that corporate social investment focuses increasingly on entrepreneurial projects that are sustainable and empower people by equipping them with quality education and entrepreneurial skills. The Group believes that this, in turn, will help it to contribute to South Africa's growth, which is vital for the stability of the country.

Investec recognises that genuine political and economic transformation in South Africa requires sustainable economic development and the full participation of entrepreneurs at every level of society. The black economic empowerment strategy of Investec involves integrating employment equity with business objectives and corporate culture, while striving to inspire entrepreneurs not only in business, but also within the Group and the broader community.

Investec believes that educating the population is fundamental to the future of South Africa and its business. Accordingly, the Group emphasises supporting broad educational initiatives that improve the breadth and depth of financial studies in South Africa.

Another important educational initiative largely supported by Investec is CIDA City Campus, a tertiary institution that uses innovative teaching techniques to educate previously disadvantaged students. CIDA has received increasing international recognition, with Taddy Bletcher, its Chief Executive, receiving a Global Leader for Tomorrow Award at the annual meeting of the World Economic Forum in New York. The education offered by CIDA is designed to make students truly empowered citizens who are skilled and educated, to help in growing the economy.

Investec considers employment equity to be a long-term commitment, which will help in creating an equitable work environment. The Group's employment equity programme focuses on achieving fair representation across employee groups, removing barriers to the advancement of designated groups and valuing diversity.

Corporate governance

The collapse of Enron and the accounting malpractices at Worldcom and other US corporations have shaken up markets globally and strained investor confidence in business worldwide. As a result of these incidents, the investing public has lost trust in big business and there is now an increasing onus on management and directors to operate in a climate of responsibility, accountability and transparency.

The global trend towards increased corporate responsibility extends equally to South African companies. Investec fully embraces the key characteristics of discipline and full disclosure as advocated by King II. Good corporate governance is shown in the Group's strong values of integrity, responsibility and risk consciousness. A number of initiatives are in place to ensure the highest standard of corporate governance in each of the jurisdictions in which the Group operates.

Management and staff

The responsibilities of the Board of Directors are becoming increasingly important. The Investec board has never neglected its obligation to challenge and confront management and I value the contribution of all non-executive directors at Investec.

I would also like to extend my heartfelt thanks to all staff throughout the Group for their continuing effort, energy and enthusiasm. It is ultimately Investec's people who drive the Group's success and make Investec unique. Even though our staff numbers have grown substantially in the past few years, there is still a close-knit family atmosphere in the Group, which can be attributed largely to the constant communication and support between management and staff.

I extend my sincerest appreciation to the Chief Executive Officer and Managing Director for their steadfast dedication and leadership over the last year. I also wish to thank all the directors for their guidance and commitment to the Group. In addition, warm appreciation is due to all our clients and shareholders for their ongoing support, which is invaluable to the Group's continued success.

Looking ahead

I believe that adversity establishes a company's character. There is no doubt that the Group has faced a challenging period and has shown tremendous resilience, courage and commitment throughout. I am confident that the Group's diverse portfolio of businesses and its financial strength will allow it to capitalise on opportunities through changing cycles, despite the threat of the volatile nature and structure of the international markets in which Investec operates.

Investec has a culture that thrives on change, in addition to a set of common values which enables it to face any environment with confidence. As a Group, we are excited about our dual listing in London and Johannesburg and we look forward to the challenges and opportunities that our international status will present.

High levels of crime, slow progress on privatisation, rising interest rates, continued volatility of the Rand and the prevalence of HIV/AIDS remain a concern in South Africa. The change in government policy towards HIV/AIDS is welcomed, and should assist in reducing the dramatic loss of human life and reversing the adverse impact of this dreadful disease on the national economy.

Government initiatives such as the New Partnership for Africa's Development (NEPAD) are steps in the right direction and we commend President Mbeki for his vision in spearheading the concept. This programme will hopefully assist in showing the world that Africa can present its own vigorous plan of reform, while justifying confidence in foreign investment in the country and vindicating economic aid to sustain development.

Although ongoing volatility in world markets makes it difficult to forecast long-term prospects for our business, we remain optimistic about the opportunities for the Group, both in South Africa and the rest of the world.

Hugh Herman
Chairman

review by the chief executive officer and the managing director

- Stephen Koseff and Bernard Kantor

Overview - internal and external challenges

> "It was the best of times, it was the worst of times..."
> - Charles Dickens, A Tale of Two Cities

The dramatic transformation in the global economic and political landscape during the period under review will be remembered for the profound impact it had on financial market volatility and turbulence. Furthermore, the collapse of Enron and subsequent accounting irregularities that have since surfaced in the corporate market have exacerbated the situation, contributing towards waning investor confidence.

Against these factors, the operating environment during the 2002 financial year was particularly difficult with the global economic malaise affecting all the major markets in which the Group operates. Unfavourable market conditions, manifest in lower trading volumes and turnover, caused a decrease in portfolio values and a decline in primary and secondary market activity. These adverse cyclical factors had an unavoidable negative impact on Investec's equity related activities. Conversely, the Group's banking and interest rate activities were well positioned to take advantage of the dramatic interest rate cuts experienced worldwide. These activities contributed positively to the Group's overall performance and provided a shield against difficult investment banking and stockbroking activities.

Moreover, Investec experienced significant internal challenges during the period under review. Besides the considerable negative sentiment surrounding the Fedsure acquisition and the settlement of outstanding claims between the contracting parties, the Group endured serious delays in obtaining permission to list in the UK. The resulting uncertainty that evolved in the market on the Group's future strategic direction, was alleviated by the announcement in November 2001 that it had received permission to dual list on the JSE and London Stock Exchange (LSE). This initiative is considered a key step in the Group's established internationalisation strategy, with benefits expected to be derived from raising Investec's international profile and recognition as an international financial group.

Overall, the environment was not conducive for a specialist banking group like Investec. Notwithstanding, the Group demonstrated resilience and was able to grow earnings.

Group performance - year in review

Sound performance within a difficult operating environment

In a year characterised by the external and internal challenges described above, Investec is satisfied to announce that headline earnings per share for the year ended 31 March 2002 increased by 13% to 1 840,4 cents. The Group's geographic spread and diverse business portfolios and the inclusion of the insurance and financial services business acquired from Fedsure Holdings for the 10 months in the period, enabled it to achieve growth in its headline earnings of 28,2% to R1 684 million. This was despite the challenging period experienced by most investment banks.

Investec continues to focus on its four principal businesses areas, namely, Investment Banking, Treasury and Specialised Finance, Private Client Activities and Asset Management. Most of the Group's businesses contributed to its sound performance.

Financial highlights of the period include:

- Growth in income before tax and exceptional items (i.e. headline net income before tax) of 29,8% to R2 369 million. This was underpinned by an increase of 45,6% in non-interest income, raising the percentage of other income to total income from 65,8% to 70,7%.
- An increase in return on average tangible shareholders' funds from 25,8% to 27,6%, with growth in tangible net assets of 25,3% to R7 745 million. More importantly, the Group's return on investment remained constant at 17,2% during a period in which shareholders' funds increased following the issue of equity to finance the Fedsure acquisition.
- A decrease in annuity income as a percentage of total income from 76,1% to 71,8%, due to a significant increase in income from principal transactions and trading activities. Strong contributions from the newly acquired commodities trading team, the UK and South African private equity activities and the South African property division, together with the inclusion of the traded endowment business from the Fedsure acquisition for the first time, were largely responsible for this increase. Notwithstanding the decrease in annuity income, the percentage remains high for a specialist banking group like Investec, demonstrating the stability of the Group's earnings base.
- An increase in total dividends declared per share of 10% over the prior period to 825 cents, representing a 10-year compound annual growth rate of 28,0% and retaining the Group's dividend cover of 2,2.

A detailed analysis of the Group's performance in the period under review is provided on pages 30 to 48.

Difficult global markets affect the Group's performance in the UK

Although the UK and European equity markets initially appeared immune to the investment collapse in the US at the beginning of the financial year, economic performance was soon affected. Markets were flat and directionless during the financial year, with the UK FTSE All Share Index on average 14% lower than the previous year. Even severe interest rate cuts failed to stimulate the economy.

The Group's UK operations posted results marginally down on the previous year, with headline earnings decreasing by 5,3% to R781 million. This was largely attributable to the weaker performance of the Group's equity related activities, which were negatively affected by the difficult global market conditions. These results were, however, negated by stronger performances from the operation's Private Banking and Treasury and Specialised Finance activities. The depreciation of the Rand, amounting to in excess of 26% during the period under review, also assisted partially in absorbing the decline in real earnings of the UK businesses.

Specifically:

- Investec Henderson Crosthwaite (rebranded Investec Investment Banking and Securities) reported headline net income before tax down 41,1% on the previous year, largely as a result of the sharp decline in IPO activity, particularly in the technology, media and telecoms sectors from which it derived significant benefits in the previous year.
- Carr Sheppards Crosthwaite, despite low market volumes, managed to generate net new funds under management of £505 million, although total funds under management declined marginally to approximately £6,0 billion.
- Private Bank in the UK posted noteworthy results, with particularly strong growth from the trust and fiduciary businesses which now operate under the name of Investec Trust Group. In addition, the division expanded its investment advisory offering and launched a number of new multi-currency products in the UK.
- The Interest Rate desk and the Commodities team benefited from the operating environment, delivering solid results in the period under review.

The overall performance of the UK operation is testament to the Group's strategy of maintaining a diverse portfolio of businesses and a high level of margin and other annuity related income.

Furthermore, the Group continued to focus on the development and enhancement of its core areas of activity. During the year, the Group acquired European Capital Company Ltd and its team of project finance advisers and arrangers, thereby enhancing its project advisory and finance capability in the UK. The Group also established Structured Finance and Financial Products operations and made select recruitments, particularly in the areas of Investment Banking, Asset Management and Private Client Stockbroking.

Challenging environment negatively affects US operations

The Group's US business is highly dependent on transactional volume, which, in turn, is driven by the activity of the financial markets. The subdued state of equity markets negatively affected a number of key business drivers, including trading volumes, commission revenues and net interest margins. Headline earnings declined marginally by 1,7% to R57 million, supported by certain tax benefits, with headline net income before tax declining significantly by 82,4% to R16 million.

PMG Capital (since renamed Investec Inc), which was acquired in July 2001, posted operating losses of R46 million. The operation's merchant banking, technology sector focused, micro-cap model was especially vulnerable to the weak operating environment.

Furthermore, the Private Client Group was particularly affected by the poor market conditions. In consideration of the minimal prospects for growth of this unit, as well as the Group's strategic focus on the development of its investment banking operations in the US, Investec decided to exit this business and sold it to its management, following the year end, on 10 May 2002 (subject to regulatory approval).

Good performance from Israeli operations

Ongoing political upheaval in Israel culminated in a depressed economy, with the Shekel devaluating some 9,3% against the Dollar. The Tel Aviv Stock Exchange was also negatively affected by the decline in the Nasdaq Index in the US, the worldwide high-tech crisis and political instability.

Notwithstanding, the Group's Israeli operations posted good results, off a low base in 2001, increasing headline earnings by 78,6% to R50 million. The bank continued to focus on enhancing and refining its products and services in an effort to strategically align its operations even closer to the Group's four principal businesses. Furthermore, the bank is making in-roads into reducing its overall costs and continues to drive operational efficiencies.

Building a strong platform in Australia - potential for future growth

The Australian economy remained relatively insulated from global conditions and the market demonstrated remarkable resilience. Falling interest rates, a weak Australian Dollar in the second half of the financial year and high property prices boosted economic growth and maintained stability in financial markets.

Investec Australia has transformed substantially during the year under review, with several businesses refocusing and refining their target markets and product offering. The Group successfully enhanced its capabilities in the market through the establishment of a number of key business activities, including a Structured Finance and Private Equity capability, and select critical mass enhancing acquisitions in the Private Client and Investment Banking businesses. Furthermore, great strides were made in creating a robust and scalable business platform.

Over the past financial year, Wentworth Associates (renamed Investec Wentworth) has been successfully integrated and the operation posted sound results in its first year of operation under the Investec banner.

The Australian operation delivered a sound performance, with headline net income before tax of R15 million, a substantial improvement on the previous year in which losses were generated. Most of this growth is attributable to the performance of Investec Wentworth, with Private Client Activities lagging slightly behind as continued efforts are made to build and enhance the Group's capability in the market.

The Group made substantial progress towards securing a banking licence and a platform for potential growth has now been laid by Investec in Australia.

Strong performance from Southern African operations

The global realities experienced during the year had a significant impact in South Africa. The decline in the value of the Rand dominated trends in domestic financial markets, despite its positive contribution to the country's competitiveness. Expectations of continued declines in interest rates shifted to fears of a rising interest rate pattern as the inflationary consequences of the Rand's fall in December 2001 began to permeate through the economy. As a result, confidence levels were adversely affected by the currency's volatility, while the country's privatisation plans were delayed and emerging market contagion, especially from Zimbabwe, continued to contribute to the negative sentiment. Furthermore, the banking sector endured an extremely difficult period, prompting a number of consolidations among its participants and, more recently, a number of banks surrendering their banking licences. Despite these negative influences, the country benefited from extensive structural reforms during the period under review. The significant reduction in the net open forward position, stronger balance of payments and continued export diversification are intended to ensure a more dynamic and resilient economy.

In spite of the difficult operating environment endured by a vast number of South African institutions during the period, the Group's Southern African operations enjoyed a successful year, with headline earnings increasing by 97,5% to R796 million. The operations increased their overall contribution to Group earnings from 30,7% in 2001 to 47,3% in the current year.

The strong results of the Southern African operations were largely driven by noteworthy performances from the Treasury and Specialised Finance, Investment Banking, Private Banking and property divisions. Furthermore, the majority of the businesses acquired as part of the Fedsure acquisition were based in South Africa, thereby contributing to enhanced earnings growth in the region due to its inclusion for 10 months in the period under review.

A number of the Group's divisions continued to entrench their leading position in the South African market and were awarded several accolades during the year.

Developments - highlights and lowlights

Permission received to dual list on the JSE and LSE

The past 12 months represented the achievement of a significant milestone in the history of Investec, with permission granted, in November 2001, to dual list the Group on the JSE and LSE.

A circular regarding the establishment of a Dual Listed Companies (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 has been in place since Investec Group Limited (IGL) listed on the JSE in 1988, is not considered appropriate under the changed circumstances.
- Inhold will unbundle its shareholding in IGL to Inhold members and will be wound up.
- IGL will retain all its businesses in continental Southern Africa and Mauritius and its primary listing on the JSE.
- Most of IGL's other businesses have been placed into a UK company, Investec PLC, which will be unbundled from IGL and will have a primary listing on the LSE with a secondary listing on the JSE.
- Separate legal entities and listings - but bound together by contractual agreements and mechanisms.
- Unified Boards of Directors and management - the implementation of the DLC structure does not in any way change the way in which Investec manages its business.
- Investec will continue to operate as if it were a single unified economic enterprise.
- Shareholders have common economic and voting interests as if IGL and Investec PLC were a single company:
    - Equivalent dividends on a per share basis.
    - Joint electorate and class right voting.
- Shareholders' rights/entitlement in the company are no different from investing in Investec today (i.e. before implementation of the structure).
- Creditors are, however, ring-fenced to either IGL or Investec PLC as there are no cross guarantees between the companies.

The DLC structure is a very exciting development for Investec and is a major stepping-stone in allowing the Group to fulfil its mission of becoming one of the world's leading specialist banking groups.

Acquisition and integration of Fedsure

Although there were difficulties and delays encountered in concluding the Fedsure acquisition, it became evident that the ultimate integration of the acquisition lay in the Group's ability to deal with the component parts effectively and efficiently.

The Group launched a vigorous programme of integrating the acquired asset management, linked product and property management businesses. This was successfully concluded by October 2001, with complete harmonisation of infrastructure ensuring uninterrupted business continuity. A number of businesses identified as non-core to Investec's strategy were disposed of or reinsured (i.e. individual life assurance, credit life, Fedlife Namibia, Fedsure General SA, Fedsure General Namibia and NSP Holdings in Australia).

Across all businesses acquired, significant progress was achieved in reducing expenses, with the closure of Fedsure's head offices in South Africa and internationally, a reduction in the overall headcount and economies of scale benefits derived from the integration of the businesses.

Investec, after concluding and implementing the reinsurance contract for the individual life book with Capital Alliance Holding, focused on addressing the numerous problems inherent in the remainder of the assurance business acquired as part of the Fedsure acquisition. This comprised group benefits and a select element of individual life activities. Most critical was the restructuring of the smoothed bonus portfolios, where losses in the prior period resulted in the well-publicised removal of a portion of non-vested bonuses attached to these policies. The restructuring exercise was completed by December 2001 and is expected to ultimately contribute towards the future protection of policyholder portfolios and the mitigation of shareholder risks arising from volatile financial markets. Marked inroads were achieved from an operational perspective through the realisation of significant cost reductions. These resulted from a decrease in the workforce to 560 employees from 760 on acquisition; enhancement to systems facilitating more efficient valuation exercises; and significant improvements in the compliance and management aspect of the business, with the appointment of an independent statutory actuary and the assignment of qualified executive management. Future attention will be devoted to improving efficiencies and the level of service offered to clients.

The acquisition of Fedsure has been earnings enhancing and, with the rationalisation and integration process substantially completed, the Group is now able to free valuable resources in order to focus on building its businesses across all fronts.

Continued focus on corporate governance and compliance

Investec has a long-standing entrenched culture, which emphasises the need to conduct the affairs of the Group in accordance with the highest standards of corporate ethics. There has been an increasing need for the Group to focus on, and formalise its approach to and control over, such issues as corporate governance and compliance. In this regard, the Board of Directors and the executive believed that it was essential to appoint a senior member of the Group to oversee this function globally. During the year, Bradley Tapnack was appointed as the Global Head of Corporate Governance and Compliance.

Strategic direction going forward

Investec's strategy is to be one of the world's leading specialist banking groups, differentiated and driven by passionate commitment to its distinctive culture and its people. Investec pursues its strategy through an emphasis on the various areas outlined below.

Reinforcing a specialised and focused approach

An essential pillar of Investec's strategy is that it does not seek to be all things to all people. Investec looks to build well-defined businesses, focused on serving the needs of select market niches where it can compete effectively. Investec will continue to build business depth rather than breadth. In its relentless pursuit of client satisfaction, Investec strives to be the best rather than the biggest.

Pursuing growth opportunities

Investec intends to enhance and expand its capability within the markets in which it operates, both organically and opportunistically, through the acquisition of complementary businesses where appropriate opportunities arise. Specifically, Investec intends to maintain its strong position in its core markets, while continuing to pursue significant opportunities by leveraging off its existing platforms. Investec's proposed listing on the Official List in the UK and its existing listing on the JSE, together with the flexibility offered by the DLC structure, will provide the Group with access to local and international capital markets. Investec will take advantage of acquisition opportunities as they arise on the basis that they either bolster Investec's critical mass of existing businesses or allow it to enter new markets considered to be of strategic value.

Leveraging group skills

Investec encourages and exploits synergies across markets and divisions in order to develop a comprehensive and efficient cross-border capability. An ability to integrate an increasingly complex organisation effectively and exploit a culture that fosters unselfish collaboration in the pursuit of performance is central to Investec's strategy.

Perpetuation of Investec's culture

Investec seeks to attract and retain highly talented professionals by maintaining a working environment that stimulates high performance and encourages a creative and entrepreneurial culture. The careful selection of people, their ongoing education and uncompromising commitment to Investec's stated values will continue to be a distinctive characteristic of Investec's culture and drive.

Acknowledgments

We realise that the success of the Group is ultimately dependent on our employees. The achievements of the year in review are a tribute to the calibre of our employees. A tremendous amount of time and effort has been spent in integrating the Fedsure acquisition, implementing the DLC structure and ensuring that the Group's operating divisions remain focused in an extremely challenging operating environment. We would like to express our sincerest thanks and appreciation to each employee for his or her unique contribution over the past year, often in trying circumstances. We value your ongoing commitment, dedication and passion in assisting us in achieving our mission to become one of the world's leading specialist banking groups.

We would also like to extend our thanks to the Chairman of the board and all the directors for their loyalty and commitment to the Group's efforts, and our clients and shareholders who have stood by us in this trying period.

Our receipt of permission to dual list the Group on the LSE and JSE is a significant and sentimental milestone in our history with the Group, which we would look forward to experiencing with all of you.

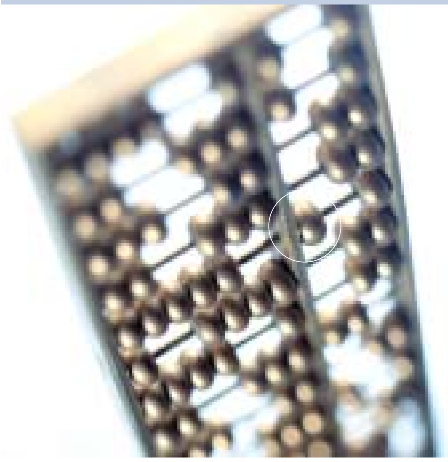
Prospects

Despite the possibility of subdued market conditions continuing into the next financial period with its obvious repercussions to the organisation's performance, the Group has overcome a major hurdle in dealing with the complexities surrounding the integration of the Fedsure acquisition and receiving permission to dual list on the JSE and LSE.

By perpetuating its specialised and focused approach through the construction of well-defined, value-added businesses and concentrating on select market niches in which it can compete effectively, the Group looks forward to a year in which it can focus all its efforts on its core strategy of building one of the world's leading specialist banking groups.

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director



a detailed analysis of the group's financial performance

Introduction

The following commentary and analysis of the Group's financial results for the year ended 31 March 2002 should be read together with the financial statements and the notes to such statements on pages 157 to 225. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of operations of the Group going forward.

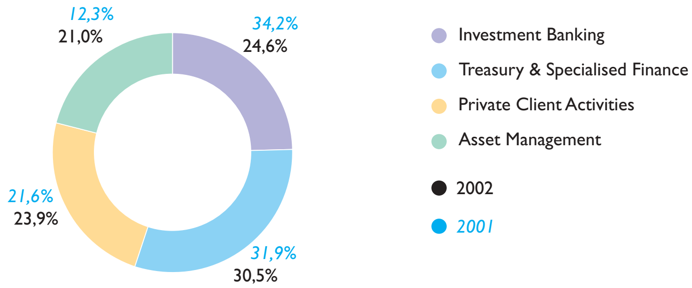
Key income drivers

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: 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 and other activities, such as Investec's

Property business, Trade Finance and Traded Endowment operations, and the US Dealing, Clearing and Execution business.

% of net income before tax and exceptional items (excluding "other" activities)



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.

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 income statement. 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.** Historically, income attributable to these activities has been earned in the form of brokerage commissions. In response to a change in local market demands, in August 2000, however, Investec began to engage in an increasing volume of market making activities in the UK and, in January 2001, began to take more principal positions in order to facilitate third-party equity trades in South Africa. This has resulted in an increase in the level of income attributable to transaction fees and dealing profits. These revenue sources are reflected principally under "fees and commissions - annuity income" and "deal income", as well as "principal transactions and trading income", 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 "principal transactions and trading income". This income is affected by, among other things, macro- and micro-economic market conditions, principally in South Africa and the UK, 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.

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 comprises "net interest income" and "trading income" 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.

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". 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. In addition, prior to February 2001, the South African business engaged in cash transfers (asset swaps) on behalf of clients. The South African Reserve Bank, however, has not as yet renewed the authorisation to South African institutions to offer such cash transfers in the current or future periods. 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.

Asset Management

This division's principal sources of income, primarily 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 and the degree of matching between policyholder assets and liabilities. 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.

Group Services and Other Activities

In addition, Investec has derived income from its Group Services and Other Activities division through the activities of its US Dealing, Clearing and Execution business, 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 US Dealing, Clearing and Execution and Property businesses, as well as under "trading income 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.

Macro-economic factors affecting results of operations

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 the UK and South Africa, where the Group derives the majority of its profit as well as, to a lesser extent, the US, Israel and Australia.

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 2002:

South Africa

Year ended 31 March	2002	2001
GDP (real growth)[(1)(2)]	NA[(3)]	2,2%
Consumer price index:% change over the period[(1)]	8,4%	6,4%
JSE All-Share Index[(4)]	10 999,5	8 069,7
JSE All-Share Index: % change over the period	36,3%	3,9%
Per capita GDP[(1)] (Rand)	NA[(3)]	14 321
Per capita GDP (real growth)[(1)(2)]	NA[(3)]	0,2%

Notes:
(1) Source: South African Reserve Bank Quarterly Bulletin - June 2002
(2) Data for calendar year ending during the period
(3) Data not yet available
(4) Source: Datastream

UK

Year ended 31 March	2002	2001
UK GDP: % change over the period	1,1%	2,3%
UK RPI: % change over the period	1,34%	2,26%
FTSE All Share	2 557,4	2 711,4
FTSE All Share: % change over the period	(5,7%)	(12,8%)
UK GDP per capita (at PPP) (£)	26 060,0	25 210,0
UK GDP per capita (at PPP): % change over the period	3,4%	4,1%

Source: Datastream

Exchange rates

The Group's reporting currency has historically, and during the period under review, been the Rand. While changes in the relative value of the Rand do not have a significant direct impact on the operating performance of the majority of Investec's South African businesses, because the majority of their revenues and costs arise in South Africa and are denominated in Rand, the depreciation of the Rand against Pounds Sterling, US Dollars, Australian Dollars and the Israeli Shekel can have a material effect on the results of the Group when these amounts are translated into Rand. This was particularly significant during the year ended 31 March 2002, when the Rand versus Pounds Sterling daily average exchange rate, as quoted by Reuters, declined by 26,2%, from 10,82 Rand for 2001 to 13,65 Rand for 2002.

The following table sets out the movements in certain relevant exchange rates against the Rand during the period under review:

Year ended 31 March	2002		2001	
	Average	Period end	Average	Period end
Pounds Sterling	13,65	16,15	10,82	11,40
US Dollar	9,53	11,33	7,39	8,00
Israeli Shekel	2,20	2,39	1,79	1,91
Australian Dollar	4,89	6,04	4,07	3,90

Source: Reuters

Interest rates

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 movements in certain interest rates affecting the Group's businesses as at 31 March 2001 and 2002:

Year ended 31 March	2002		2001	
	Average	Period end	Average	Period end
South African Prime Overdraft	13,71	15,00	14,50	14,50
JIBAR - 3 month	9,92	11,03	10,44	10,59
UK Clearing Banks Base Rate	4,67	4,00	5,97	5,75
LIBOR - 3 month	4,57	3,97	5,98	5,44

Source: Bloomberg for JIBAR, Datastream for others.

Taxation

Tax is imposed in the UK and South Africa at the statutory corporate rate of 30%. In respect of South African resident entities, the statutory rate may be increased up to a maximum of 37,78% due to secondary tax on companies of 12,5% that is calculated on the quantum of net dividends declared by an entity, being dividends declared less dividend credits.

The effective tax rate of the Group has been reduced by the recognition of deferred tax assets which are raised where it is considered probable that the asset will be utilised in the foreseeable future by the entity in which the tax loss results. Estimated tax losses for relief against future taxable income of R533 million existed as at 31 March 2002.

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

Income statement analysis

Total income

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

Year ended 31 March	2002 R'mn	% of total income	2001 R'mn	% of total income	period on period % change
Investment Banking	1 324	18,3%	1 021	19,3%	29,7
Treasury and Specialised Finance	1 320	18,2%	1 006	19,0%	31,2
Private Client Activities	2 048	28,2%	1 585	29,9%	29,2
Asset Management	1 317	18,2%	881	16,6%	49,5
Group Services and Other Activities	1 245	17,1%	808	15,2%	54,1
Total income	7 254	100,0%	5 301	100,0%	36,8

The following table sets out certain information on Investec's income by geographical jurisdiction for the period under review:

Year ended 31 March	2002 R'mn	% of total income	2001 R'mn	% of total income	period on period % change
South Africa and Other [1]	2 882	39,7%	1 987	37,5%	45,0
UK and Europe	3 224	44,4%	2 484	46,9%	29,8
Israel	271	3,7%	258	4,9%	5,0
USA	877	12,2%	572	10,7%	53,3
Total income	7 254	100,0%	5 301	100,0%	36,8

Notes: (1) Includes Australia, Botswana, Hong Kong and Mauritius.

Total income increased by 36,8% from R5 301 million for the year ended 31 March 2001 to R7 254 million for the year ended 31 March 2002. Investec's total income can be analysed as follows:

(R millions)	Year ended 31 March 2002	Year ended 31 March 2001	% change
Fees and commissions	3 724	2 983	24,8
Fees and commissions - annuity	2 991	2 339	27,8
Fees and commissions - deal	733	644	14,0
Margin income	1 981	1 680	17,9
Principal transactions and trading income	1 329	638	108,3
Income from long-term assurance business	220	-	-
Total income	7 254	5 301	36,8

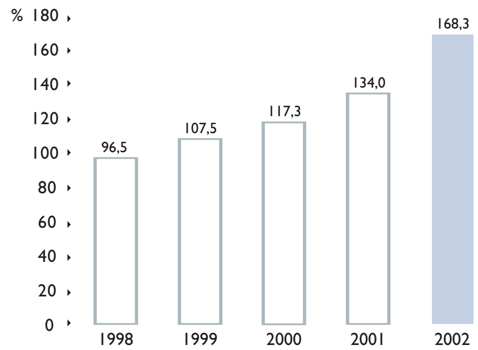
Net interest income and provision coverage

Net interest income represents interest earned net of interest paid in connection with Investec's portfolio of bank accounts, deposits, loans and financial and structured products. Net interest income increased by 17,9% to R1 981 million as a consequence of healthy organic growth in advances of 20,8%, net of exchange rate devaluations, fuelled predominantly by increased private banking activity worldwide and stable growth in the South African corporate loan book, both of which were facilitated by a stable interest rate environment in South Africa and the UK.

Notwithstanding this growth, the quality of the Group's advances improved, as depicted by the continuing declining trend in the percentage of gross non-performing loans to advances from 1,65% last year to 1,11%. Despite this drop, general provisions to total loans and advances increased from 0,94% to 1,10%, meeting the Group's objective of 1% for this indicator. This facilitated a drop in the income statement provision from 0,54% to 0,43% of average advances in the current year. Total provision coverage remains high by South African industry norms both on a gross and net of security basis, with the relevant percentages being 168,3 and 244,0 respectively.

Performance

Total provisions as a % of gross non-performing loans



Objective

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.

In addition, a minimum percentage of 1% of general provisions to total loans and advances is targeted to cushion the Group during unforeseen changes in economic and loan portfolio conditions.

Also included in net interest income is an amount of R88 million, representing the translation gain attributable to the Group's only integrated operation, Reichmans, which conducts international trade finance activities in Europe, the US and Mauritius. All other gains generated by the Rand's significant decline over the period are included in the foreign currency translation reserve, which increased by R1 863 million in 2002. This reserve enhances total shareholders' funds and essentially represents the benefit of the Group's international diversification undertaken over the past 10 years.

Fees and commissions

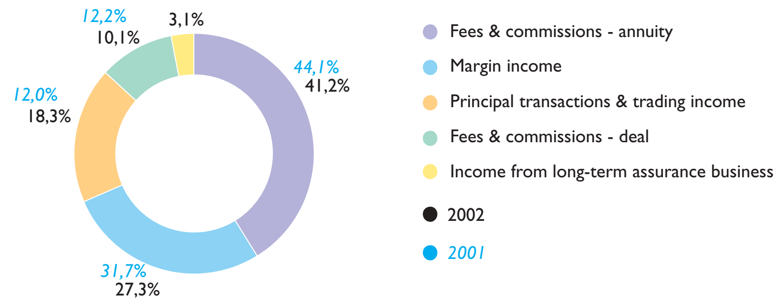
Fees and commissions consist of fees receivable for the provision of fund management, investment advice, banking services, retainers, institutional stockbroking commissions and brokerage, and similar items that are likely to recur due to the repetitive nature of these activities (i.e. "fees and commissions - annuity income"), plus facility arrangement fees, corporate finance fees and similar items that are transactional in nature and therefore generate more erratic income streams (i.e. "fees and commissions - deal income").

Fees and commissions receivable increased by 24,8% from R2 983 million for the year ended 31 March 2001 to R3 724 million for the year ended 31 March 2002. This increase was largely attributable to a rise in fees and commissions in the Asset Management division as a result of Investec's acquisition of Fedsure in June 2001 and the increased contribution during the period from the division's UK retail fund operations. The acquisition of Fedsure added R45,6 billion in assets under management to the division's base of assets under management of R172 billion as at 31 March 2001, and the UK retail fund operation's market share of net industry sales rose from 0,7% in 2001 to 1,8% in 2002. This resulted in an increase of £180 million in the amount of UK retail funds' assets under management during the period.

In addition, the increase reflects a rise in fees and commissions attributable to Group Activities and Other Services. This was due to higher property management fees, resulting from the increase in property assets under administration from R2,3 billion to R7,1 billion at 31 March 2002, as discussed elsewhere in this report.

These increases were somewhat offset by a decrease in net fees and commissions receivable in the Investment Banking division. This was principally as a result of significantly lower corporate advisory fees received as a

Operating income by type



consequence of the dramatic decline in equity capital markets work in the 2002 financial year, particularly in the technology, media and telecoms sectors in the UK.

Net fees and commissions receivable attributable to Private Client Activities increased marginally during the period under review. This primarily reflected higher income earned by the UK Private Bank as a consequence of solid growth in lending fees that were driven by continued buoyancy in the London property market, a full year's consolidation of, and good performance by, Theodores and Radcliffes, and growth in fees and commissions generated by advisory work undertaken by the South African Private Bank. These increases, however, were offset by a decline over the period in fees and commissions generated by the Private Client Stockbroking business as a result of weaker global markets and poor client appetite for equity trading.

Principal transactions and trading income

This category of income largely comprises trading income and the marking-to-market of interest rate instruments, equities and other securities such as foreign exchange instruments, and the disposal of dealing properties, private equity and equity investments and, as a result of the acquisition of Fedsure in June 2001, traded endowments. Income from principal transactions and trading income increased by 108,3% to R1 329 million.

The significant increase was largely attributable to:

- The inclusion of the results of Fedsure's traded endowments business from 1 June 2001, which contributed R139 million to trading income.
- A particularly profitable structured transaction by the Commodities Trading desk in its first full year of operation, that is expected to generate income in future periods, as well as a positive contribution from the South African Foreign Exchange desk.
- The better than expected performances from the Group's private equity operations both in South Africa and the UK.
- The solid performance by the Group's property division in South Africa.
- Profits earned by the Private Client Activities and Investment Banking divisions from their sale during the period of London Stock Exchange plc shares.

These profits were partially offset by a poor performance by the South African Interest Rate Options desk as a consequence of its inability to hedge its activities due to a lack of liquidity during the Rand crisis in December 2001, and a decline in the overall value of the Investment Banking trading portfolio as a result of declining global stock markets.

Income from long-term assurance business

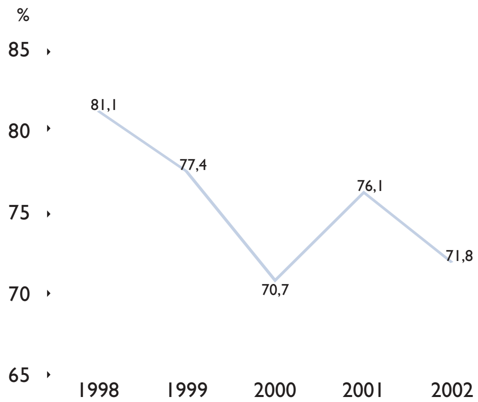
Income from long-term assurance business was R220 million for the year ended 31 March 2002, and reflected the profits of the assurance business that was acquired in connection with Investec's purchase of Fedsure on 1 June 2001. These profits are reflected in the results of the Asset Management division.

Total annuity type income

Investec defines annuity income as net interest income, annuity commission and fees and income from long-term assurance business. Annuity income as a percentage of total income decreased from 76,1% to 71,8% due to a significant increase in income from principal transactions and trading activities, as discussed above. Notwithstanding the decrease in annuity income, the percentage remains high for a specialist banking group like Investec, demonstrating the stability of the Group's earnings base.

Performance

Annuity income as a % of total income



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 would drop to 70%.

Operating expenses

Operating expenses consist primarily of personnel costs (including wages and salaries, social security and similar pension related costs), business and equipment expenses, and marketing and premises costs. Operating expenses increased by 40,5% from R3 476 million in 2001 to R4 885 million in 2002.

(R millions)	Year ended 31 March 2002	Year ended 31 March 2001	% change
Personnel	2 728	1 860	46,7
Business	1 011	691	46,3
Equipment	585	477	22,6
Premises	347	246	41,1
Marketing	214	202	5,9
Total operating expenses	4 885	3 476	40,5

Investec's operating expenses can be broken down by division for the years ended 31 March 2001 and 2002 as follows:

Year ended 31 March	2002 R'mn	% of total expenses	2001 R'mn	% of total expenses	period on period % change
Investment Banking	740	15,1%	388	11,2%	90,7
Treasury and Specialised Finance	595	12,2%	415	11,9%	43,4
Private Client Activities	1 479	30,3%	1 185	34,1%	24,8
Asset Management	817	16,7%	653	18,8%	25,1
Group Services and Other Activities	1 254	25,7%	835	24,0%	50,2
Total operating expenses	4 885	100,0%	3 476	100,0%	40,5

The following table sets out certain information on Investec's operating expenses by geographical jurisdiction for the years ended 31 March 2001 and 2002:

Year ended 31 March	2002 R'mn	% of total expenses	2001 R'mn	% of total expenses	period on period % change
South Africa and Other (1)	1 549	31,7%	1 283	36,9%	20,7
UK and Europe	2 309	47,3%	1 519	43,7%	52,0
Israel	166	3,4%	193	5,6%	(14,0)
USA	861	17,6%	481	13,8%	79,0
Total operating expenses	4 885	100,0%	3 476	100,0%	40,5

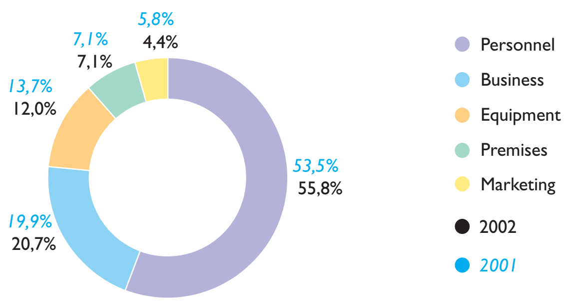
Notes: (1) Includes Australia, Botswana, Hong Kong and Mauritius.

An analysis of the 40,5% increase in expenses reveals that 37,0% of this growth was attributable to acquisitions included for the full year under review; 45,2% was due to the devaluation of the Rand across all the Group's international operations, serving to magnify the increase; and the remaining 17,8% represented underlying organic growth in expenses (equivalent to 7,2% growth).

Specifically the increase in operating expenses in 2002 related to:

- An increase of R419 million or 50,2% in costs in Group Services and Other Activities. This was primarily due to increased personnel costs resulting from the acquisition of Fedsure's traded endowment and property businesses in June 2001, as well as the addition of personnel in the Group's Risk Management and Internal

Operating expenses by type



Audit, Organisational Development, Central Finance and Investor Relations Departments. In addition, business expenses were higher in 2002 due to a global employee incentivisation review and the execution of the Fedsure acquisition.

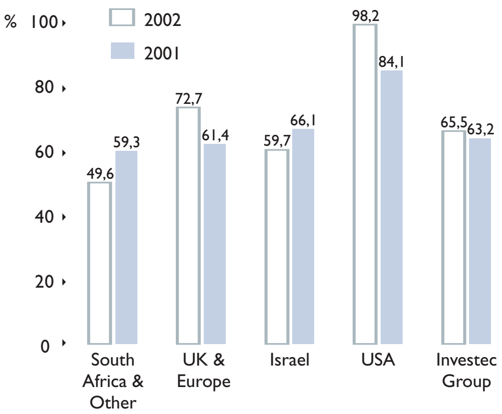
- An increase of R352 million or 90,7% in the operating expenses of the Investment Banking division. This was primarily due to increased costs attributable to the acquisitions of PMG Capital in the US and Wentworth Associates in Australia as well as a number of senior appointments made in South Africa and the UK. These costs were partially offset by lower bonuses paid to investment banking personnel in the UK as a result of the decline in corporate finance activity in 2002 compared to 2001.
- The additional costs incurred by the Asset Management division in integrating the asset management businesses acquired from Fedsure, together with selective hiring of additional senior staff in all locations.
- An effort to build and expand the Group's international capabilities in the Private Client Activities division and Treasury and Specialised Finance division. Select recruitment of teams were made in the UK and Australia.
- Depreciation of the Rand, as already mentioned.

The increase in expenses in the US and the UK reflected the addition of expenses associated with the businesses acquired during 2001 and 2002. This was partially offset by a reduction in the expansion of business in Israel compared to the prior period due to the downturn in financial markets.

With regard to the above, the overall ratio of operating expenses to total income increased from 63,2% to 65,5%. This mainly reflects the reduced revenues generated from the Group's UK investment banking activities as well as capacity building in some of the recent offshore acquisitions. However, the inclusion of 10 months' income from the Fedsure acquisition helped to cushion this ratio to some extent due to synergistic gains producing higher income growth compared to expenses.

Performance

Cost to income ratio by geography



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. A strong emphasis on cost containment is being 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%

International cost to income ratio: 65%

Income before tax and exceptional items

As a result of the foregoing factors, Investec's income before tax and exceptional items (i.e. headline net income before tax) increased by 29,8% from R1 825 million in 2001 to R2 369 million in 2002.

Geographic and business analysis - year ended 31 March 2002

(R millions)	South Africa and Other[1]	UK and Europe	Israel	USA	Investec Group
Investment Banking	282	296	52	(46)	584
Treasury and Specialised Finance	568	153	4	-	725
Asset Management	467	29	4	-	500
Asset Management	247	29	4	-	280
Assurance Activities	220	-	-	-	220
Private Client Activities	134	370	46	19	569
Group Services and Other Activities	(118)	67	(1)	43	(9)
Headline net income before tax	1 333	915	105	16	2 369

Notes: (1) Includes Australia, Botswana, Hong Kong and Mauritius.

Geographic and business analysis - year ended 31 March 2001

(R millions)	South Africa and Other[1]	UK and Europe	Israel	USA	Investec Group
Investment Banking	172	432	29	-	633
Treasury and Specialised Finance	468	121	2	-	591
Asset Management	194	32	2	-	228
Asset Management	194	32	2	-	228
Assurance Activities	-	-	-	-	-
Private Client Activities	100	235	32	33	400
Group Services and Other Activities	(230)	145	-	58	(27)
Headline net income before tax	704	965	65	91	1 825

Notes: (1) Includes Australia, Botswana, Hong Kong and Mauritius.

Taxation

The effective tax rate for the Group was impacted by the continued utilisation of assessed losses in the UK and the negative tax charges resulting from operational and provisional losses in the US due to the disposal of its Private Client Activities. These decreases were offset by an increase in the South African effective tax rate from 26,5% to 28,6% in the current year.

Income from associates

Investec underwrote a rights issue undertaken by Capital Alliance Limited (CAL) in October 2001, increasing the Group's effective interest in CAL to 29,7%, making it an associate in terms of AC 110. Based on publicly available information, an amount of R49 million has been accrued, representing Investec's share in its operating earnings for the five and a half months ended 31 March 2002.

Recognising that the effective date of the Fedsure acquisition was 1 June 2001, treatment of Fedsure's earnings as income from an associate was appropriate for the first two months of Investec's financial year. The net impact on Investec's earnings was a loss of R32 million, comprising operating profits of R13 million and exceptional losses of R45 million.

Share of associated earnings

(R millions)	
Fedsure operating earnings for 2 months ended 1 June 2001	13
Capital Alliance operating earnings for 5 and a half months ended 31 March 2002	49
Exceptional losses from Fedsure for 2 months ended 1 June 2001	(45)
Previously stated	82
Reversal of fair value adjustments made on acquisition which cannot be recognised as equity accounted earnings in terms of AC 131 and AC 110	(127)
Total per Income Statement	17

Exceptional items

The significant increase in exceptional items from R468 million in 2001 to R1 058 million in 2002 is as a result of a number of factors listed below:

- Investec's share of associates' exceptional items as detailed in the previous paragraph.
- Increased goodwill amortisation relating to acquisitions made during the current year and towards the end of the previous year, of which the largest contributor was the Fedsure acquisition.
- Losses of R80 million in respect of the pending disposal of the US private client operations, of which R40 million represents the impairment of unamortised goodwill attributable to those particular businesses.
- An impairment of R472 million in relation to the purchased goodwill on Fedsure's insurance business, reflecting the problems in that business which were not apparent at the time of acquisition. The impairment test was performed in terms of the requirements of both AC 128 and AC 131, applying a combination of value in use and net selling price on all components of the Fedsure acquisition.

Offsetting these exceptional losses was the recognition of profits on the disposal of the UK insurance business as well as the realisation of a fixed income long-term loan asset, which formed part of the Group's non-trading portfolio. Low interest rates, which prevailed for the majority of the year, provided the opportunity for the Group to realise this investment to its best advantage.

Minority interest

Minority interest reflects that portion of Investec's profit on ordinary activities after taxation that is contributed to the minority shareholders of its subsidiaries. For the year ended 31 March 2002, minority interest largely represented the 20% publicly held interest in Investec Bank (Israel) Ltd, which had declined from 25% in 2001. Notwithstanding this decline, the charge related to minority interest increased from R13 million for the year ended 31 March 2001 to R22 million for the year ended 31 March 2002 as a result of the increased profitability of this subsidiary during the period.

Debenture interest

The increase in debenture interest by 23,5% to R305 million in 2002 reflects the full year inclusion of compulsorily convertible debentures issued during the previous year.

Earnings attributable to ordinary shareholders

As a result of the foregoing factors, earnings attributable to ordinary shareholders decreased by 26,0% from R846 million for the year ended 31 March 2001 to R626 million for the year ended 31 March 2002.

Headline earnings attributable to ordinary shareholders

Headline earnings attributable to ordinary shareholders reflect earnings attributable to shareholders after adjusting for amortisation of goodwill and certain exceptional items. Headline earnings attributable to ordinary shareholders increased from R1 314 million for the year ended 31 March 2001 to R1 684 million for the year ended 31 March 2002.

(R millions)	Year ended 31 March 2002	Year ended 31 March 2001	% change
Headline earnings	1 684	1 314	28,2
Headline adjustments	(1 058)	(468)	
Goodwill amortised	(747)	(312)	
Goodwill impairment	(512)	-	
Loss on disposal of subsidiaries and fixed assets	(21)	-	
Profit on disposal of non-trading loans	267	-	
Share of associates exceptional items	(45)	(156)	
Attributable earnings	626	846	(26,0)

Balance sheet analysis

Capital resources

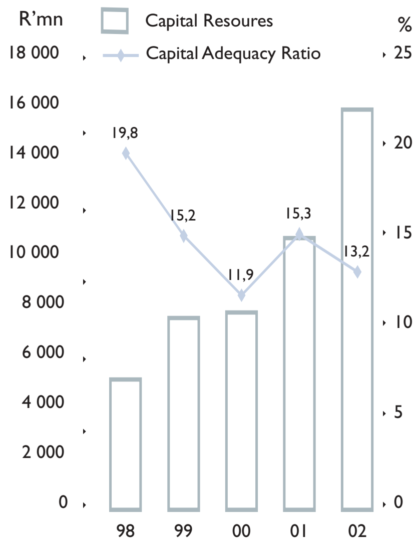
Total capital resources increased by 42,5% to R16 016 million since March 2001.This was attributable to a net increase of R2 755 million in shares and debenture issues following the Fedsure acquisition; the substantial movement in the foreign currency translation reserve detailed elsewhere in this report; and the issue of an additional R300 million of subordinated debt in the South African market.

The Group's capital adequacy ratio at the year end was 13,2%.Tier one capital represents 66,0% of the total net qualifying capital attributable to banking activities, which is well in excess of the statutory minimum of 50%.

Viewed in conjunction with headline earnings, the return on average tangible shareholders' funds over the period increased from 25,8% to 27,6%, with growth in tangible net assets of 25,3% to R7 745 million. More importantly, the Group's return on investment remained constant at 17,2%. Furthermore, the Group's net tangible asset value per share increased by 12,5% from 6 311,5 cents to 7 099 cents.

Performance

Total capital resources and capital adequacy



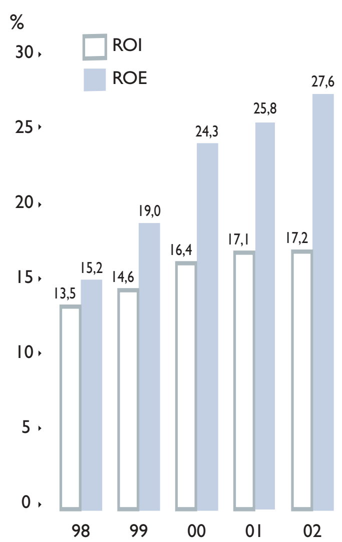
Objective

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 investment (ROI)*



Objective

Investec's objective is to continue to focus on increasing the return on tangible shareholders' funds (ROE), as opposed to nominal capital, through the efficient deployment of its capital base. The Group intends to generate ROE in excess of its cost of capital. The Group generated a ROE of 27,6% for the year ended 31 March 2002, while the Group's weighted average cost of equity capital over the period was 12,8%.

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

* Refer to definitions on page 240.

Total assets under administration

On balance sheet assets recorded strong growth of 56,0% to R303 841 million from March 2001, influenced by the inclusion of the Fedsure assets and its consequent goodwill; organic growth in advances; and the impact of the gain realised by the devaluation of the Rand against the world's major currencies.

Third party assets under management increased by 42,2% to R455 billion, positively affected by recent acquisitions within the institutional, retail, property and, to a lesser extent, private client stockbroking activities.

(R millions)	Year ended 31 March 2002	Year ended 31 March 2001	% change
Retail (includes unit trusts, mutual funds and linked products)	69 854	42 605	64,0
Institutional and investment trusts	202 829	119 150	70,2
Private clients	163 557	137 480	19,0
Private clients - discretionary	68 869	63 719	8,1
Private clients - non-discretionary	94 688	73 761	28,4
Properties managed for third parties	4 114	1 975	108,3
Acceptances on behalf of clients	44	42	4,8
Scrip lending	14 619	18 645	(21,6)
	455 017	**319 897**	**42,2**
On balance sheet assets	303 841	194 732	56,0
Total assets under administration	**758 858**	**514 629**	**47,5**

Divisional performance

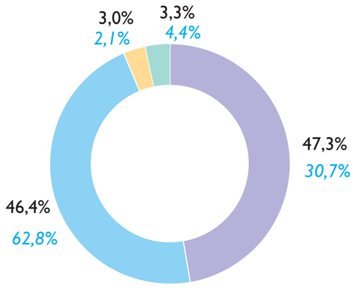
A detailed description of the performance of the Group's principal divisions as well as its Group Services and Other Activities division can be found on pages 55 to 99. In summary:

(R millions)	Year ended 31 March 2002	Year ended 31 March 2001	% change
Investment Banking	584	633	(7,7)
Decline in performance reflecting difficult market conditions			
Treasury and Specialised Finance	725	591	22,7
Creditable results despite market volatility			
Private Client Activities	569	400	42,3
Strong performance from Private Banking in UK and SA			
Asset Management	280	228	22,8
Commendable contribution, supported by acquisition of Fedsure			

Geographic performance

From a regional perspective, an analysis of headline earnings by geography between the 2001 and 2002 financial years reveals a notable shift from the UK and Europe to Southern African operations, with the latter increasing its contribution from 30,7% in 2001 to 47,3% in the current year and a concomitant drop in the comparative UK percentage from 62,8% to 46,4%.

Headline earnings by geography



* Includes: Australia, Botswana, Hong Kong and Mauritius

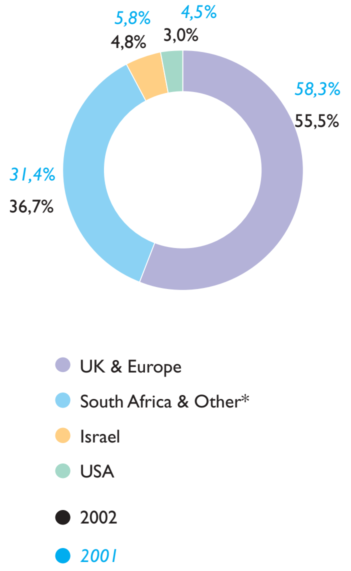
This trend is explained as follows:

- The majority of businesses acquired as part of the Fedsure acquisition were South African based, thereby contributing to enhanced earnings growth in the region due to its inclusion for 10 months in the period under review.
- All round strong performances from the South African operations, with a notable contribution from its Investment Banking, Private Banking, Treasury and Specialised Finance and Property Activities.
- First year of positive contribution amounting to R15 million from the Group's Australian operations, which is included in Southern African and Other regions.
- The UK investment banking business enjoyed a year of exceptional performance in 2001. The equity market buoyancy in the first half of that year established a high base from which to grow. This latter point contributed towards the drop in real earnings of the UK businesses, which was partially absorbed by the steep devaluation of the Rand, amounting to in excess of 26%, over the relevant period.

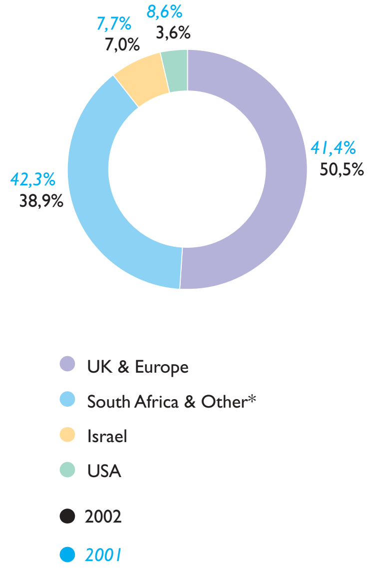
Of its remaining worldwide operations, the Group's Israeli businesses ended the year on a stronger note, generating growth in real terms of some 30,6% off a low base in 2001. The US operations continued to suffer from prolonged equity investment scepticism, with the dramatic slowdown of transactional and market activity resulting in overall negative growth, aggravated by losses of R46 million attributable to the new investment banking business, Investec Inc (formerly PMG Capital), which was introduced for the first time in 2002. Australia, on the other hand, remained relatively insulated from global conditions, as falling interest rates and a weak Australian Dollar in the second six months coupled with high property prices boosted economic growth.

Notwithstanding the above, the concentration of assets and net tangible shareholders' funds is weighted towards the Group's international activities, with 63% and 61% respectively residing offshore.

Assets by geography



Net tangible asset value by geography



* Includes: Australia, Botswana, Hong Kong and Mauritius

Prospects

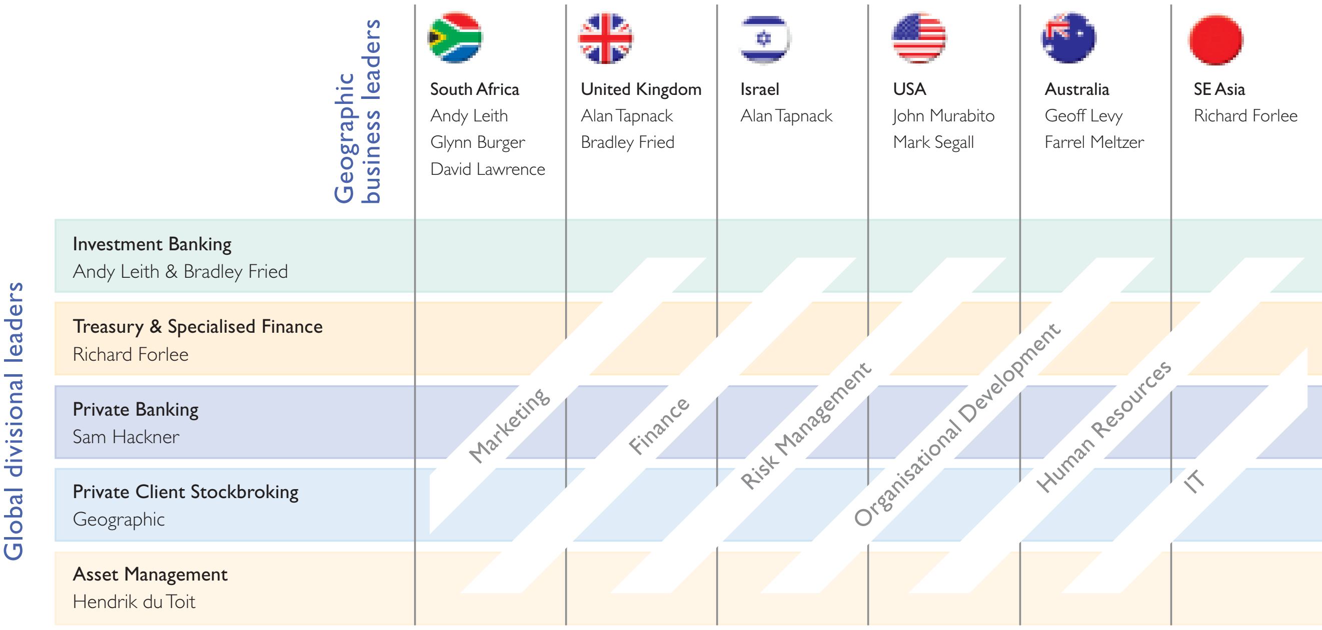
The volatility of external market and economic conditions render performance for the 2003 financial year difficult to predict. The Group will continue to assess its performance based on the following key indicators:

- Return on average tangible shareholders' funds.
- Return on investment.
- Cost to income ratio.
- Annuity income as a percentage of total 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 & Compliance	Bradley Tapnack
Risk Management	Glynn Burger
Banking, Institutions & 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

1 **Namibia**

Windhoek

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

2 **South Africa**

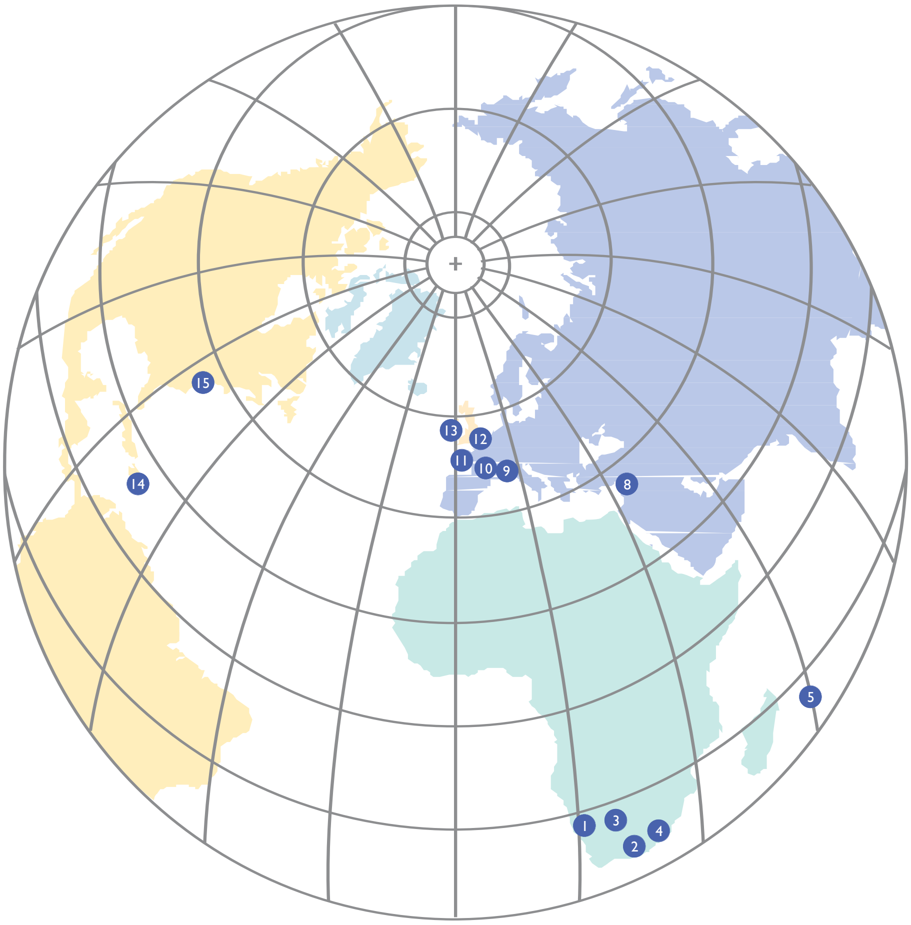
Cape Town
Johannesburg
Port Elizabeth
Durban
Pietermaritzburg
Pretoria

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
Securities Investment Bank Ltd

3 **Botswana**

Gaborone

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



geographic representation

15 **United States**

Chicago
New York
Philadelphia

Investec Ernst & Company
Gerber Trade Finance Inc
Investec Inc
Investec Asset Management US Ltd

14 **British Virgin Islands**

Tortola

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

13 **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

12 **United Kingdom**

London

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

4 Swaziland

Mbabane

Swaziland Portfolio Managers (Pty) Ltd

5 Mauritius

Port Louis

Investec Bank (Mauritius) Ltd

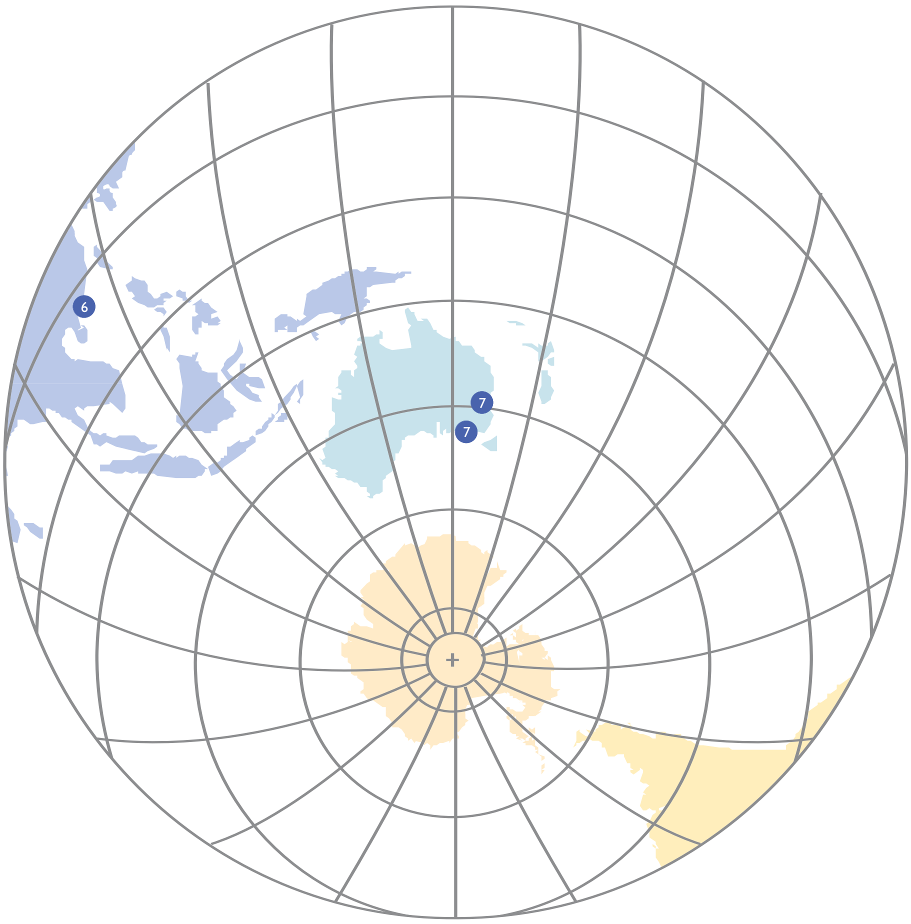
6 Hong Kong

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

7 Australia

Melbourne
Sydney

Investec Australia Ltd
Investec Wentworth



11 Channel Islands

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

10 Luxembourg

Investec SA

Investec Finance SA

9 Switzerland

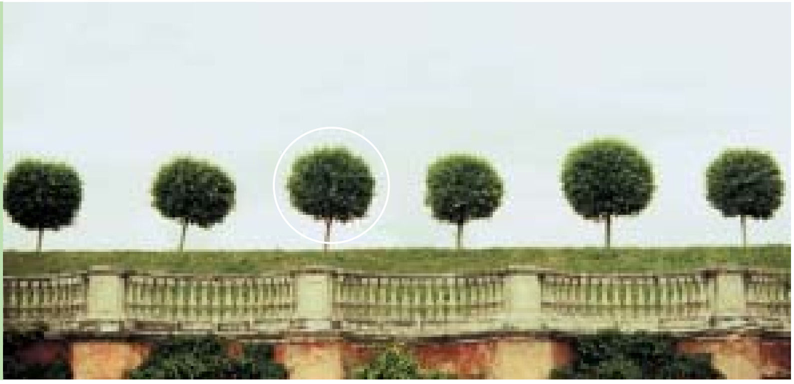
Geneva
Zurich

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

8 Israel

Tel Aviv
Jerusalem
Haifa

Investec Bank (Israel) Ltd



group operating structure

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. The Group has concentrated on building business depth as opposed to breadth, enhancing and expanding its position in its four principal business divisions, namely:

- Investment Banking
- Treasury and Specialised Finance
- Private Client Activities
- 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, and the US Dealing, Clearing and Execution business.

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.

Investment Banking

Corporate Finance

Institutional Research, Sales and Trading

Private Equity

Direct Investments

Treasury and Specialised Finance

Financial Markets
- Interest Rates
- Foreign Exchange
- Equity Derivatives
- Commodities

Banking Activities
- Treasury
- Financial Products
- Structured Finance
- Project and Resource Finance

Private Client Activities

Private Banking
- Structured Finance and Specialised Lending
- Investment Management
- Trust and Fiduciary Services
- Private Client Investment Banking
- Banking Services, including foreign exchange and transactional services

Private Client Portfolio Management and Stockbroking

Asset Management

Portfolio Management
- Active specialist
- Active balanced
- Quantitative
- Segregated and pooled

Investment Products
- Unit trusts/mutual funds
- Wrap funds
- Structured products
- Linked products

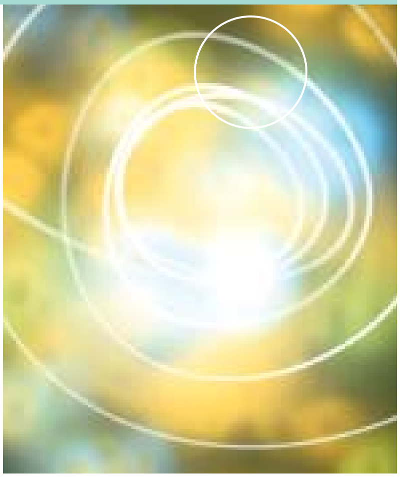
Assurance Activities

Group Services and Other Activities

Central Costs

Central Funding

Other Activities



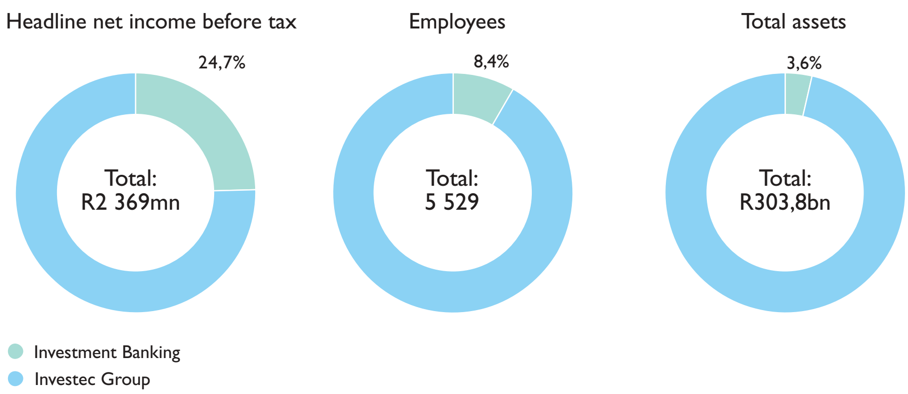
investment banking

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

Year ended 31 March	2002	2001	% change
Total income (R'mn)	1 324	1 021	29,7
Operating expenses (R'mn)	740	388	90,7
Headline net income before tax (R'mn)*	584	633	(7,7)
Cost to income ratio (%)	55,6	37,4	48,7
Total assets (R'mn)	10 849	9 314	16,5
Number of employees	462	344	34,3

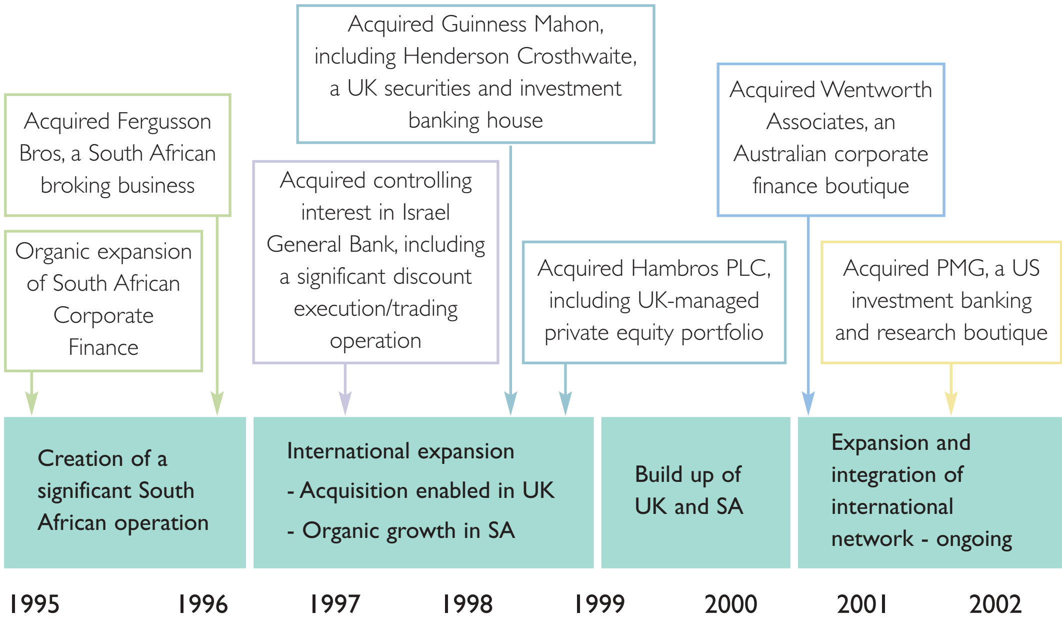
* As defined on page 240

Contribution analysis - % of Group total at 31 March 2002



History of significant events

Strong organic growth with selective acquisitions



Australia Israel Southern Africa UK USA

Coloured blocks represent the country in which the development or acquisition took place.

Scope of activities

Product	Geography	Description
Corporate Finance	UK, South Africa, Australia, USA	• Domestic businesses benefiting from access to an international network • Mid-market focus with a penetration into larger clients, specifically in South Africa
Institutional Research, Sales and Trading	UK, South Africa, Israel, USA	• Research operated on an international platform • 12 top 3 ranked research teams • Blue chip domestic institutional client base
Private Equity	UK, South Africa, Australia	• 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	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

Global management structure

Joint Global Heads of Investment Banking
Bradley Fried
Andy Leith

Australia
Investec Wentworth
David Gonski
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
Clinton Wood

Management Services
Kevin McKenna
Alex Harding

UK
Investec Investment Banking and Securities
Perry Crosthwaite
Russell Chambers
David Johnson
David Kantor

Private Equity
Rob Cohen

USA
Investec Inc
Mark Segall
Frank Drazka
Neal McCarthy
Peter Rawlings

International
Richard Hickinbotham
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, Israel and the US. 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 is able to offer through a combination of domestic depth and expertise and access to its international network.

The client base of the division includes:

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

Year in review

Solid results in SA offset by weaker performances from international operations

The Investment Banking division's headline net income before tax decreased by 7,7% to R584 million, reflecting the difficult market conditions across all geographies in which the division operates. The decline came primarily from the UK division, which was particularly affected by a market collapse in capital raisings, following the division's record figures in the previous year.

The Investment Banking division continued its internationalisation strategy during the year, with Australia and the US reporting for the first time. A number of senior appointments were made in South Africa and the UK.

South Africa

Investment Banking in South Africa performed well during the period under review, with headline net income before tax increasing by 44,2% to R248 million (excluding Australia).

Corporate Finance - creditable performance supported by leading domestic positioning

The Corporate Finance division posted creditable results during the year despite the sluggish capital raising market. The division benefited from the various opportunities that continued to arise in the corporate market, particularly in the areas of mergers and acquisitions (M&As) and corporate restructuring. During the year under review, the division completed 39 M&A transactions, out of a total of 105, with a combined value of approximately R25,4 billion.

The division continued to seek creative and effective ways to develop value-added solutions for its clients. Accordingly, the Corporate Finance division collaborated on a number of deals with other divisions within the Group to facilitate M&A transactions. This was shown in the introduction of equity derivatives, which was jointly developed with the Financial Products team, to fund a black economic empowerment transaction.

In accordance with Investec's black economic empowerment strategy, the Corporate Finance division continues to use its advisory and investment capabilities to drive and fund the creation of sustainable black economic empowerment companies. During the period under review, the division participated in both an advisory and an investment capacity in the acquisition by Tiso Capital (as part of Tiso Consortium) of a 5% equity interest in Kumba Resources for R400 million.

Other key features of the Corporate Finance division's performance include significant deals in the property and resources sectors, increased activity in both inward and outward cross-border transactions, and the disposal of several assets emanating from the Fedsure acquisition.

The Corporate Finance division has established itself as one of South Africa's leading domestic corporate finance houses and received a number of awards and rankings during the financial year. Specifically, the division:

- Was ranked first in South Africa by the *Ernst & Young Survey (March 2002)* for advising on the highest volume and value of M&A transactions undertaken during the 2001 calendar year.
- Achieved first place in South Africa in the volume and value of transactions recorded in the *Dealmakers Magazine Survey (March 2002)* for the calendar year 2001.
- Received the *Dealmakers Magazine (March 2002)* "Dealmaker of the Year" award for deal flow in 2001.
- Was awarded the "M&A House of the Year for South Africa" accolade by *Euromoney (July 2001).*

Institutional Stockbroking - sound performance of Structured Equity desk partially offset by subdued agency volumes

Investec Securities Limited operates in a tough environment, with market volumes remaining largely static and the volatility in the Rand rendering the identification of sustained market trends increasingly difficult. During the financial year, the market was characterised by investor indifference, with foreign investors remaining wary of emerging market risk and local investors continually seeking to diversify away from growth-and opportunity-constrained realities in South Africa.

Two distinct trends emerged during the year under review. In the first half of the year, agency volumes remained subdued, with the newly created Structured Equity desk performing strongly. Post 11 September 2001, however, this pattern was reversed, with the agency desk showing greater signs of momentum and the Structured Equity desk struggling in the face of both market and Rand volatility.

The establishment of the Structured Equity desk provided a new driver of revenue in the period under review. The desk was initially designed to reduce Investec Securities Limited's dependence on agency commissions at a time when commissions remain under severe pressure. It also offers best execution to clients in the light of wide spread indications of the increased weighting of dealing in allocation business. The desk proved successful in its first year of operation, efficiently translating its market-neutral philosophy into a commercially viable model that can be replicated in the Group's trading operations in other geographies.

The changing nature of local stockbroking and market dynamics means that Investec Securities Limited increasingly needs to leverage off other areas and capabilities within the Group. Accordingly, Investec Securities Limited has sought to internationalise its research through increased interaction, co-operation and collaboration by members of its research team with their counterparts and peers elsewhere within the broader Group.

Private Equity and Direct Investments - selective, opportunistic business approach drives strong performance

The Private Equity division posted results above expectations and continued to make select investments and realisations. The division actively seeks out select, opportunistic investments as principal in unlisted South African companies. When making its investment decisions, the Private Equity division applies its extensive knowledge of the South African market and risk management techniques, to its investment analysis. During the period under review, the Private Equity team was rated third in South Africa for the second consecutive year in the 2001 *PricewaterhouseCoopers Banking Survey*. As at 31 March 2002, the private equity portfolio had an aggregate book value of approximately R25 million.

In addition, the Group makes select, direct investments on an independent basis, primarily in JSE-listed and unlisted South African companies. As at 31 March 2002, the South African direct investments portfolio had a book value of approximately R600 million.

UK and Europe

The Investment Banking division in the UK and Europe experienced a difficult year, with headline net income before tax declining 31,5% to R296 million.

Investec Investment Banking and Securities - weaker markets negatively impact performance

Investec Henderson Crosthwaite (rebranded Investec Investment Banking and Securities) experienced a particularly tough period as a result of the severe drop in capital market transactions, with headline net income before tax decreasing 41,1% on the previous year in which it had significantly benefited from the booming technology, media and telecommunications (TMT) sector.

The division sought to offset the decline in revenues by leveraging off its strong client base and by raising its profile in domestic financial advisory work, particularly for M&A activities. For the year ended 31 March 2002, the division advised on 21 M&A transactions, with a combined value of approximately £600 million. Investec intends to develop its local market expertise further through continued selective hiring, to help establish itself as one of the leading niche domestic corporate finance houses in the UK.

The research arm of the division focuses on 10 sectors. Continuing recruitment is expected to broaden the research team's sector coverage. Within these sectors, coverage is mostly vertical, encompassing both large and smaller capitalisation stocks.

Since August 2000, Investec Securities has also engaged in market making activities, and currently acts as market maker for approximately 80 UK-listed stocks. In addition, the Group intends to develop a limited proprietary trading activity via the structured equity desk to support its market making and agency operations.

During the period under review, Investec completed the establishment of a satellite stockbroking function for the distribution of Investec Investment Banking and Securities' products into the Irish market. The division completed its first cross-border corporate finance deal, with the trade sale of a privately owned environmental consulting operation to a UK publicly quoted company.

The division received the following rankings in the *Reuters UK Smaller Company's Survey (June 2001):*
- First for research in the Telecommunications, Media, Beverages, Services and Leisure sectors.
- Second for Deal flow of New Equity Issues.
- Third for Pricing of New Equity Issues.

Private Equity and Direct Investments - continued realisation of existing portfolio of investments

Investec inherited a UK managed private equity portfolio as part of the Guinness Mahon and Hambros acquisitions in 1998. Investec continues to divest itself of this specific portfolio of investments. Investec has made a number of small and select private equity and direct investments and where appropriate opportunities arise will continue to make similar investments. As at 31 March 2002, the aggregate market value of the private equity and the direct investments portfolio was approximately £27 million.

USA

Investec acquired PMG Capital (since renamed Investec Inc) in June 2001. Investec Inc, based in Pennsylvania, is a full-service investment banking boutique, focusing on the TMT, consumer and healthcare sectors. The division's merchant banking, technology sector focused, micro-cap model was particularly vulnerable to the weak operating environment during the financial year and, as a result, posted operating pre-tax losses of R46 million.

The Equity Research team of nine analysts is supported by a small Institutional Sales team with national coverage and a Trading desk that provides a market making function in approximately 90 Nasdaq-listed stocks. Towards the end of the period under review, the division strengthened its advisory capability through the recruitment of two teams in its chosen niches of TMT and healthcare. Investec Inc intends to work closely with the division's non-US businesses, particularly in Israel and the UK.

Despite its small size, Investec Inc's Corporate Finance, Research, Sales and Trading functions, together with its infrastructure, provide Investec with a platform for conservative growth in the US.

Australia

Investec established an Australian corporate advisory capability in March 2001, following the acquisition of Wentworth Associates, rebranded Investec Wentworth. The division reported a creditable performance in its first year of operation, with headline net income before tax of R34 million. In February 2002, the division acquired Melbourne-based Chronworth Pty Ltd, further enhancing its corporate advisory capability. During the financial year, Investec Wentworth completed 16 M&A transactions, including several cross-border transactions, with a combined value of approximately A$2,5 billion.

During January 2002, a Private Equity capability was established in Australia through the acquisition of a private equity team and the launch of an A$40 million private equity fund, which is managed alongside a similar sized existing fund. The Private Equity operation sources transactions principally from Investec Wentworth's relationship with private and quoted Australian businesses.

Israel

Investec Bank (Israel) Ltd has a well-established brand in the Israeli securities market. The Israeli desk, established at Investec Ernst & Company in the US, has increased market share in the volumes of Israeli shares traded on the Nasdaq.

Future direction

The Investment Banking division is in a consolidation phase. Its primary objective is to secure 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. Investec believes there is significant opportunity to increase its profile and market penetration, and is likely to emanate from a series of initiatives designed to:

- Achieve market leading positions in its chosen niches by upgrading its existing product and service offering and recruiting market leading practitioners.
- Build a balanced portfolio of revenue streams by focusing on growing specific product areas, such as equity and debt advisory work in the UK and its trading and execution operations across the division.
- Create a profitable and recognised business in the US by aggressively building a deal pipeline and new clients, enhancing brand awareness and further integrating its operations into the division's international network.
- Win new client mandates through the ongoing development and imparting of a common, client-based culture throughout the division.

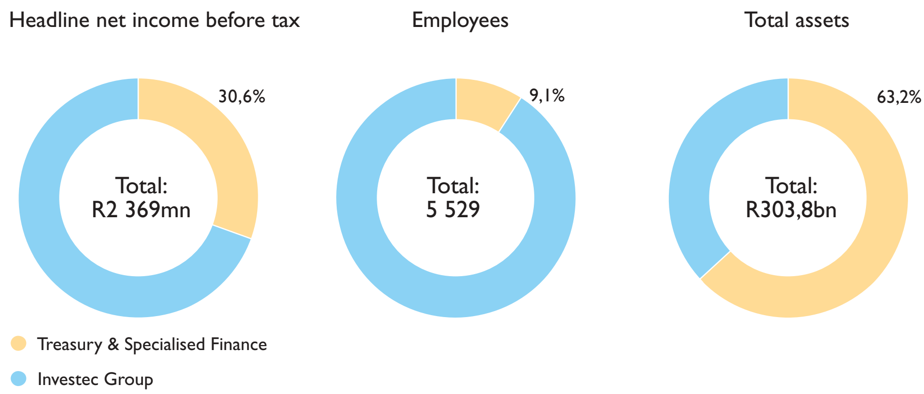
treasury and specialised finance

Includes: non-private client deposit taking, corporate and public sector lending, structuring and proprietary trading activities

Year ended 31 March	2002	2001	% change
Total income (R'mn)	1 320	1 006	31,2
Operating expenses (R'mn)	595	415	43,4
Headline net income before tax (R'mn)*	725	591	22,7
Cost to income ratio (%)	44,1	39,3	12,2
Total assets (R'mn)	191 973	129 047	48,8
Number of employees	503	441	14,1

*As defined on page 240

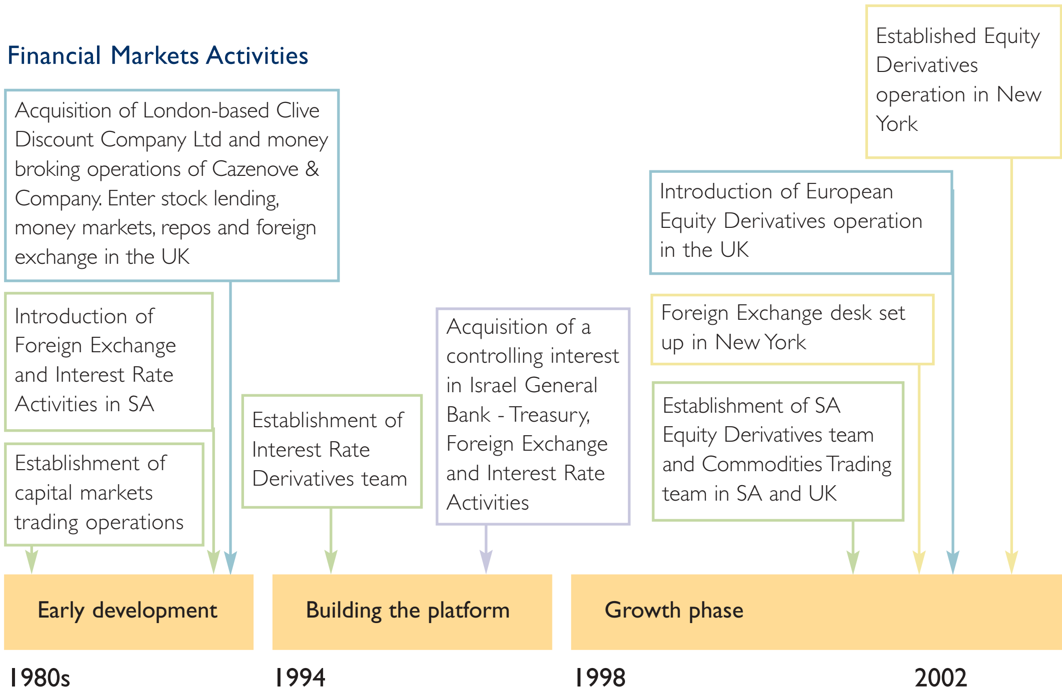
Contribution analysis - % of Group total at 31 March 2002



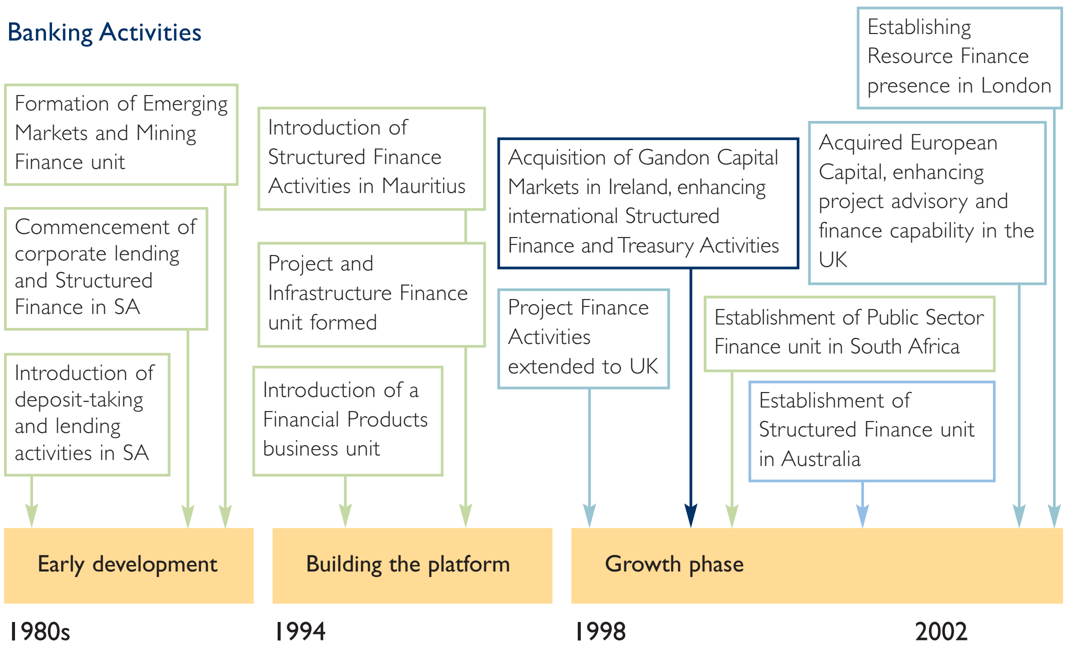
History of significant events

Strong organic growth in South Africa - looking to significantly expand and develop capabilities internationally

Financial Markets Activities



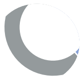
Banking Activities



Australia Ireland Israel Southern Africa UK USA

Coloured blocks represent the country in which the development or acquisition took place.

Scope of activities

	Financial Markets Activities				Banking Activities			
	Interest Rates	Foreign Exchange	Equity Derivatives	Commodities	Treasury	Financial Products	Structured Finance	Project & Resource Finance
	1	1	1	2	1	1	1	1
	1	2	2	2	2	3	3	2
	x	x	x	x	2	x	2	x
	1	1	x	x	1	x	3	x
	x	3	3	x	x	x	x	x
	x	x	x	x	x	x	2	x
	x	x	x	x	1	x	1	x

1 = Top tier 2 = Significant 3 = Developing x = No presence

Global management structure

Regional Management

Richard Forlee	Global
Tom Murray	Ireland
Craig Mckenzie	Mauritius
Richard Wainwright	South Africa
David van der Walt	UK

Financial Markets Activities

Interest Rates

Brett Hopkins	South Africa
Chris Morris	UK

Foreign Exchange

Patrick de Villiers	Global/South Africa
Simon Jaquiss	UK

Equity Derivatives

Dave Robison	Global/USA
Peter Alderson	Global/UK

Commodities

Rob Lang	Global

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	Global
Mark Currie	South Africa

Structured Finance

David van der Walt	Global
Greg Hare, Dave Querzoli	Australia
Anton Millar	South Africa
Vusumuzi Mahlangu	SA Public Sector Finance
David Kuming	SA Mezzanine Debt

Project and Resource Finance

José de Nobrega	Global
Deon Louw	Resource Finance
Michael Meeser	SA Project & Infrastructure Finance
Maurice Hochschild	UK Project & Infrastructure Finance

Support Activities

Divisional Compliance and Legal

Pauline Trollip	Global

Information Technology

Niël Oberholzer	Global/South Africa
Tanis Jardin	UK

Financial Control

Alan Byrne	Ireland
Eureka Redelinghuys	South Africa
Jodi Joseph	UK

Financial Institutions Group

Helmut Bahrs	Global/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 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.

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. Provider of hedging and structured trades for customers in both the spot and derivatives markets.

Banking Activities

- Treasury
  Provision of Rand, Sterling, Euro and US Dollar funding to the Group, and the management of liquidity and interest rate risk on behalf of the Group. Provision of a broad range of treasury products and services to the corporate market.
- Financial Products
  Involvement 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 Finance
  Involvement 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.

The division's breadth of operations represents a portfolio of diversified businesses. The Banking Activities tend to be more stable, while the Financial Markets Activities, although potentially lucrative, tend to be more volatile.

The majority of the division's operating income is attributable to its operations in South Africa, with almost all the rest originating from its operations in the UK. Investec also has certain limited treasury and specialised finance activities in Australia, Ireland, Israel, Mauritius and the US.

Year in review

Solid performance despite difficult market conditions, with headline net income before tax up by 22,7%

Most of the business units contributed to the success of the division in a year characterised largely by weaker global markets and volatile trading conditions. The events of 11 September and the extreme volatility in the currency and interest rate markets in South Africa in December 2001 had a severe impact on the performances of some of the business units. The Financial Markets Activities produced mixed results, with losses incurred on the Interest Rates desk slightly offsetting strong results from the Commodities unit. The division's Banking Activities, however, experienced another year of solid growth, with strong contributions from the Treasury, Financial Products, Structured Finance and Project and Resource Finance units.

The division continued to enhance, expand and integrate its international capabilities.

Financial Markets Activities

Interest Rates - mixed performance as losses in SA largely offset positive results in the UK

The South African desk experienced a difficult year and both the Bond Trading and Option desks incurred losses as a result of the volatility experienced in the trading markets during December 2001. The losses can be largely attributed to the volatility of the government bond market during this period and the associated reduction in turnover that rendered hedging of the option book difficult. The South African Interest Rate Derivative desk, on the other hand, perpetuated its status in the market and continued to be ranked either first or second in all categories surveyed by *Risk Magazine (September 2001)*. In addition the desk was ranked second in the Polish FRA market.

In the UK, the Group benefited from the low interest rate environment, as the Interest Rate desk remained positively positioned throughout the year.

Equity Lending - sound contribution

The Equity Lending desk made a sound contribution in spite of falling equity markets. Overall, the volume of stocks on loan fell but this was counteracted by higher margins, particularly in Eurozone equities. The division took an early lead in developing the Irish market and this has held it in good stead. The division has steadily been developing its capabilities in non-UK equities and arbitrage. Both of these are seen as growth areas, particularly as the UK inches towards a decision to join the Euro area.

Foreign Exchange - continued integration of operations

During the year, the Foreign Exchange division concentrated all its efforts on consolidating systems and risk positions across its three trading desks in Johannesburg, London and New York. New personnel were hired to complement the business plan of each desk. The performance of these operations was affected both positively and negatively by volatile trading conditions during the year with the overall results being in line with expectations.

Equity Derivatives - SA warrant market share grows significantly, with overall performance relatively subdued

Investec launched its Equity Derivatives business in South Africa in the first quarter of 2000. During the current year under review, the division expanded its capabilities, with the establishment of an Equity Derivatives team in the UK in the third quarter of 2001 and, more recently, a desk in New York.

Activity in South Africa was relatively buoyant. The division, however, was not able to repeat its strong performance of the previous year, largely as a result of a weaker performance from its institutional business, which focuses primarily on market making in stocks. Although the events of 11 September 2001 increased short-term volatility, the equity markets in the UK and US were relatively weak for most of the year, with a negative impact on the performance of the Group's international operations. Furthermore, the division devoted substantial time and resources to establishing these operations.

In South Africa, the division was recognised among the top issuers by value of warrants traded on the JSE for the period January to June 2002. The continued growth of Investec's South African operations depends in part on corporate transactional activity and equity market volatility.

Commodities - strong performance in first full year of operation

Investec established a Commodities team early in 2001. The primary focus of the team is to provide hedging and structured trades for clients in the precious and base metals spot and derivative markets.

The year under review was characterised by high levels of volatility across commodities markets, with base metals trading at their lowest levels in 10 to 20 years. Notwithstanding, the division was successful in its first full year of operation. Substantial progress was made in creating an internal infrastructure, establishing new clients and leveraging off existing Investec clients. The division actively traded with a number of corporate clients across the base metals and bullion markets. During the year, the Group achieved membership of the London Bullion Market Association and category 2 membership of the London Metal Exchange, and is now an active daily participant in both these markets.

The team has seen significant growth in hedging activities on behalf of corporate customers. During the year the division, in conjunction with the Resource Finance division, successfully participated in a large long-term gold hedging transaction for Western Areas Goldmine Ltd.

Banking Activities

Treasury - conservative liquidity profile supports the Group in period of heightened liquidity and interest rate volatility

The evolution of the Group's Treasury activities over the past five years, particularly in the UK, has been challenging and rapid. Increased demands have been placed on the division to fund the Group's growing balance sheet and manage its interest rate and liquidity risk. Both liquidity and interest rate risk were heightened during the period under review. The former was spurred largely by adverse sentiment that prevailed within the South African market following the run on smaller banks, the consequent negative perception around the Group's involvement with Saambou, and the dramatic turnaround in the South African interest rate cycle following the collapse of the Rand. As discussed elsewhere in this report, the Group was relatively unaffected by these events - testament to its conservative and proactive funding policies. Interest rate volatility and uncertainty escalated after 11 September 2001, but the Group was able to structure its activities effectively and benefited from the increased volatility in the market.

Financial Products - strong position in SA market continues to drive performance

The Financial Products division enjoyed a successful year, with results almost double that of the previous year. The size of the preference share book declined as a result of the lower interest rate environment that prevailed for most of the period under review. Nevertheless, the division improved its profitability in this asset class due to the rate positioning of the book and the effective implementation of a number of hedging strategies. Debt origination was positively affected by the development of a corporate bond market in South Africa and the division's financial engineering team successfully exploited a number of structured credit opportunities.

During the year, the division established a Financial Products capability in the UK to focus primarily on the increased deal flow in structured credit transactions. The division intends to hire selective additional skills to develop its capabilities in a wider range of financial products.

Structured Finance - consolidation of newly established international operations and continued focus on value-added offering drive operating results

The Structured Finance division posted solid results across most geographies in which it operates. The lower interest rate environment that prevailed within South Africa for most of the period under review stimulated demand for long-term funding, particularly in the property sector. The structured finance environment in South Africa is highly competitive. The division, however, generally does not compete on the basis of price and continued to increase its market share through commitment to service and the provision of creative, value-add solutions.

The recently established team in the UK enjoyed a rewarding first full year of operation, with sound progress made in defining the scope of the business and laying a platform for future growth. The operations in Ireland were negatively affected by weaker economic conditions and extreme margin pressure in the country. In Australia, the division focused on building its capabilities and established a presence in Melbourne. It was also successful in concluding a number of high profile and profitable transactions.

Project and Resource Finance - strong performance, concluding a number of major transactions

Notwithstanding a generally weaker and more competitive infrastructure environment, the division successfully concluded a number of transactions both in South Africa and the UK. In the South African infrastructure business, a highlight was the successful closing of the N1-N4 Platinum Toll Road project. At a total cost in excess of $400 million, this is the largest project financing in South Africa to date. Investec acted as joint lead arranger and successfully arranged, underwrote and placed R1 billion of CPI-linked bonds in the South African capital market to finance this project.

In December 2001, the Group acquired European Capital Company Ltd and its team of project finance advisers and arrangers, substantially enhancing its project finance and advisory platform in the UK and Europe. A highlight for the newly acquired team was the successful closing of the HZL Zuid, Euro1,3 billion, high speed rail project, in which they acted as financial adviser to the Dutch government. With respect to these transactions, *Project Finance Journals (February 2002)* awarded the division the EMEA Infrastructure Deal of the Year and the European PPP Deal of the Year.

The resource finance market remained buoyant during the year and the division benefited from the opportunistic environment, successfully concluding a number of transactions. These included the R350 million financing of the South Dunes Coal terminal and the participation, in conjunction with the Commodities team, in the long-term gold hedging transaction for Western Areas Goldmine Ltd. Furthermore, the resources division expanded its product range to include project and specialist advisory services and is seeking to extend its geographic reach into the Australian market.

The division continued to focus on projects in the upstream oil and gas sector as well as in the downstream process and power industries. The South African market is for the first time presenting several opportunities in this sector. The experience gained and expertise developed by the division in the Angolan market provides the Group with strong potential to exploit these opportunities.

In January 2002, *Project Finance International* ranked Investec as seventh among global project finance advisers and fourth in the Europe, Middle East and Africa market.

Securities Investment Bank Limited

Managing Director	Danie Gouws
Executive Director	André Pretorius
Financial Manager	André de Wet
Administration Manager	Ali Haji
IT Manager	Herman Roux

Weaker market conditions affect performance

Securities Investment Bank, a wholly owned subsidiary of Investec Group Limited (refer to "history of significant events" on page 13 and 14), trades in financial markets and instruments, and its results are therefore incorporated in the results of the Treasury and Specialised Finance division.

The company performed well in the first half of the year. Weaker market conditions, however, particularly in the last quarter of the year, had a negative impact on the overall results of the company. Although profitable, the company posted results substantially lower than anticipated.

Future direction

The Treasury and Specialised Finance division is well positioned in the South African market and holds top three positions in many segments of the markets it serves. The challenge for the division is to expand its international activities without relinquishing this favourable status. In addition, while Investec is well represented in the domestic market, growth opportunities still remain.

The offshore operations of the division represent both challenges and major opportunities for growth. The division's presence in these markets is insignificant and thus any progress made has potential for major growth.

The division's strategic objectives include:

- Achieving consistent growth by operating in a number of smaller business teams.
- Remaining specialised, only competing in niches where value can be added.
- Targeting activities which take into account the relative size of the division's balance sheet.
- Pursuing product and business diversification - seeking to expand product base particularly in the UK and Australia.
- Targeting business areas which show potential for growth.
- Continuing to focus on organic growth with selective acquisitions, where value enhancing.
- Attracting and retaining key staff, which is fundamental in achieving internationalisation objectives. It is a key operating philosophy of the division to hire local talent in the various regions in which it operates and then augment this with staff from other parts of the world to create a diverse human resource base.
- Paying consistent attention to and investing in risk management, information technology, operating systems, financial control, settlements control and compliance. This is necessary to support the growth objectives of the division.

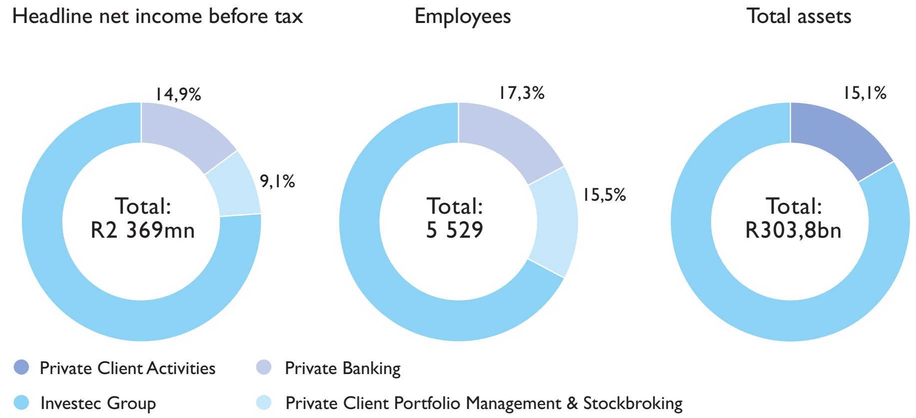
private client activities

Includes: Private Banking, Private Client Portfolio Management and Stockbroking

Year ended 31 March	2002	2001	% change
Total income (R'mn)	2 048	1 585	29,2
Operating expenses (R'mn)	1 479	1 185	24,8
Headline net income before tax (R'mn)*	569	400	42,3
Private Banking	353	202	74,8
Private Client Portfolio Management and Stockbroking	216	198	9,1
Cost to income ratio (%)	68,0	70,3	(3,3)
Global Private Banking loan portfolio (R'mn)	28 122	19 387	45,1
Private client funds under management (R'mn)	163 557	137 480	19,0
Discretionary	68 869	63 719	8,1
Non-discretionary	94 688	73 761	28,4
Number of Employees	1 813	2 028	(10,6)
Private Banking	958	1 032	(7,2)
Private Client Portfolio Management and Stockbroking	855	996	(14,2)

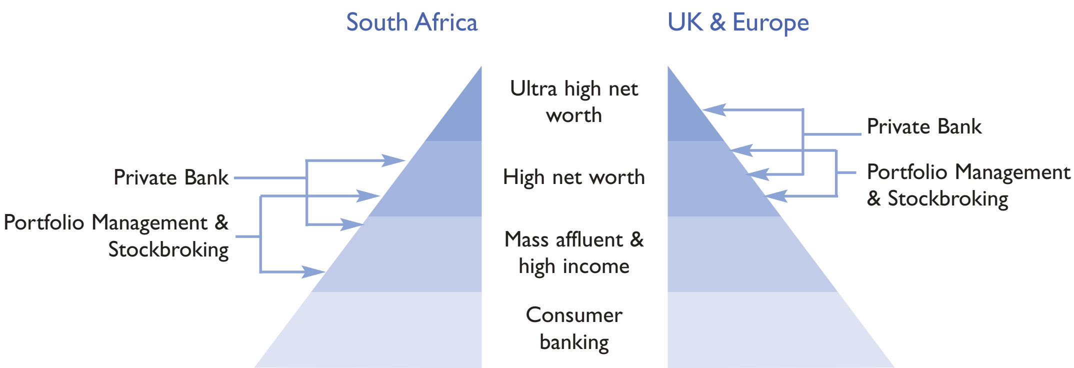
* As defined on page 240

Contribution analysis - % of Group total at 31 March 2002



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 investible 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 investible assets of £3mn+

Private Client Portfolio Management & 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 investible assets of £0,5mn+, and smaller charities (<£20mn)

History of significant events

Private Banking

Evolution into integrated full-service private bank through strong organic growth and select strategic and critical mass-enhancing acquisitions

South Africa

Retail Bank

1998 - 2002 Evolved to full service Private Banking

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002

Retail banking evolving to full service Private Banking

United Kingdom

1992 acquired:
Allied Trust Bank (UK)

1998 acquired:
Guinness Mahon (UK, Switzerland & Guernsey)

1999 acquired:
Kleinwort Benson's Private Client Book (UK), Gandon Capital Markets (Ireland)

2000 acquired:
Theodores Trust & Law (Jersey)
Radcliffes Trustee (Switzerland)

Private Client Portfolio Management and Stockbroking

Development of capability largely through select acquisitions in South Africa, UK and USA over past five years

1995
- Becomes a corporate member of the JSE
- Expanded into stockbroking through the acquisition of Solms & Company

1996
- Acquisition of Fergusson Bros - integrated with other trading activities to form Investec Securities Ltd
- First international acquisition Carr Sheppards in the UK

1998
- Acquisition of Guinness Mahon Holdings PLC - incorporating Henderson Crosthwaite private client business
- Acquisition of Stuart Coleman & Company in New York

1999
- Acquisition of retail broking firm of the Royce Investment Group
- Private client portfolio management and stockbroking activities of Henderson Crosthwaite merge with Carr Sheppards to form Carr Sheppards Crosthwaite
- Acquisition of HSBC's (Johannesburg) private client business

2000
- Acquisition of asset management business of Quyn Martin Asset Management

2001
- Acquisition of private client and clearing arm of Herzog Heine Geduld Inc in USA

2002
- Acquisition of Merrill Lynch's (South Africa) private client business in Cape Town
- Sale of Private Client Stockbroking business in the USA, to its management (subject to regulatory approval)

Southern Africa UK USA
Coloured circles represent the country in which the development or acquisition took place.

Global management structure

Private Banking

Global Head of Private Banking
Sam Hackner

Australia
Farrel Meltzer

Israel
Yossi Zelmick

South Africa
Michael Barr
Glen Gerber
Robert Gottlieb
Paul Hanley
Wayne Preston
John Witter

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

Private Client Portfolio Management and Stockbroking

Investec Securities Limited, South Africa
Henry Blumenthal
Jonathan Bloch
Peter Clucas
Paul Deuchar
Donald Glynn
Raymond Goss
Fairfax Gray
Keith Hall
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
Patric Crosthwaite
Steve Elliott
Alun Evans
Chris Hills
Robert Leach
Ian Maxwell Scott
Grant Nowell-Mitchell
Mark Redmayne
Tony Richards
John Yeldham

Introduction

Private Client Activities posted strong results, particularly as a result of solid performances from the division's South African and UK Private Banking operations, with headline net income before tax increasing by 42,3% to R569 million. Of the total headline net income before tax generated by the division, the Private Banking business contributed 62% and the Private Client Portfolio Management and Stockbroking business 38%.

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 and the UK. Investec also have smaller private banking operations in the Channel Islands and Switzerland as well as Israel and Australia.

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

- Structured and specialised lending activities
- Trust and fiduciary services
- Banking services
- Investment management
- Private client investment banking

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.

Year in review

Strong performance with headline net income before tax increasing by 74,8%

The Private Banking operations in South Africa and the UK benefited from lower interest rate environments for most of the period under review. The Group grew its global Private Bank lending book significantly by 45,1% to R28,1 billion.

South Africa - solid performance continues

For the second consecutive year the South African Private Banking operation posted solid results, driven largely by strong growth in assets under management, advances and non-interest income. Despite the challenging operating environment the division continues to successfully position itself as a provider of "best of breed", value-added products and services, which has assisted in growing its size and profitability. The division experienced a significant increase in lending turnover of 35,2%, and subsequently grew the advances book by 34,1% to R13,8 billion. Most of the growth in the loan book was organic, although it was partially supplemented by the purchase in July 2001 of the debtors book of Regal Treasury Private Bank Ltd. Non-interest income increased by 45%, reflecting the division's diverse nature of activities and comprises structured lending fees, advisory fees, investment management upfront and annuity fees, fiduciary income, retail foreign exchange and transactional banking fees.

During the past year, Private Bank Information Technology focused on enhancing existing functionality in areas such as the Private Bank Account, online banking and client relationship management applications. The division endeavours to leverage these capabilities in the Private Bank, while striving to continuously improve client service.

The Private Bank continues to focus on product innovation and differentiation in entrenching its position as one of South Africa's leading private banks. During the period under review, the division introduced cell phone SMS confirmations for high value purchases, account balances following ATM cash withdrawals and summary statements. The Investec Dividends rewards programme was further enhanced during the period under review with the addition of new beneficial partners, including Investec Foreign Exchange purchases and overdraft balances which now earn clients Dividends points.

The Private Bank continues to strive for value-added products, including the introduction of a garage card offering tailored for Private Bank Account clients as well as significant online banking enhancements.

During the period under review, Investec Private Bank:

- Was ranked the number one private bank by its peers in the *PricewaterhouseCoopers African Banking Survey (2001)* for the second consecutive year.
- Received the *Golden Arrow Professional Management Review (September 2001)* award for the best Private Bank in South Africa.

UK and Europe - strong growth from core banking businesses

Since 1998, Investec has provided international trust, fiduciary and structuring services, which it used, together with its lending activities, as a platform from which to launch its investment management operations in mid-2001. The UK Private Banking operation is based in London, with offshore subsidiaries in the Channel Islands and Switzerland.

As at 31 March 2002, the Private Banking operation in the UK had a loan portfolio of £797 million and retail deposits of £1,2 billion.

The division enjoyed strong growth from the core banking businesses, despite narrowing interest margins. Non-interest income from these core businesses grew by 22% (prior to the impact of acquisitions). In addition, the trust and fiduciary companies acquired at the end of 2001, have been integrated into the Private Bank and now operate under the name Investec Trust Group. This provides enhanced trust, fiduciary and structuring capabilities to the Private Bank's clients.

Property finance, specific to the UK market in the form of mezzanine and senior debt, including equity participation as well as structured lending, has been a key revenue driver.

During the financial year, the Private Bank undertook a number of initiatives in accordance with its vision of becoming an integrated private bank. Specifically, the division has narrowed its target market, becoming more niched within its client base and exiting businesses that fall outside its strategic focus. The division has also expanded its investment advisory offering and launched a number of multi-currency products in the UK market.

The Private Bank will continue with its focused client acquisition strategy with further entrenchment into niches, segments and identified community groups.

Australia - activities refocused and consolidated

A clear Private Banking focus in Australia has been established through the integration of the following business streams:

- Investment and Property Finance - delivering senior, mezzanine and equity debt finance to property and investment based transactions.
- Private Advisory - delivering holistic financial planning, investment advisory and management services, with a medium to long-term wealth preservation focus.
- Investment Services - sourcing and creating exclusive or privileged access structured investment products and opportunities.
- Treasury - providing fixed interest and deposit products, and delivering balance sheet liquidity through retail, wholesale and securitisation funding activities.
- Sales and Orientation - providing customer centric relationship origination and management.

The combined lending book (excluding off-balance sheet transactions) grew by 281% for the year.

Israel - continues to enhance capabilities

Investec Bank (Israel) Limited currently focuses on the provision of traditional and internet banking services to a broader range of retail clients than is the case in the UK or South Africa. The division seeks to strengthen its capabilities and to continue to expand and enhance its product offering.

Future direction

The Private Bank focuses on producing quality products aimed at its targeted clients in markets where it identifies margin opportunities. The value proposition is differentiated in that the core centres on credit but incorporates the five pillars of specialisation. A core strategic focus remains growing the business both organically and acquisitively. Key to the private banking strategy is the leveraging of talent pools, products, technology and infrastructure across all geographies, coupled with continual innovation and maintaining a portfolio of businesses.

South Africa

The Private Bank in South Africa has invested significant time and money into various initiatives in order to transform itself from a leasing operation to an integrated private bank. The division is now in a consolidation phase and is in a position to " sweat the assets". The challenge remains to defend its leading position in a market that will become more competitive as other banks realign their strategies.

UK and Europe

The operations in the UK and Europe are in a growth phase and there is therefore a tremendous opportunity for development and increased presence and profitability.

More recently, the Investec brand has achieved a higher degree of recognition and thus an opportunity to increase market share and attract teams of skilled individuals has arisen.

Specifically, opportunities exist for growth in this market as:

- The market is highly fragmented.
- The Private Bank's forays into the investment management market is in its infancy.
- The capability to optimise technologies and innovation across the various geographies exists e.g. relocate processing hubs to South Africa.

- The value from clients and assets under administration acquired through the expansion of the Investec Trust Group still needs to be extracted.
- The offshore subsidiaries in Switzerland and the Channel Islands are in an embryonic phase but remain important among the Private Bank's targeted clients.

Australia

The Private Bank in Australia will continue to develop its product and service offering, focusing on deepening its penetration into two core market segments within the broader market of high net worth clients:

- Ultra high net worth - with net assets of greater than A$40 million. This is a market of an estimated 600 households in Australia seeking sophisticated and exclusive wealth opportunities.
- High net worth - with net assets of A$2 million to A$10 million. This is a market of an estimated 105 000 households in Australia, with a diverse set of needs including structured debt and specialised investment products.

Private Client Portfolio Management and Stockbroking

The 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.

Year in review

Headline net income before tax up by 9,1%, despite difficult global markets

The Private Client Portfolio Management and Stockbroking business was negatively affected by lower market indices and reduced market volumes. As at 31 March 2002, the Group had approximately R163 billion in private client assets under management.

South Africa - leading player in the market

The Private Client Portfolio Management and Stockbroking business in South Africa operates under the name Investec Securities Limited. As at 31 March 2002, the division's total funds under management exceeded R27,3 billion, with R6,8 billion and R20,5 billion managed on a discretionary and non-discretionary basis, respectively.

In January 2002, Investec Securities Limited purchased Merrill Lynch SA's private client operation in Cape Town, which added R4,3 billion in assets under management and further enhanced the division's capabilities.

Investec Securities Limited has been at the forefront of the consolidation in the South African private client stockbroking market, through the acquisition of four of the leading businesses in the market. As a result of these acquisitions, Investec Securities Limited is a leading player in the South African market.

UK and Europe - net inflows of funds under management, despite low market volumes

Private Client Portfolio Management and Stockbroking activities in the UK are carried out through Carr Sheppards Crosthwaite, with the majority of its revenue and operating profit attributable to commissions and fees generated by its portfolio management business.

Despite low market volumes, Carr Sheppards Crosthwaite managed to generate net new funds under management of £505 million, although total funds under management declined marginally to approximately £6,0 billion, of which £3,6 billion and £2,4 billion were managed on a discretionary and non-discretionary basis, respectively. In addition, Carr Sheppards Crosthwaite had a further £750 million in personal equity plan and individual savings account funds under administration for third parties at the year end.

In 2001, the division's discretionary management capabilities were extended through the recruitment of most of the international team of the Gerrard Group. This enabled the division to provide an international portfolio management service to existing and potential clients. Another growth area has been the successful targeting of the small- to medium-sized charities sector, where Carr Sheppards Crosthwaite managed over £800 million for over 400 charities at 31 March 2002.

The portfolio management business in the UK is intensely competitive. Carr Sheppards Crosthwaite, however, continues to look for growth opportunities based on favourable demographics and continuing investor desire, both for bespoke services and reliability rather than short-term index outperformance.

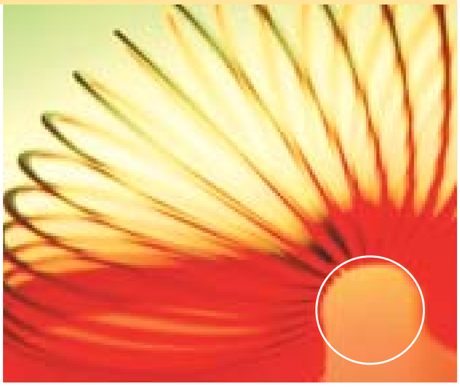
US - strategic decision made to exit the business

Private client stockbroking in the US has been carried out through Investec Ernst & Company. As part of Investec's strategic focus on the development of its investment banking operations in the US, Investec, following the year end, has decided to exit this business and sold the private client stockbroking business to its management on 10 May 2002 (subject to regulatory approval).

Future direction

Investec Securities will continue to explore the development of specialised investment products and services, with the intention of diversifying its brokerage income stream over time. The conversion of client portfolios into fee paying, fully managed accounts is an ongoing objective designed to increase annuity revenues. In addition, various projects are in progress which will target offshore South African private client investment monies as exchange controls continue to be relaxed.

Carr Sheppards Crosthwaite intends expanding the use of the new revenue enhancing front-end systems. In addition, the division plans to extend the marketing drive to non-UK areas and supporting the range of services that is offered by other areas of the Group.



asset management

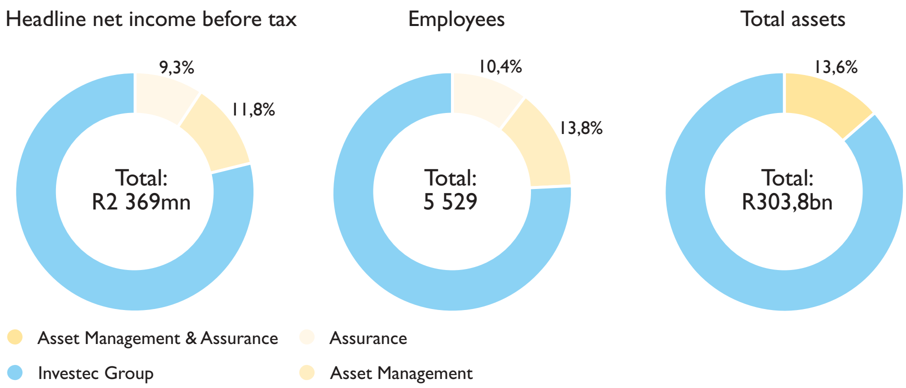
Includes: Asset Management and Assurance Activities

Year ended 31 March	2002	2001	% change
Asset Management			
Total income (R'mn)	1 097	881	24,5
Operating expenses (R'mn)	817	653	25,1
Headline net income before tax (R'mn)*	280	228	22,8
Funds under management (R'bn)**	263	172	52,9
Cost to income ratio (%)	74,5%	74,0%	0,7
Number of employees	763	670	13,9
Assurance Activities			
Headline net income before tax (R'mn)*	220	-	
Number of employees	576	-	

* As defined on page 240

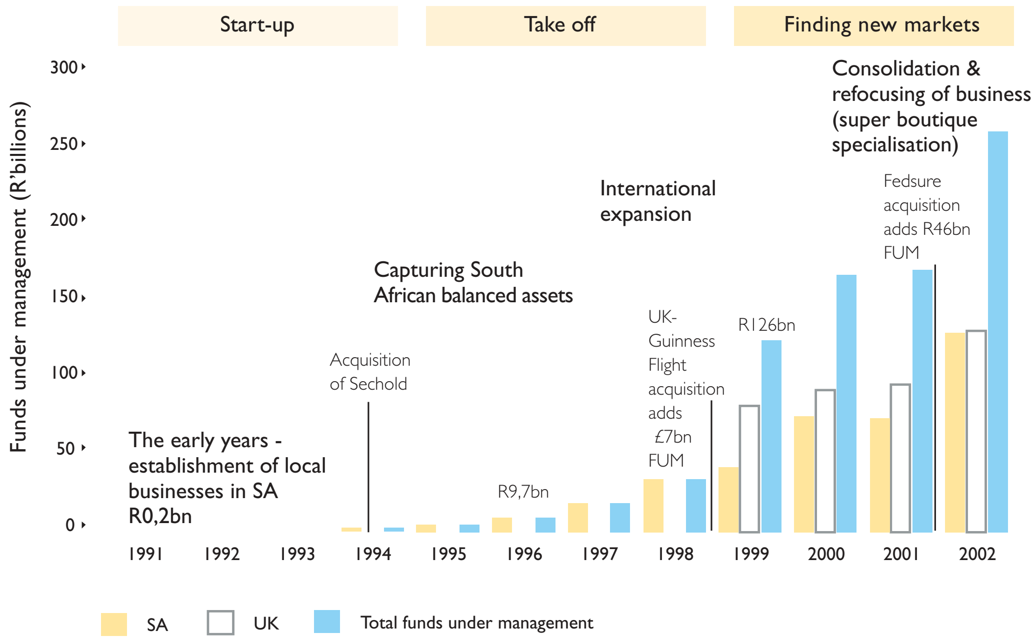
** Including assets managed on behalf of Investec Assurance Ltd, which are included in the Group's on balance sheet assets (R14,5bn and R12,7bn in 2002 and 2001 respectively.)

Contribution analysis - % of Group total at 31 March 2002



asset management

History of significant events



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.

Central leadership		SA	UK	Asia	USA
	Institutional	✔	✔	✔	-
	Retail	✔	✔	✔	✔
	Investments				
	Operations (Finance, Admin, IT)				

Global management structure

Hendrik du Toit	Chief Executive Officer
Kim McFarland	Chief Operating Officer
George Brits	Chief Investment Officer
Brett Comley	Director for USA and Asia
Domenico Ferrini	Managing Director, SA Institutional Investments
John Green	Managing Director, SA Personal Investments
Paul Griffiths	Head of Fixed Income, UK based team
John McNab	Chief Investment Officer SA
Nick Mottram	Head of Equities, UK based team
Mark Samuelson	Head of Institutional Business Development

Introduction

Investec Asset Management provides a comprehensive 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, Hong Kong 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 equities and fixed income, UK equities and fixed income, global fixed income and global equities. In addition, Investec Asset Management offers a range of absolute return products and Asian equity funds.

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.

Year in review

Investec Asset Management delivered strong profit growth, successfully leveraging off its scalable South African platform and maximising synergies from the acquisition of the Fedsure asset management business. As a result, headline net income before tax increased by 22,8% to R280 million (excluding long-term assurance activities). Similarly, assets under management grew 52,9% from R172 billion to R263 billion, affected also by the depreciation of the Rand.

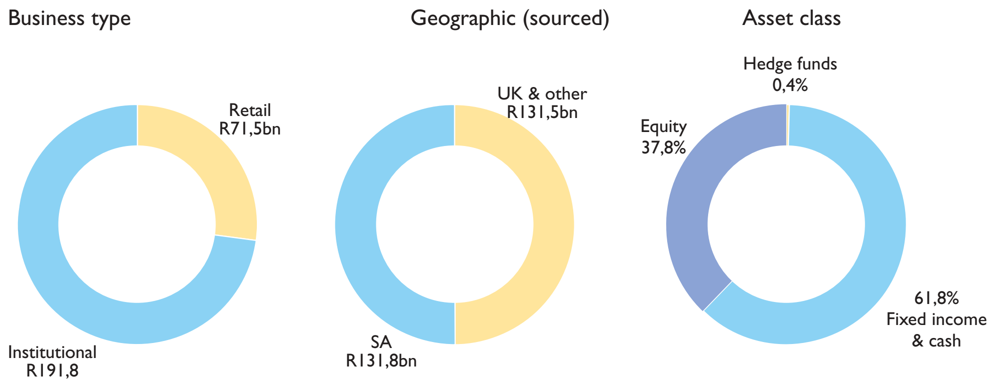
During the past year, Investec Asset Management showed resilience and resolutely continued to build the capacity required to compete effectively.

The transition, from a single country fund manager with a limited product range in the 1999 financial year, to a multi-country investment management business with cross-border reach, is now complete. A clear structure, solid leadership core and strong staff complement are now in place.

Highlights of the past year include:

- The integration of the asset management businesses acquired from Fedsure, notwithstanding the significant strain placed on the business.
- The turnaround of the division's South African equity and balanced portfolio performance.
- Noteworthy inroads into the UK institutional market. Investec Asset Management moved from a mere prospect to contender status in this market.
- Achieving an estimated market share of 1,8% of net UK retail flows during the reporting period. The consistent production of positive flows during this reporting period implies optimal levels of market penetration. Although market share levels have fallen, the division's absolute take has increased every month since October 2001.
- Successful entry into the hedge fund arena through the Investec Absolute Return Fund.
- Consistent net inflows into the division's offshore funds.
- Strong performance by the division's global Fixed Income unit.
- Team and leadership stability.

Funds under management



Funds under management as at 31 March 2002: R263,3bn

Challenging industry, providing unique opportunities

While the current down cycle presents a key challenge to industry participants in terms of managing efficiency and structure of the cost base, it also provides unique opportunities for businesses to gain access to new target markets. These opportunities arise as incumbents become inward looking and cut their productive capacity to meet short-term profit targets.

A number of trends are working together to create a world of ever larger, more efficient distribution platforms competing or co-habiting with independent financial advisers, which attempt to give their clients access to the best specialist investment managers available. In the institutional world, consultants are moving towards core-satellite portfolios, with enhanced index portfolios at the centre and specialist, high performance equity and bond portfolios acting as satellites. This world does not accommodate mediocrity.

The trend to outsource non-core functions is moving beyond administration and into the previously unchartered territory of marketing alliances and the emerging trend of sub-advisory manufacturing. The demand for "best of breed" will become even more universal than in the past. This also supports the relentless march of globalisation.

As new open architecture platforms emerge, the search for alpha (excess return over benchmark, usually defined by some index) will become more relentless. Parallel to this process, many advisers and end clients are overwhelmed by the array of managers available and seek refuge in fund of funds and other multimanager products. This phenomenon is currently sweeping across Europe.

Global investment process

Investec Asset Management's investment team operates from London, Cape Town and Hong Kong. Domestic mandates are handled in each location, while global and international mandates are lead managed from London, with support from relevant experts in the other regions. The investment team works closely with the client-facing business units to satisfy the demands of the different client niches served by the business.

Investec Asset Management believes in active management and that great investments are built on great ideas. The investment team, while globally integrated, is organised into compact, focused groups of specialists. The company advocates that this leads to best quality and more confident views about securities, be they equities or fixed income, and the macro and micro dynamics that drive markets.

Investec Asset Management further believes that an imperative for success is to have absolute clarity of purpose regarding investment propositions and how these translate into products that address client objectives, particularly as the trends toward specialisation, transparency and greater client scrutiny converge. The division has therefore spent some time in the last year working through this complexity.

The performance numbers that have been achieved by the South African-based team in the period under review vindicate the belief in the investment process. The team is one of the most stable in the industry and the key decision makers have been together for many years. This team is the result of more than a decade of ongoing development without significant disruptions. The relatively recently assembled UK-based team has embraced Investec Asset Management's "can do" culture and has posted noteworthy performance numbers.

On the support front, a best in class performance measurement, attribution and risk capability has been developed and its use will be extended into the management of portfolios.

High levels of staff retention and entrepreneurial culture - key to success

The success of Investec Asset Management in South Africa has been closely correlated to high levels of staff retention. With the team building process complete, it is important to retain key people. To achieve this objective, the "emotional ownership" and accountability must be maintained. Investec Asset Management differentiates itself from other asset managers by its business philosophy and entrepreneurial, partnership culture, encouraging individual initiative within a team-based framework. Despite the tough market environment, Investec Asset Management endeavours to maintain motivation and excitement in the business going forward into the new financial year.

Strategic business units in review

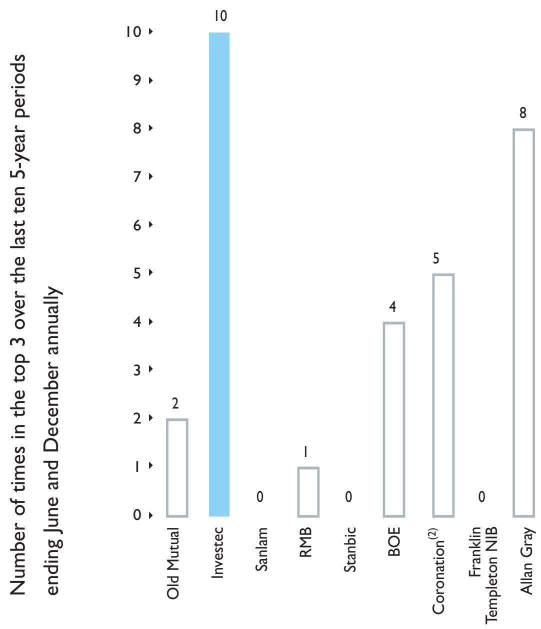
SA Institutional Investments - strong recovery in performance and new business production

During the past year, the South African Institutional Investments business has established a fully functional client service unit and is well positioned to compete in both the balanced and growing specialist market places, with solid track records. The strong resurgence in the South African domestic investment performance helped to solidify the position of this business in the premium end of the South African institutional market. Significant intellectual resources have also been invested in the product management process. The absorption of the assets acquired from Fedsure, with limited additional staff, is testimony to the robustness and scalability of the business as well as the commitment of the team.

Investec Asset Management is one of the largest managers of segregated institutional mandates in South Africa and, at 31 March 2002, had R98 billion of institutional funds under management. Investec Asset Management won the *PricewaterhouseCoopers South African Banking Industry Award* for Top Institutional Asset Management Company of the year in 2001, 2000 and 1999.

Furthermore, over a five-year period, Investec Asset Management has been ahead of the median competitor, further reinforcing its long-term consistent performer status. In the five years to 31 December 2001, Investec Asset Management was consistently ranked in the top three by the *Alexander Forbes Large Manager Watch* for five-year rolling returns ending June and December of each year.

South African institutional consistent top performance [1]



(1) Measured for 5-year periods ending June and December annually, from June 1997 to December 2001

(2) Data only available for 7-year periods

(3) Internally generated performance chart based on the monthly compounded performance figures which are sourced from the Alexander Forbes Large Manager Watch

SA Personal Investments - challenging, yet successful integration of Fedsure coupled by creditable performance

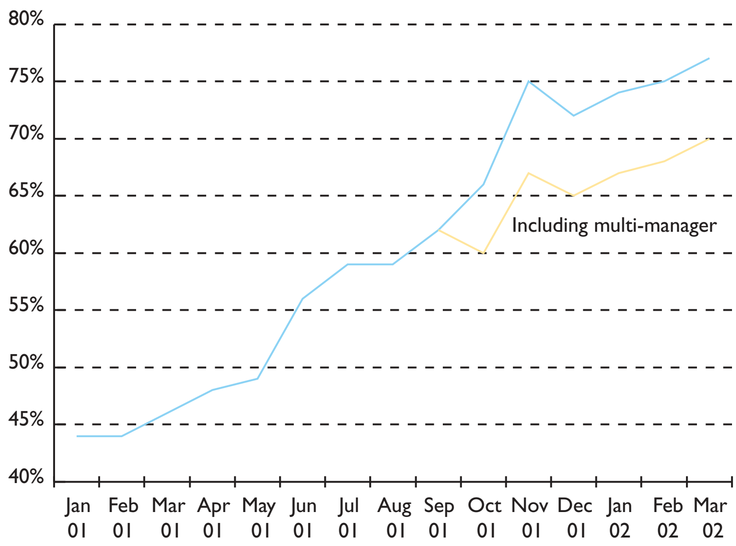
The integration of the retail financial services businesses acquired from Fedsure proved to be a challenging task. Notwithstanding, the South African Personal Investments business successfully integrated these operations and now has the second largest retail unit trust business, as well as the largest retail linked investment product platform in South Africa. With the integration process complete, the business is now able to focus on the generation of new business, streamlining of the product range and efficiency in the back office.

Conditions in the South African retail market were tough during the past financial year, severely constraining Investec Asset Management's ability to generate net inflows. The acquisition and integration of Fedsure Unit Trusts and TMA into the South African retail business added R9,7 billion of assets under management. Some of the outflows, post the acquisition, were as a consequence of the restructuring of the Fedsure Life portfolios, conducted by Investec Asset Management. Adjusted for this, overall flows were marginally positive for the year.

During the past year, a largely new leadership team was tasked to not only integrate the Fedsure acquisition but also to implement the retail strategy approved during the previous year. Part of this process involved simplifying the product range and a shift back to the heart of the business, in the sense that this is first and foremost an asset management and not an administration business. This underlies the name change to Investec Personal Investments SA. Towards the end of the financial year, sales and market position took over as the dominant agenda for the recently restructured and reinvigorated business.

Strong improvement in South African retail funds performance

Percentage ranking of in-house managed funds on average, top quartile



Source: Standard & Poor's Micropal

Investec Asset Management was named in the 2002 *Standard & Poor's Fund Awards* as the Best Larger Group over One Year, as well as Best Group over Five Years. A number of Investec's funds also received individual sector awards.

In addition, the March 2002 *Plexus Survey*, which reviews the performance of unit trust companies across their entire suite of funds over a rolling three-year period, ranked Investec Asset Management third out of 16 competitors.

Investec Asset Management in the South African unit trust industry

	31 March 2002	31 March 2001	31 March 2000
Investec Asset Management funds under management (R million)	19 965	13 394	16 342
Total industry size (R million)	176 338	124 337	117 334
Market share	11%	11%	14%
Size ranking in industry	2nd out of 29	3rd out of 29	2nd out of 31
Industry gross sales (R million)	130 939	114 197	99 989
Investec Asset Management % of gross industry sales	10%	16%	19%

Source: Association of Unit Trusts statistics
All figures include money funds but exclude fund of funds and have not been adjusted.

The integration of TMA has added significant market power to the Investec linked product business as evident in the table below. Linked investment product is a term used in the South African market for a "fund supermarket". It allows investors to access a choice of both insurance-wrapped and direct investment products from a single administrative platform.

Investec Asset Management in the South African linked product industry

	31 March 2002	31 March 2001	31 March 2000
Investec Asset Management funds under management (R million)	19 313	10 593	10 577
Total industry size (R million)	77 024	58 125	62 982
Market share	25%	18%	17%
Industry gross sales (R million)	19 864	18 523	
Investec Asset Management % of gross industry sales	18%	21%	

Source: Linked Investments Service Providers Association statistics
All figures include money funds but exclude fund of funds and have not been adjusted.

Investec Asset Management's entry into the world of hedge funds proved rewarding, with more than R1 billion flowing into the Investec Absolute Return Fund, which was launched in June 2001.

Looking ahead, the forthcoming year will be a period of external focus, although the drive towards greater operational efficiency through improved systems will continue.

Investec Analytics

The analytics division provides multi-manager solutions to the Investec Asset Management retail client base and currently manages about R10 billion. The Fedsure business has added substantially to the profitability of this unit.

UK Institutional Investments - continues to make good progress

The UK Institutional Investments business currently has a balanced and specialist fixed income client base, and has a leading position in the UK public sector Pound Sterling fixed income market. It has made good progress in positioning its specialist investment propositions for take up by the major retirement consultants. This is indeed the core focus of the team for the coming year. Investec Asset Management also offers global balanced and global equity funds managed out of the UK to its South African and Hong Kong client base. Institutional funds managed as at 31 March 2002 totalled £5 billion.

Solid UK Institutional performance

Balanced (Exempt General Managed Fund)

	Fund	Index	WM2000	Quartile
Year ended 31 March 2001	-6.5%	-8.4%	-7.9%	2
Year ended 31 March 2002	0.1%	-2.0%	-1.4%	1

Investment trusts

Investec Asset Management's range of London and Guernsey listed investment trusts is not a high growth business but is highly complementary to the rest of the UK equity offering and offers attractive margins. As at 31 March 2002, Investec Asset Management managed £859 million of investment trusts. In the 2002 *Standard & Poor's Fund Awards,* Investec Asset Management was named runner-up in the UK investment trust category for smaller groups, over both one and five years.

Pan-European retail - continues to gain momentum, despite difficult markets

The business, having achieved net inflows exceeding R2,5 billion for the financial year, also worked hard on positioning itself along industry trends and ensuring maximum scalability in the expectation of future growth. The UK unit trusts have been successfully converted to open ended investment companies and administration has been outsourced. With the Dublin UCIT's range now in place, there will be more emphasis on the sale of core propositions into Europe.

The UK business has more than doubled since the time of the Guinness Flight acquisition, with £649 million invested in the funds by the end of March 2002.

Additional sales resources will be added to this business to optimise the opportunity created by the work of the past year.

Investec Asset Management in the UK retail fund industry

	31 March 2002	31 March 2001	31 March 2000
Investec Asset Management funds under management (£ million)	649	519	422
Total industry size (£ million)	242 281	244 394	262 279
Size ranking in industry	62nd out of 136	74th out of 151	81st out of 152
Industry net sales (£ million)	10 233	17 891	15 459
Investec Asset Management per cent of net industry sales	1,76%	0.70%	0,20%
Industry gross sales (£ million)	49 102	54 763	49 485
Investec Asset Management % of gross industry sales	0,51%	0,30%	0,15%

Source: Investment Management Association

During 2001 Investec Asset Management won the *Lipper Leaders'* award for Best Overall Fund Group in the UK, based on the performance of the onshore and offshore funds marketed in the UK.

Ireland and Channel Islands (offshore funds) - consistent performance

The Investec Asset Management offshore fund ranges are domiciled in these jurisdictions, with the major operations in Guernsey and Dublin. This family of funds has achieved positive net inflows for 12 consecutive quarters up to the period ending 31 March 2002. The offshore retail funds now exceed £1,6 billion. Standard & Poor's named Investec Asset Management the Best Larger Offshore Fund Group in the UK for 2001.

The completion of the implementation of the in-house developed Fiscus system, operational efficiency and the further exploitation of the advantage of the South African cost base will be major themes in the coming year.

Asia - creditable performance despite weaker markets

Despite an extremely weak market for mutual fund sales in Hong Kong, Investec Asset Management (Asia) experienced significant success in selling structured products in this market. During the past financial year, sales exceeded $200 million.

Investec Asset Management in Hong Kong recently received various awards for individual funds and was named the third best fund family distributed in Hong Kong for the past year. The *South China Morning Post* also named Investec Asset Management as the Second Best Performing Fund Management Group over 10 Years.

The division intends to establish a strong Greater China platform over the next five years. At financial year-end, the Taiwan government notified the division that 12 of its offshore funds had received registration and can be marketed in the country.

US

Investec Asset Management's distribution office in Stamford, Connecticut focuses on selling the offshore fund range through the intermediary channel, to US based individuals, who are entitled to invest in offshore funds, and to the financial centres of the Caribbean.

Operations

Investec Asset Management remains committed to the development of a scalable platform to facilitate maximum growth and high levels of client satisfaction. This requires significant ongoing investment in IT and people.

Future direction

After its first successful decade as a domestic asset management firm with an aggressive internationalisation strategy, Investec Asset Management sees itself at the start of its next growth phase, positioning itself as a "super boutique" with international reach.

The business seeks to build a high quality, modern, specialist asset management firm, from a strong, but rapidly maturing South African base. It aims to do this by establishing a second domestic market position in the UK as well as growing the offshore funds business in both chosen domestic markets and areas offering substantial growth opportunities such as Europe. The current small Hong Kong base is a long-term "option" on the next big investment market, China, but will not be decisive in the success or failure of this business over the next three years.

The key business drivers for Investec Asset Management remain:

- Investment performance.
- Team quality and continuity.
- Product management and the retention of organisational focus on chosen core propositions.
- Clarity of distribution model and ability to use these channels to achieve higher sales.

An important guiding principle in Investec Asset Management's growth strategy is positioning in large markets. Investec Asset Management attempts to position its propositions in markets large enough so that success can contribute to significant growth.

assurance activities

Head of Group Benefits business

Ciaran Whelan

Assurance

Investec acquired the financial and insurance businesses of Fedsure Holdings with effect from 1 June 2001. The asset management, property and traded endowments businesses have been integrated into other Investec business divisions. Aside from these integrated businesses, the principal retained operations comprise an employee benefits business. Certain life assurance operations were reinsured with Capital Alliance, as described below. Investec's assurance operations generated headline net income before tax of R220 million during the year ended 31 March 2002.

Life assurance

As at 1 June 2001 (the effective date of the acquisition), the life assurance interests acquired comprised assets of R41,3 billion, which included individual life business of R22,7 billion and pension fund administration and management business of R18,6 billion. The individual life business had been closed to new business prior to the acquisition.

A reinsurance agreement was concluded with Capital Alliance Life Limited (Capital Alliance), a JSE listed third party insurer, pursuant to which Investec reinsured a net amount of R11,8 billion of potential net life assurance liabilities in return for the transfer to Capital Alliance of R11,2 billion of assets. Following Capital Alliance Holdings Limited's rights offer to fund the reinsurance transaction Investec increased its shareholding in the company to approximately 30%. Capital Alliance has assumed the risks associated with the reinsured life assurance business from the date of the reinsurance agreement and Investec has agreed to manage the underlying funds.

Investec Employee Benefits

The life company (Fedsure Life Assurance Company Limited) acquired from Fedsure Holdings as part of the insurance businesses acquired was renamed Investec Employee Benefits in November 2001 and comprises a pension fund administration and management business. Investec Employee Benefits has four principal lines of business: investment only business, administration business, annuity and group life, and disability cover.

- The investment only business involves the investment management of linked or guaranteed funds where the administration is conducted by an independent administrator.

- The administration business involves member record keeping in addition to the investment management function described above. Administration is done for funds with assets under management of approximately R10,1 billion.

- The annuity business involves the provision of annuities to individuals after they retire from their pension funds.

- The group life and disability cover is provided to corporations and institutions insuring their employees against death or disability during the course of their employment.

In addition, the business includes certain individual life contracts valued at R7,8 billion, which were excluded from the reinsurance agreement described above as management believed the risk profile of these contracts to be low. Since acquisition, Investec has restructured the business to align it with Investec's target market and strategy. This focuses on selling its products through selected, accredited intermediaries who the directors believe are able to access Investec's target clients. In addition, Investec has restructured the investment portfolios to align them more closely with the business liabilities.

Salient financial features pertaining to the Group's Assurance Activities are indicated below.

Embedded value

(R millions)	March 2002	Sept 2001	May 2001
Net asset value	2 522	2 381	2 271
Value of in-force	429	264	207
Embedded value	2 951	2 645	2 478

Balance sheet information

(R millions)	March 2002	Sept 2001	May 2001
Total value of assets	27 862	28 875	29 625
Less: liabilities	25 340	26 494	27 354
Actuarial value of policy liabilities*	23 530	22 520	25 519
Long-term and current liabilities	1 810	3 974	1 835
Net asset value	2 522	2 381	2 271
Qualifying capital (net of inadmissable assets)	2 368	2 381	2 271
Statutory capital adequacy requirement (CAR)	866	963	1 225
CAR cover	2.73	2.47	1.85

* Calculated in terms of financial soundness valuation

Income from long-term assurance business

(R millions)	10 months ended 31 March 2002
Premium income	2 865
Investment income	999
Total income	3 864
Operating expenses	(401)
Policyholder's benefits paid	(6 378)
Operating loss	(2 915)
Taxation charged to technical account	(129)
Transfer from Life fund	3 264
Surplus attributable to shareholders	220

Economic assumptions

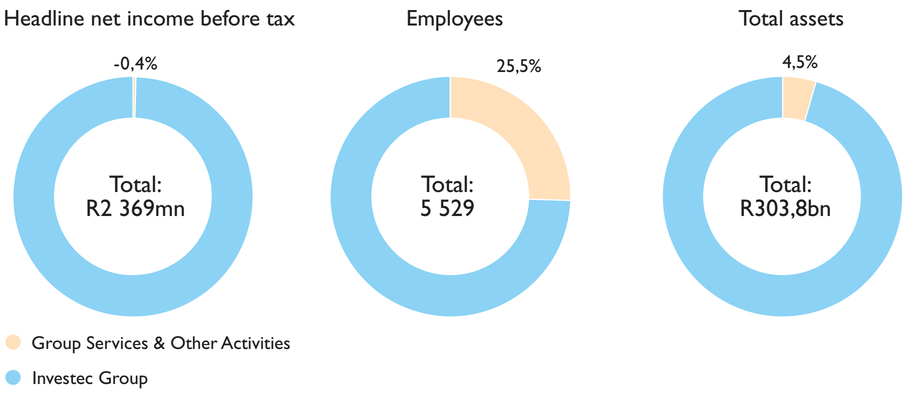
	March 2002	Sept 2001	May 2001
Cash	10,5%	8%	9%
Fixed income	13,5%	11%	12%
Equities	15,5%	13%	14%
Properties	14,5%	12%	13%
Risk - adjusted discount rate	16,5%	14%	16%
Expense inflation	9,5%	7%	7,5%

group services and other activities

Includes: Other Activities, Central Costs and Central Funding

Year ended 31 March	2002	2001	% change
(R millions)			
Other activities	385	204	88,7
Net income - International Trade Finance	34	65	(47,7)
Net income - Property Worldwide	261	81	222,2
Net income - US Dealing, Clearing and Execution	44	58	(24,1)
Traded Endowments	46	-	-
Net return on surplus capital	317	354	(10,5)
Central costs	(502)	(386)	30,0
Centralised funding	(209)	(199)	5,0
Headline net income before tax	(9)	(27)	66,7

Contribution analysis - % of Group total at 31 March 2002



Global management structure

Chief Integrating Officer
Allen Zimbler

Corporate Governance and Compliance
Bradley Tapnack

Economics Research
Carole Mason

Facilities & Social Investment
Craig Gunnell
Lisa Kropman

Group Finance

Rayanne Jacobson	Global and Investor Relations
Steve Binnie	SA Finance
Steve Burgess	UK Finance
Steve Paraggio	US Finance
Netta Avrahamov	Israel Finance
Darrel Godin	Australia Finance

Human Resources
Patsy McCue

Information Technology
Simon Shapiro

Legal, Secretarial and Tax
Reg Berkowitz
Selwyn Noik
Justin Cowley

Marketing
Raymond van Niekerk

Organisational Development
Caryn Solomon

Risk Management
Glynn Burger

Investec US Dealing, Clearing and Execution Activities
John Murabito

Investec Property Group
South Africa
Sam Hackner
Sam Leon
Ronnie Sevitz

UK
Paul Stevens

ReichmansCapital
Brian Clark
Howard Tradonsky
John Wilks

Traded Endowments
Rob Cohen

Introduction

Group Services and Other Activities consists primarily of three components: Central Costs, Central Funding of Investec and Other Activities. Group Services and Other Activities accounted for a headline operating loss of R9 million for the year ended 31 March 2002. For the same period, Central Costs incurred net costs of R502 million and Central Funding contributed a profit of R108 million, with the Other Activities within the division contributing R385 million of headline net income before tax.

Central Costs

Central Costs is made up of functional areas which provide services centrally across all Investec'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 divisions, their costs are generally not allocated to any of these divisions.

Central Costs include Investec's head office, Group Risk Management, Corporate Governance, Internal Audit and Compliance, Group Information Technology, Group Finance and Investor Relations, Group Marketing, and other Group support services, such Legal, Human Resources, Organisational Development, Company Secretarial, Tax, Information Centre, Regulatory and Facilities.

Investec's principal Central Costs, relating to the operations and control of its business, are Group Risk Management, Group Information Technology, Group Finance and Investor Relations, Group Marketing, Human Resources and Organisational Development.

Group Risk Management and Corporate Governance and Compliance

These operations are discussed in detail on pages 100 to 126 and pages 127 to 145 respectively.

Group Information Technology

Investec's central Chief Information Officer is accountable for the overall development of the technology direction of Investec, co-ordinating the information technology resources across Investec's operations and ensuring that appropriate processes and controls around information technology exist in all areas of the Group's operations.

As a result of the range of different applications required and used throughout the divisions, the information technology organisation is structured so that each division has an established information technology capability. Each operating division has a Chief Information Officer who reports in a matrix fashion to the division as well as to the central Chief Information Officer. This approach is designed to ensure that each business division is able to satisfy its own needs within Investec's overall strategic direction.

This divisional structure is also designed to accommodate Investec's acquisitive nature and ensure that the Group is agile enough to deal with the diversity of applications that inevitably arise from acquisitions. The various 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 a Group Operational Risk unit and Investec's Internal Audit function.

While Investec's information technology systems support its current business, the Group has developed an action plan designed to mitigate its exposure to information technology related risks.

Key objectives of this information technology action plan include:

- Establishing a global network management structure to ensure global change control processes exist for the network.
- Appointing a Group Network Security Officer to work together with operational risk to monitor compliance with security policies, conduct compliance testing and recommend automated tools for compliance monitoring.
- Implementing arrangements for ensuring that information technology security policies are properly applied Group-wide.
- Testing and rolling out intrusion detection software across Investec's entire network.
- Reviewing and upgrading disaster recovery facilities and planning.
- Creating complete and formal documentation of the information technology strategy for all material parts of the Group.

The directors believe that successful implementation of this action plan will reduce the risk of business interruption and improve network security and disaster recovery procedures.

Group Finance and Investor Relations

In line with Investec's objective to provide its shareholders with meaningful and accurate information on which to base their investment decisions, Group Finance and 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 and Investor Relations overlays these divisional and regional functions. It is ultimately responsible for the review and analysis of all financial information prepared by the divisional and geographic functions, the consolidation of Group-wide information, the setting of disclosure standards and the dissemination of financial information.

Group Marketing

Group Marketing's primary function is to build the Investec brand internationally. Investec's marketing efforts are intended to create long-term equity in one primary brand, Investec, and to ensure that the brand is promoted consistently across the geographies in which Investec operates and the various operating divisions. Investec currently uses the tagline *Out of the Ordinary,* which symbolises the psyche of the organisation. This positioning has as its basis the principles of creativity, passion, performance and focus.

Group Marketing's operations are supplemented by more specific initiatives in the geographies in which Investec operates and by marketing staff in the four principal operating divisions. Group Marketing provides these geographies and teams with resources, expertise and support in the areas of advertising, sponsorship, public relations, event management, promotions, technical marketing services and marketing strategy.

During the year under review, Investec undertook various initiatives to continue to increase brand awareness in its jurisdictions. The Group continued to achieve high levels of brand awareness in South Africa and the UK through sport sponsorship, advertising and publicity. Furthermore, the Group established a marketing function in Australia in order to develop the brand, market profile and business platform of Investec Australia.

Human Resources

As the key enabler of human capital, the Human Resources function 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 function 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 function operates through four core areas of activity:

- Recruitment, focusing on equal opportunity employment.
- Compensation and benefits, emphasising employee needs.
- The staff share scheme, 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 in initiating and managing its transformation as an ongoing, consultative process, rather than 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.

More specifically, the Organisational Development team focuses on:

- Facilitating strategy as a process, not a plan, and ensuring its implementation through ongoing consultation and facilitation.
- Raising awareness of "cultural risk" and facilitating the understanding and practice of Investec's values, philosophies and culture.
- Facilitating global integration processes across business units and geographies.
- Facilitating processes to integrate organisations which are acquired.
- Developing leadership capabilities.
- Facilitating processes to develop teams which are able to work together locally and across borders.
- Continuously appraising the Group's well being and readiness to change.
- Developing individual and organisational capability to recognise the need for, and to manage, change.

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, established in 2001, manages the Group's central capital pool in order to assist in effective capital management governance. The committee comprises Investec's executive directors, heads of Group Risk Management, Corporate Governance and Compliance, Group Finance and Investor Relations, and a select number of Investec's non-executive directors. As required, senior members of Investec's Tax, Legal, Regulatory, Compliance and Financial Products areas are co-opted to the Capital Committee.

Other Activities

Other Activities comprise two types of operations. Firstly, there are those that are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. There are also those that do not fall into one of Investec's four principal business divisions yet 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.

Solid performance from the property division in SA

The services provided by the property division in South Africa include property trading and development, property investment broking, property management, property loan stock management and property syndications.

The Group's property division in South Africa posted strong results in the year under review. The property investment climate continued to improve, benefiting from declining interest rates for most of the period under review, which spurred an increase in the number of new listings and favourable investment returns.

The Property Investment division, in collaboration with the Group's Corporate Finance division, adopted a strategy to target institutions wanting to convert physical property to equity. This strategy proved to be sound, with the successful reverse listing of the property portfolios of the Sentinel Mining Industry Retirement Fund and the Mines Employees Pension Fund into Growthpoint (a property loan stock company managed by Investec Group). This R1,6 billion transaction was the largest single property transaction of its kind during the year.

The division continued to source properties with medium- to long-term, high quality income streams, resulting in several quality transactions. Metprol, the Group's specialist listed industrial property loan stock vehicle, acquired a further 26 industrial properties to the value of R214 million.

The above transactions, together with the R2,6 billion worth of unlisted assets acquired as a consequence of the Fedsure transaction, and the award to the division of the management of the prestigious R1 billion Melrose Arch development in Johannesburg, resulted in the dramatic growth of the division's assets under administration from R2,3 billion to R7,1 billion at 31 March 2002. This has formed a stable and sustainable base from which to grow and develop the Group's property activities.

Furthermore, the division was successful in effectively maximising the performance of its existing trading stock.

Subdued performance from the property division in the UK

The property division in the UK manages a portfolio of commercial properties inherited from the acquisition of Guinness Mahon and Guinness Flight in 1998. As at 31 March 2002, the UK property portfolio had a book value of £36,8 million.

The property portfolio is located primarily in Central London, where rental growth was slowing even before the events of 11 September. During the year, occupational demand was low, with corporates adopting a wait and see approach. This weakening of demand was in stark contrast to 2000, when occupier demand created the strongest market since 1988.

The investment market, however, remained buoyant, driven largely by the low interest rate environment and poor performance of other asset classes. A number of purchases were made during the year, with the focus on value-add projects over a period of one to three years.

Satisfactory performance by the International Trade Finance operations

Investec acquired its International Trade Finance business, ReichmansCapital, in South Africa in 1990. International Trade Finance offers trade and asset finance and factoring services to medium-sized privately owned businesses involved mainly in manufacturing, trading and wholesale distribution, in order to provide working capital to fund the growth of these businesses. Services provided by International Trade Finance include import and export finance and receivables finance, as well as instalment sale and rental facilities. International Trade Finance operates predominantly in South Africa and also has operations in Switzerland.

During the financial year, the division posted satisfactory results, notwithstanding global market uncertainty and the rapid depreciation of the Rand in the second half of the year. In line with the Group's policies, ReichmansCapital is treated as an integrated foreign operation. The foreign currency translation included in income (in the Group's central funding results) for the year ended 31 March 2002 is R88 million (2001: R40 million).

Acquisition of the Traded Endowments business in the UK

Investec's Traded Endowments business, which operates in the UK under the brand names Policy Portfolio and Beale Dobie, was acquired in June 2001 as part of the acquisition from Fedsure Holdings. 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 advisers and a limited number of funds.

US Dealing, Clearing and Execution activities negatively affected by weaker global equity markets

Investec Ernst & Company is a registered broker-dealer that provides clearing, settlement and execution services to retail and institutional broker dealers, and professional traders in the US. The clearing business clears for correspondent broker-dealers and prime broker relationships, and has retail and institutional clients.

The business depends strongly on transactional volume and, as a result, performance suffered on the back of weak financial markets. Correspondent clearing revenues and daily ticket volumes declined throughout the year. The weaker performance was somewhat offset by the acquisition of the clearing arm of Herzog Heine Geduld, in which the Group arranged to take on approximately 18 of its correspondent clients.

risk management

Global 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

Recognising that risk management is of critical importance to Investec, the Group continuously seeks to comply with international best practice. Investec 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 reporting systems. Through these systems, Investec aims to ensure that it assumes a tolerable risk and reward profile in its pursuit of growth in all areas of business in which it operates. 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 risk 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 its other geographies.

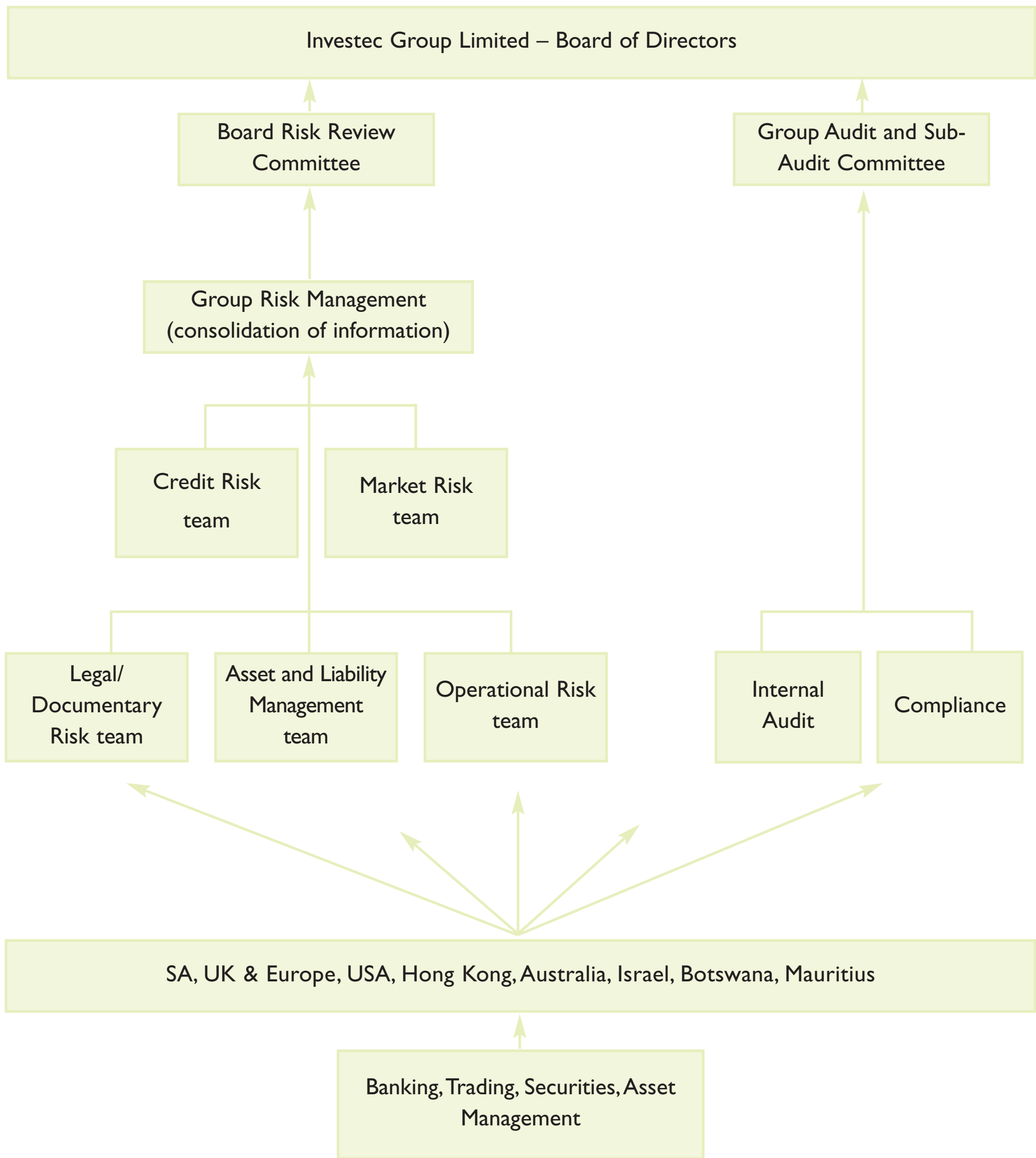
The primary objectives of Group Risk Management are:

- 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.

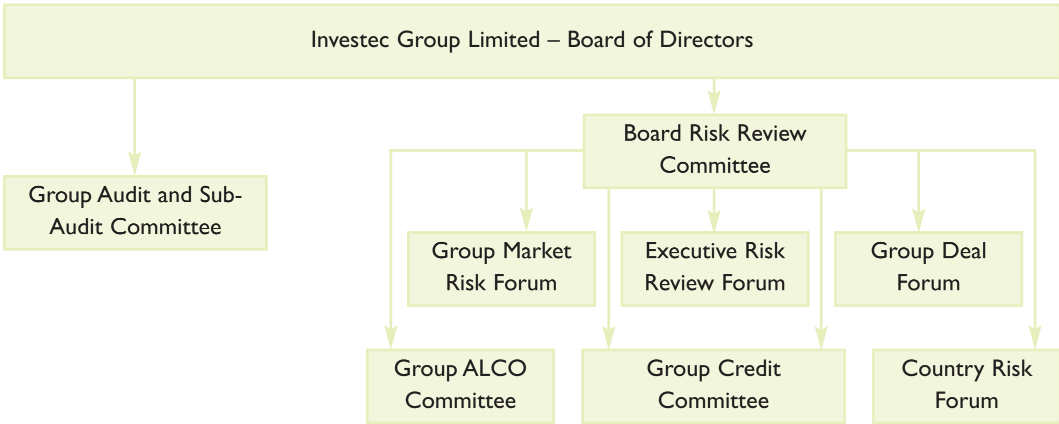
Group Risk Management has grown into a function that aims to meet the international needs of Investec and has continually focused on improving its risk management techniques. Over the last three years, a process of enhancing risk management information and implementing consolidated risk management reporting has been in progress. This is most evident from a UK and South African perspective. Global risk management systems have now been implemented, with the exception of the new asset and liability management and credit administration systems, which will be implemented over the next six months. 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

Board Risk Review Committee

Members: executive and non-executive directors; senior management
Chairman: Stephen Koseff (CEO)
Frequency: monthly and before each Board of Directors meeting

Function

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

Group Credit Committee

Members: executive and non-executive directors; senior management
Chairman: Glynn Burger (Global Head of Risk)
Frequency: weekly

Function: 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

Function: This forum considers and manages risks associated with the countries in which Investec assumes exposure. Approved countries are reviewed annually. 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 from Group Risk Management
Chairman: Glynn Burger (Global Head of Risk)
Frequency: monthly or ad hoc if required

Function: 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

Function: 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. The forum is responsible for consolidating asset and liability risk on a global basis.

Group Deal Forum

Members: executive and non-executive directors; senior management
Chairman: Glynn Burger (Global Head of Risk)
Frequency: weekly

Function: 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

Function: The duties and responsibilities of the Audit Committee are described on page 137. In addition, the Internal Audit and Compliance 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 (as shown 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:

- Asset liability 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, drawdowns, 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 ensures that the integrity of the loan book is maintained. The policies are designed to combine best practice methodologies with practical ground level management techniques. The fundamental principles adopted by Investec 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 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, as 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 specifically used by 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 adopted is that Investec will use both historical data and future expectations to determine what the expected ruling market price will be 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 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 three financial years in South Africa and the UK. Other system-related developments include the current 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.

One of the primary objectives 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 will provide 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 will also provide 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.

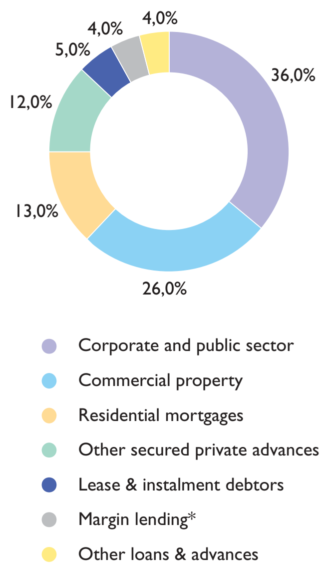
Additional work is to be undertaken on an internal credit rating model to ensure the most efficient use of regulatory capital under the New Basel Capital Accord proposals.

Credit risk classification system and provisioning policy

Investec's board approved policy incorporates the following:

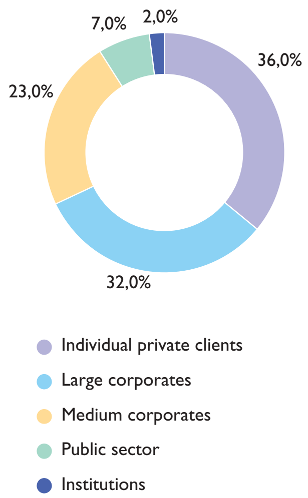
- An exposure is classified as non-performing when there is a prospect of non-recovery of interest or capital or it is deemed imprudent to bring interest to account. This definition is in accordance with regulatory requirements.
- Exposures in arrears are continually scrutinised. Based on this scrutiny, 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.

Group loan portfolio by asset: 2002

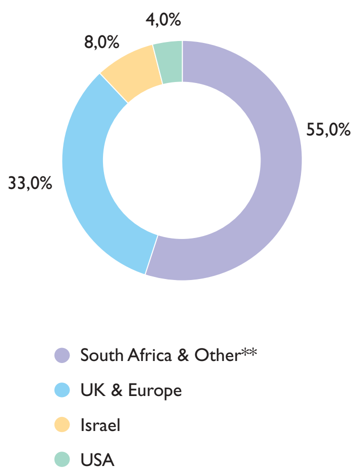


* Refer to definition on page 240

Group loan portfolio by client: 2002



Group loan portfolio by geography: 2002



** Includes: Australia, Botswana, Hong Kong and Mauritius

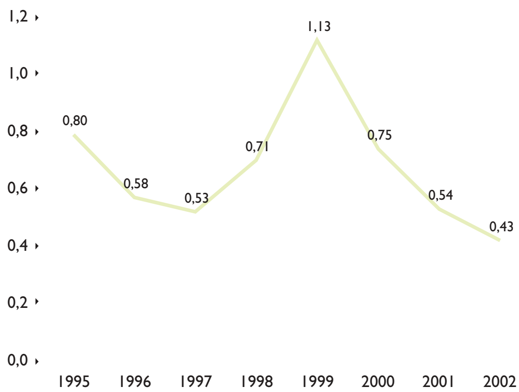
- A specific bad debt provision is made when there is a probability that Investec will not be able to collect the full amount of capital and interest due.
- The amount of the provision is determined after taking into account:
  - o The value of the asset or other collateral securing the debt.
  - o The value of other assets owned by the debtor after considering secured and unsecured liabilities.
  - o The value of any sureties or guarantees given for the debt.
  - o The amount, if any, already raised as a provision for suspended interest.
- A general provision is made for all advances other than those where a specific provision has been made.

Quality of the Group's loan portfolio and provision levels

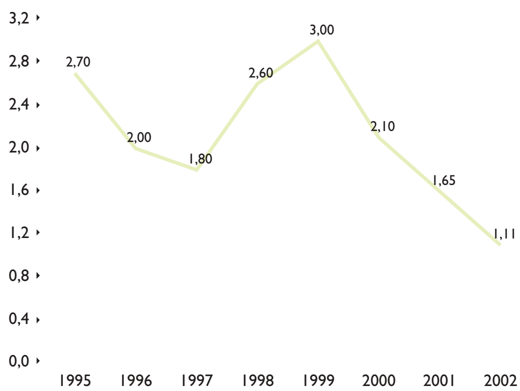
During the year, the Group continued to improve the overall quality of its loan portfolio. The percentage of non-performing loans to total loans and advances declined from 1,65% to 1,11% as at 31 March 2002. Provision levels exceed the regulatory requirements in South Africa. The UK Group provisions are at a prudent level within the policy agreed with the Financial Services Authority. The adequacy of provisions was supported by a total provision coverage of gross non-performing loans of 168,3% as at 31 March 2002, compared to 134,0% as at 31 March 2001. Furthermore, the ratio of total provisions to total loans and advances maintained a healthy level of 1,87%.

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

Bad debt charge as a % of average advances



Gross non-performing loans as a % of total loans and advances



Investec Group Limited: asset quality, specific and general provisions

(R millions)	31 March 2002	31 March 2001
Total loans and advances (pre provisions)	55 451	38 925
Managed book*	1 189	1 171
Net loans and advances	54 262	37 754
Average total loans and advances	47 188	36 390
Income statement provision charge	202	198
Specific provisions	440	507
General provisions	598	356
Total provisions	1 038	863
Gross non-performing loans*	616	644
Security	191	309
Net non-performing loans	425	335

* Refer to explanations on page 107 under the heading "credit risk classification system".

Investec Group Limited: adequacy of provisions

(%)	31 March 2002	31 March 2001
Income statement provision as a % of average advances	0,43	0,54
Specific provisions as a % of total loans and advances	0,79	1,30
General provisions as a % of net loans and advances	1,10	0,94
Total provisions as a % of total loans and advances	1,87	2,22
Total provisions as a % of gross non-performing loans	168,34	134,01
Total provisions as a % of net non-performing loans	244,00	257,61
Gross non-performing loans as a % of total loans and advances	1,11	1,65

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; 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	Domestic money market		Money market
Domestic capital markets	Domestic capital markets	Bonds	Capital markets
Equity and equity indices	Equity and equity indices	Equity and equity indices	
Foreign exchange	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 team is centralised and acts 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 both South Africa and the UK 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 (South Africa and the UK), at product type level and in aggregate (refer to table on page 113).
- Expected Tail Loss (refer to table on page 113).
- 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 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.
- 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 1987 equity crash and the Asian crisis.
- Furthermore, stop loss limits are set on the maximum loss that can be tolerated on daily, monthly and life to date bases per desk. When this level of loss is reached, the dealer is obliged to reduce the risk position.
- Limits are reviewed at least annually by the South African and UK Group Market Risk Forums and the overall Group Market Risk Forum, but may be reviewed at the discretion of any of these forums 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

Key to the management of market risk are the various Market Risk Forums (as discussed above), which meet weekly in both South Africa and the UK and cover all locations. Market Risk Forums will be set up in Israel and the USA within the course of the next 6 to 12 months. These forums will meet when required to approve limits below certain levels.

The issues primarily dealt with at the forums include:

- Market risk of new products, including the associated valuation of the new products.
- New and revised product/dealer/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 table below represents the Group's VaR on trading portfolios at the year ended 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. 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 below presents a consolidated view for the UK and South African operations, while the rest of the Group's geographical operations are presented on an aggregated basis. The consolidated VaR presented below is significantly lower than the aggregated VaR per asset class. This is due to offsets which take place as a result of the correlation between the various asset classes.

The consolidated VaR, calculated using exponentially weighted historical simulations at a 95% confidence level for a one-day holding period, is:

VaR 95% (one-day)

(R'000)	Consolidated SA	Consolidated UK	Consolidated SA & UK	USA	Israel	Group aggregate
Interest rates	7 684	7 356	10 292	412	145	10 849
Equity	1 344	5 863	6 141	606	-	6 747
Foreign exchange	6 817	2 231	7 924	123	335	8 382
Commodities	-	3 118	3 118	-	-	3 118
Consolidated	**14 208**	**8 211**	**15 873**	**1 142**	**480**	**17 495**

ETL 95% (one-day)

(R'000)	Consolidated SA	Consolidated UK	Consolidated SA & UK	USA	Israel	Group aggregate
Interest rates	13 500	15 301	18 669	531	216	19 416
Equity	1 991	7 748	8 167	710	-	8 877
Foreign exchange	18 060	2 949	17 693	123	350	18 166
Commodities	-	4 507	4 507	-	-	4 507
Consolidated	**30 774**	**8 677**	**33 813**	**1 364**	**566**	**35 743**

The portfolio stress tested under extreme market conditions will result in a maximum loss of R258 million based on a one-day holding period.

R'000	
Interest rates	125 734
Equity	53 170
Foreign exchange	63 188
Commodities	15 592
Consolidated	**257 684**

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	(R'mn)
Foreign exchange derivatives	353 479
Interest rate contracts	786 294
Equity and stock derivatives	16 994
Commodity derivatives	93 754
Credit derivatives	750

Fair value	Positive (R'mn)	Negative (R'mn)
Foreign exchange derivatives	14 904	16 731
Interest rate contracts	5 234	5 284
Equity and stock derivatives	1 039	1 017
Commodity derivatives	2 608	2 111
Credit derivatives	8	8
Effect of netting	(17 167)	(17 167)
Net fair values	6 626	7 984

Asset and Liability Management

The role of Asset Liability Management (ALM) is to manage the risk reward relationship that exists between liquidity and interest rate risk that 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 a short-term profit, and further excludes taking material interest rate and currency mismatches. This philosophy is required for all relevant branches, subsidiaries and asset creators in the Group.

Role of the Asset Liability Management Committee

The Asset Liability Management Committee (ALCO) manages the term and structure of the Group's balance sheet, measuring and monitoring interest rate and liquidity exposures on the banking book.
It performs the following functions:

- Sets the Group's funding and liquidity policy and ensures compliance with this policy. 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.
- Sets limits pertaining to the liquidity gaps and interest rate exposure regarding the banking book.
- 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.
- Reviews the risk/reward relationship that exists between liquidity and interest rate risk on an ongoing basis and manages this risk.
- Manages the sensitivity of income to risk factors in such a way that the net interest remains materially neutral to interest rate/market conditions.
- Sets investment, funding and hedging strategies and funding targets.

ALCO is represented in all the Group locations, with different levels of the ALM function carried out in the different geographical locations. The size, materiality, complexity, market maturity, access to stable funds and depth of the region will determine the level of ALM sophistication required in the location. In addition, the specific applicable statutory requirements further dictate the ALM policies for the particular region.

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 ALCO principles and policy, and the regional regulatory requirements. 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.

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

Liquidity Risk

Liquidity risk is the risk that a 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.

Liquidity risk is managed by Group and regional ALCOs through monitoring and/or implementing:

- The volume of liquid assets held for resale.
- The capacity to raise funds in the wholesale market.
- The availability and reliability of committed standby facilities.
- The continuation and further building of a diversified retail deposit base.
- A securitisation programme for parts of Investec's loan portfolio.

Additional aspects of the Group's liquidity policy, philosophy and process include the following:

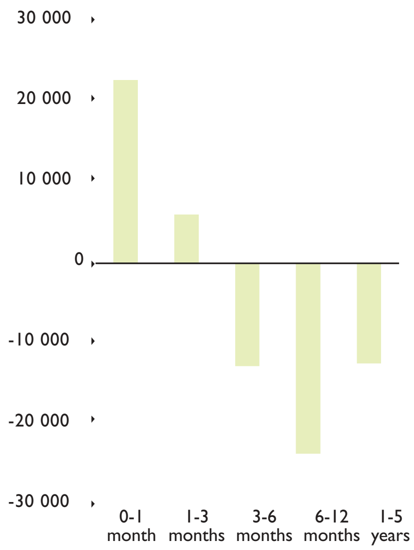
- The Group closely monitors its liquidity position in line with relevant regulatory guidelines and the relevant legal entity's liquidity policy.
- Investec holds surplus prudential liquidity in excess of its statutory requirements.
- Investec closely monitors defined liquidity gaps within each legal entity and globally.
- The Group 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.
- The Group limits the value of deposits it will take from a single client, both on a monthly maturity basis and in aggregate. The Group also monitors the economic sectors from which its deposit base is raised.

Investec bases its liquidity management processes on four essential steps:

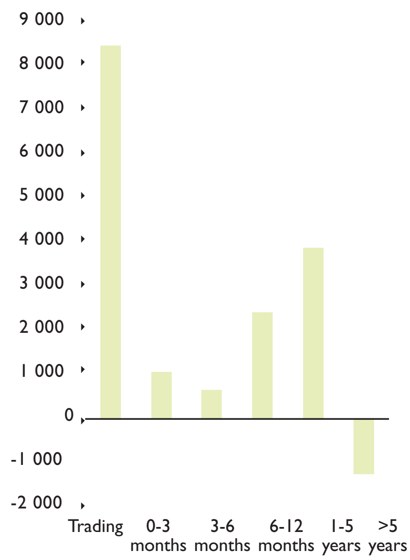
- The preparation of cash flow projections (assets and liabilities).
- The maintenance of a stock of readily available high quality liquid assets in line with the cash flow projections.
- Measurement and control of Investec's funding requirements.
- Management of Investec's access to funds in the market.

The cumulative liquidity gap at year end represents the cash flow required to meet scheduled commitments as and when due. The year-end figures depicted assume normal market conditions and the Group's ability to realise its equity and tradable instruments within the specified time frames.

Group cumulative liquidity gap (R millions)



Group cumulative repricing gap (R millions)



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. The repricing gap represents the contractual repricing characteristics of assets and liabilities within given intervals.

Operational Risk

Operational risk is the risk of direct loss arising from inadequate or failed internal processes, people, systems and from external events.

International regulatory focus on operational risk is increasing, as evidenced by the New Basel Capital Accord, which is planned to come into effect on 1 January 2007. This calls for the active monitoring of the control environment, the measurement and monitoring of key performance indicators, and the allocation of and maintenance of adequate capital for operational risk.

Primary responsibility for management of operational risks lies with business unit management. The business unit leaders of the Group's principal businesses report to the Board of Directors on key business objectives, and the significant internal risks and external environment factors that could affect their respective businesses.

Group Operational Risk Management is responsible for the design, development and facilitation of a consistent and systematic process across the Group to assist it in identifying, assessing, mitigating, measuring, monitoring and reporting operational risks.

A key focus is to perpetuate and enhance the culture of risk awareness, control and compliance consciousness throughout the Group in order to ensure that relevant risks are identified and managed. This supports 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 Group continues to assess and validate the risk assessment processes in place to support management responsibility and governance reporting requirements.

Primary focus areas of the Group for operational risks

Processes

The identification, assessment, mitigation and documentation of significant risks; the maintenance of adequate and effective internal controls; timeous and accurate processing; monitoring of unauthorised transactions; sound financial disciplines ensuring accurate and timely reporting; incident tracking and evaluation; and new product assessment and approval.

People

The ability to attract, retain and develop the appropriate skills and talent; the embedding of the Group values and culture; and the provision of a safe and secure operating environment.

Systems

The appropriate investment in technology to support the operations of the Group, 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; and the maintenance of a secure operating environment to protect and ensure integrity of data and information.

Availability of systems and business process continuity is essential to the Group. Business resumption programmes are in place to enable the resumption of critical business functions at an alternative location in the event of disruption. Regular practice ensures relevant and adequate business resumption capability.

External events

The continuous monitoring of criminal activity and trends; investigation of fraudulent activities; and recovery and protection of assets of the Group. Outsourced services are subject to performance agreements and are monitored. External macro-environmental events and developments are monitored and potential impacts are assessed and responded to.

Significant loss/breakdown events are reported to the board quarterly. External insurance cover is in place to cover catastrophic and significant material losses.

Ongoing development throughout the financial year

Group Operational Risk Management has continued to develop during the year under review. International and supervisory developments have been monitored to enable the Group to respond to developing leading practices.

A programme to document processes, risks and controls at business process level is continuously evolving in South Africa, and will form the basis of an ongoing risk and control assessment process, including management self-assessment. Internal and external audit use this documentation to assess and evaluate risk management processes.

The UK has developed and implemented the Processing Risk Issues Management System, which is an application that is installed on key users' desktops in the operational areas of Investec Bank (UK). The application enables the operations managers and staff to record loss and internal control breakdown events, and to manage follow up and corrective action in relation to these events. The application thus acts as a repository of significant loss or potential loss events. Ongoing development of this system is in place, including consideration for Group adoption.

Furthermore, system risk is being addressed through the facilitation of an Information Security programme and the Business Continuity Risk programme. Technology Risk Management is being further enhanced through the development of a specialist technology risk group within operational risk. This enables the Group to identify technology risk and ensure that appropriate mitigation, measurement and monitoring is in place.

The Basel Capital Accord developments continue to be monitored to assess their impact on operational risk management trends and the proposed capital adequacy requirements for operational risk.

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 this regard, the South African King II "Code of Corporate Practice and Conduct" and the "London Combined Code", in particular the "Turnbull Guidance" relating to the accountability and audit principles of the code, form the foundation of governance practices throughout the Group.

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, regulatory best 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 process. Anti-money laundering policies have been reviewed and enhanced during the year under review.

Legal and Documentation Risk

Legal and documentation risk is defined as the risk that contracts entered into by the Group 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 seek to ensure that the documentation Investec enters into provides it with appropriate rights and remedies.

internal audit

Internal audit provides assurance to management and the board that risks are being adequately managed and that the control environment within the Group is appropriate for the nature and complexity of its various operations.

An Internal Audit function is based in each significant jurisdiction. The globalisation of business units has focused Internal Audit on meeting jurisdictional and global business needs.

The Group's Internal Audit functions collaborate globally and bring a systematic, risk-focused and disciplined approach to evaluating and improving the effectiveness and appropriateness of risk management, internal control and governance processes.

An Internal Audit Charter, reviewed and approved by the Group Audit Committee, governs internal audit activity within the Group. The charter sets out the role and objectives, authority and responsibility of the function. The primary role is to provide independent assurance on the adequacy and effectiveness of the control framework including financial, operational and compliance controls. The secondary role is to assist in improving the control framework.

Internal audit operates independently from executive management, with unrestricted access to the Chairman of the Group Audit Committee. Internal Audit operates to an audit plan which is based on a formal risk assessment, issues raised by the respective Audit Committees and management, and which is approved by the appropriate Audit Committee.

Control failures are reported, in terms of an escalation protocol, to the appropriate level of the Risk and Audit Committee where rectification procedures and progress are monitored.

At Group level, no material failures of internal control occurred during the period.

corporate governance and compliance

Global Head of Corporate Governance and Compliance

Bradley Tapnack

Introduction

Investec has a long-standing entrenched culture which emphasises the need to conduct the affairs of the Group in accordance with the highest standards of corporate ethics. There has been an increasing need for the Group to focus on, and formalise its approach to and control over, such issues as corporate governance and compliance. In this regard, the Board of Directors and the executive believed that it was essential to appoint a senior member of the Group to oversee this function globally. During the year, Bradley Tapnack was appointed the Global Head of Corporate Governance and Compliance.

Compliance

The Group has established an independent Group Compliance division.
Group Compliance assists management in developing and maintaining an operating environment that complies with statutory regulations and market practices.

The Group's compliance officers collaborate globally to identify best practice and standards, while focusing on addressing local regulatory requirements.

The mandate of the Group Compliance division includes the following:

- Co-ordinating the implementation of compliance throughout the Group.
- Providing for formal, structured and consistent implementation of compliance processes.
- Monitoring and reviewing implemented compliance processes.
- Providing a central point of reference for advice and consultation on compliance related issues.
- Facilitating compliance education and awareness programmes with the purpose of establishing and enhancing a compliance culture throughout the Group.
- Providing specific focus to regulatory and reputational risk within a broader risk management framework.
- Ensuring compliance processes and standards are kept in line with international best practice.

Group Compliance operates independently from executive management, with unrestricted access to the Chairman of the Group Audit Committee.

During the year, the Group Compliance function was further enhanced to address the growth of the business and the changed regulatory environment in certain jurisdictions, particularly in the UK with the coming into effect on 1 December 2001 of the Financial Services Authority regulatory regime.

Other issues of particular relevance addressed by Group Compliance during the year include:

- Enhancing money laundering prevention policies and procedures to take into account increased international regulatory requirements.
- Introducing new compliance standards governing conflicts of interest to specifically address the relationship between research and investment banking.

At Group level, no significant regulatory breakdowns were identified during the period.

For information on Corporate Governance refer to pages 127 to 145.

risk management year in review

The year under review will be remembered for the extraordinary volatility in global stock markets and general economic uncertainty that prevailed in international financial markets. The banking sector experienced one of its most difficult and trying periods in recent times, with the events of 11 September 2001, the global economic slowdown, and the escalating number of individual and corporate defaults, all playing a part. In South Africa, the situation was further compounded by the December 2001 Rand exchange rate depreciation in the order of 37%, the simultaneous interest rates rise in excess of 3%, as well as the liquidity crisis that occurred among the smaller banks during the first quarter of 2002, following the downward credit ratings of A2 banks and the curatorship of Saambou.

Notwithstanding, the Group continued to keep abreast of its risk management policies and procedures and limited the potential losses that could have arisen out of the difficult operating environment during the year under review. Initiatives within the specific areas of risk are discussed below.

Credit Risk

Despite the global decline in loan quality, resulting from a difficult operating environment, the Group's overall credit quality improved, as reflected on page 109 and 110. In addition, the Group continues to manage the quality of the loan book on an ongoing and regular basis to ensure timely and appropriate responses to loan quality deterioration. The Group's exposure to Saambou, as discussed in a SENS announcement released during the year, was R50 million, which has been fully recovered.

The events of 11 September 2001, despite their severity, had no material impact on the Group, and no losses were sustained. The major issue arising out of the situation was the effect on settlements for the days immediately following 11 September 2001. This was, however, resolved once the Federal Reserve Board and other relevant governments had issued the appropriate guarantees, and the relevant disaster recovery sites were functional. Ongoing and frequent communication with the South African Reserve Bank, the FSA and the Group's banking counterparties ensured adequate management of the situation.

Market Risk

In the Market Risk area, the stress testing on the Group's portfolios accurately quantified the profit and loss that was realised during the Rand crisis. Furthermore, the risk management systems timeously identified losses and potential losses during the 11 September 2001 crisis and the Rand crisis. Market liquidity was such during both these periods that losses were incurred by the Equity Derivatives desk during September and the Interest Rate desk during December, as discussed elsewhere in this report.

Asset and Liability Management

The Group successfully maintained an adequate level of liquidity during the liquidity crisis that prevailed in South Africa in the early part of 2002. A Liquidity Management Group (a subset of ALCO), comprising executive directors and senior management was established. Reports including details of liquidity requirements, funding achieved, the demand gap, large withdrawals, new deposits, customer statistics and trends were presented to the Liquidity Management Group. The Asset Liability Management team continually monitored market developments, particularly surrounding the smaller banks and communicated any internal/external developments to the Executive Risk Review Committee weekly.

Operational Risk

Information Security: The Nimda virus struck Investec, along with other global organisations, in September 2001. System downtime was insignificant due to adequate incident response procedures. Proactive security measures are in place to protect Investec's internet connectivity. These include, anti-virus and system updates, intrusion detection, prevention of access to certain websites.

Disaster Recovery: One of the Group's US offices is located downtown in the Financial District. Notwithstanding the company's proximity to the events of 11 September, it managed to resume trading when the markets reopened, with all staff safe and all systems operational.

Compliance

As previously mentioned, the Group enhanced its money laundering prevention policies and procedures to take into account increased international regulatory requirements. Significant progress has also been made in developing on automated compliance monitoring system.

Future direction

Against the background of the ever-changing nature, structure and dynamics of the international markets in which the Group operates, Investec will continue to review its risk management procedures and modify them as appropriate.

The focus in the forthcoming year will be on continued standardisation of the Group's risk management practices and integrating the risk management operations of the different jurisdictions. In particular, the Group will focus on:

- Further integration of credit, market operational risk, and asset and liability management methodologies.
- Ongoing review of the approach to be taken for the new Basel Capital Accord proposals and the consequent system and data implications.
- Ongoing implementation of risk adjusted measures for exposure and capital management.
- Ongoing allocation of risk capital to the trading activities.
- Obtaining internal model approval from the regulatory authorities for the internal VaR models to mitigate capital usage, where possible.
- Development of an internal credit risk model.

Credit ratings

In general Investec has been assigned high ratings for credit quality, capacity for timely repayment and financial strength. These ratings as at 31 March 2002 are all South African currency ratings unless otherwise stated.

Ratings for Investec Group Limited

Capital Intelligence Ratings	
Foreign currency - long-term rating	BBB-*
Foreign currency - short-term rating	A3*
Global Ratings	
Short-term rating	A-1+
Long-term rating	AA-
CA Ratings	
Short-term local currency debt ratings	A-1+
Long-term local currency debt rating	A+
Fitch	
Individual and support rating	B/C5
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	
Support rating	4
Domestic short-term	F1
Domestic long-term	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 and support rating	B/C5
Short-term rating	F2
Long-term rating	A-

* constrained by the sovereign rating for South Africa

The following tables expand on certain of the data presented in earlier graphs:

Liquidity gap at 31 March 2002

(R millions)	0 - 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	More than 5 Years	Total*
Cash and short-term funds	72 109	22 437	8 061	6 906	397	1 314	111 224
Short-term negotiable instruments	61 746	2 992	-	-	-	-	64 738
Investment and trading securities	7 875	3 052	345	727	4 308	1 610	17 917
Other assets	6 264	515	375	53	691	162	8 060
Advances (°)	6 465	1 795	4 803	5 656	19 228	16 466	54 413
Associated companies	-	-	-	-	-	503	503
Property and equipment	-	-	-	-	-	2 499	2 499
Goodwill	-	-	-	-	-	5 485	5 485
Long-term assurance business attributable to the shareholder	-	-	-	-	960	-	960
Assets	**154 459**	**30 791**	**13 584**	**13 342**	**25 584**	**28 039**	**265 799**
Equity	-	-	-	-	1 257	12 514	13 771
Subordinated debt	-	-	-	-	-	2 245	2 245
Liabilities	131 670	47 478	32 401	24 204	13 145	885	249 783
Equity and liabilities	**131 670**	**47 478**	**32 401**	**24 204**	**14 402**	**15 644**	**265 799**
Liquidity gap	22 789	(16 687)	(18 817)	(10 862)	11 182	12 395	-
Cumulative liquidity gap	**22 789**	**6 102**	**(12 715)**	**(23 577)**	**(12 395)**	**-**	**-**

* The above table excludes assets and liabilities relating to the long-term assurance business attributable to policy holders.

° Specific and general provisions have been proportionally allocated to each maturity period.

Breakdown of loans and advances at 31 March 2002

(R millions)	Commercial Property	Residential Mortgages	Lease Instalment Debtors	Corporate & Public Sector	Margin Lending**	Other Secured Private Advances	Other Loans	Total
Individual Private Clients	4 240	7 236	1 113	-	-	6 839	846	20 274
Medium Corporates	9 380	-	357	2 473	7	28	452	12 697
Large Corporates	608	-	531	15 929	-	-	693	17 761
Public Sector	216	-	562	399	2 430	-	1	3 608
Institutions	-	-	-	1 111	-	-	-	1 111
	14 444	7 236	2 563	19 912	2 437	6 867	1 992	55 451Δ

** Refer to definition on page 240

Δ Pre specific and general provisions.

Repricing gap at 31 March 2002

(R millions)	Total trading	0 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	More than 5 Years	Non interest bearing	Total non trading	Total
Cash and short-term funds	72 613	34 609	608	270	57	3 011	56	38 611	111 224
Short-term negotiable instruments	48 218	5 941	3 946	3 517	1 747	1 369	-	16 520	64 738
Investment and trading securities	13 248	-	-	-	-	-	4 669	4 669	17 917
Advances	3 327	23 498	1 246	2 015	9 345	14 881	101	51 086	54 413
Other assets	-	5 956	365	430	528	339	9 889	17 507	17 507
Assets	**137 406**	**70 004**	**6 165**	**6 232**	**11 677**	**19 600**	**14 715**	**128 393**	**265 799**
Equity	-	764	-	-	1 257	681	11 069	13 771	13 771
Subordinated debt	-	-	-	-	-	2 245	-	2 245	2 245
Liabilities	128 910	83 619	8 260	4 426	7 464	14 713	2 391	120 873	249 783
Equity and liabilities	**128 910**	**84 383**	**8 260**	**4 426**	**8 721**	**17 639**	**13 460**	**136 889**	**265 799**
Off balance sheet items	-	6 952	1 678	(32)	(1 483)	(7 115)	-		
Interest rate repricing gap	8 496	(7 427)	(417)	1 774	1 473	(5 154)	1 255		
Cumulative repricing gap	**8 496**	**1 069**	**652**	**2 426**	**3 899**	**(1 255)**	**-**		

directors' responsibility and corporate governance

The information provided in this section reflects the situation as it stood during the financial year. The implementation of the Dual Listed Companies structure has brought about some changes, the most pertinent of which are discussed on pages 144 and 145.

Responsibility

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

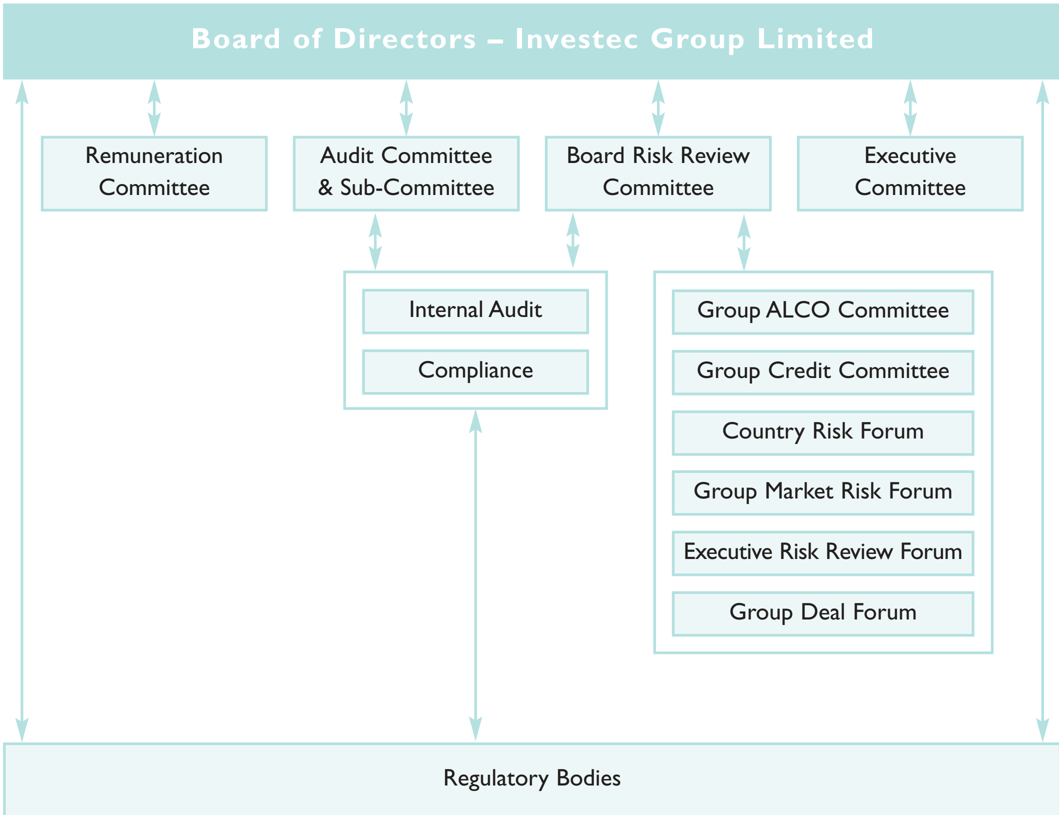
In discharging this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks faced by the company, which was in place for the year under review and up to the date of approval of this annual report and accounts. The process is implemented 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

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.

Corporate governance, in essence, is the formal maintenance of the necessary balance between entrepreneurial thrust and enterprise on the one hand and prudential restraint, within the boundaries of regulation, on the other. Accordingly, corporate governance, embodied in Investec's written Statement of Values (which serves as its Code of Ethics) has always been a pillar of Investec's culture. 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.

Corporate Governance structure



The Group endorses the South African King II Code of Corporate Governance and operates in broad compliance with its recommendations. 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. 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 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 and review the governance process.

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.

Board of Directors

Composition

For the year under review Investec Group Limited had a unitary board comprising four executive and nine non-executive directors. The board is balanced so that no individual or small group can dominate decision making. Details of the directorate are contained on page 150.

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 comprise individuals of high calibre with diverse backgrounds and expertise. They provide objectivity and independence to board deliberations and decision-making processes.

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/or do not have any other relationship which could materially interfere with the exercise of their independent judgement. Hugh Herman, Donn Jowell and Ian Kantor are not considered to be independent. The Directors consider that Sam Abrahams and Peter Thomas are independent, notwithstanding the consulting fees they receive to sit on various of Investec's compliance and decision making committees (such as the Group Audit Committee, Group Credit Committee, Board Risk Review Committee and various Audit Sub-Committees) in an advisory capacity as non-executive directors.

Appointment and selection

The selection and appointment of directors to the boards of Investec and its major subsidiaries is a matter for the Investec Group board as a whole. A nomination committee was not considered appropriate, but has been formed subsequent to the financial year end (refer to page 144).

The selection and nomination process is formal and transparent. Prior to appointing a new director, the board thoroughly investigates the candidate's background. This is to ascertain whether the individual is fit and proper and has not contravened any legislation which disqualifies him/her from being a director. Board appointments are based on a required mix of skills, experience and demographics to ensure the ongoing success of the Group.

Board effectiveness is subject to regular self-assessment.

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. Directors have no fixed term of appointment and their contributions are subject to ongoing review. An executive director is required to retire from the board at the age of 65, while a non-executive director is required to retire at the age of 70.

All non-executive directors, on appointment, are appropriately familiarised with the operations of the Group, senior management and its business environment and are inducted in terms of their fiduciary duties and responsibilities.

Role and responsibility

The board retains full and effective control of the company and is ultimately accountable and responsible for the performance and affairs of the Group. This includes the responsibility for reviewing and guiding corporate strategy, through the establishment of key policies and objectives.

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 service offerings.

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, involving 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. This is 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, all non-executive directors have unrestricted access to management, including the Group Company Secretary, and to such information, records and documents as 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 able to take 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 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.
- Quarterly status reports from Group Risk Management, Compliance and Internal Audit.
- Report and minutes of the Audit Committee.
- Report of the Chief Executive Officer, which includes an update on financial and non-financial aspects/developments within each of the operating divisions.
- Reports on proposed acquisitions.
- Reports on significant regulatory issues.

Both the Investec Group Board and the Investec Bank Board meet at least four times a year.

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 the Chief Executive Officer are appointed by the board. The board is led by the Chairman, Hugh Herman, who is a Non-Executive Director. 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 non-executive directors review the performance of the Chief Executive Officer annually.

Company Secretary

The Company Secretary of Investec Group Limited is suitably qualified and experienced and was appointed by the board in February 1994. Removal of the Company Secretary would be a matter for the board as a whole. The Company Secretary is responsible for the duties stipulated in section 268G of the Companies Act and the declaration required to be signed in terms of subsection (d) appears on page 165. The Company Secretary has a pivotal role to play in the Group's corporate governance process and is, accordingly, empowered by the board so that he may properly fulfill these duties.

In addition to the statutory duties, the Company Secretary is required to provide the directors of the company, collectively and individually, with guidance on how their responsibilities should be properly discharged in the best interests of the company. The Company Secretary plays an important role in the induction of new directors and also assists the Chairman and Chief Executive Officer in determining the annual board plan. Furthermore, the Company Secretary is required to ensure that the directors are aware of all legislation relevant to, or affecting, the Group and reporting at any meetings of the shareholders of the Group or of the Group's directors, any failure to comply with such legislation.

The contact details of the Company Secretary are provided at the beginning of this report.

Management

Global business unit and geographic management are appointed 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 with 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 pages 49 and 50.

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 board 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 has given the Group's management teams the opportunity to remain in touch with developments in the Group as a whole, thereby helping to eliminate duplicated effort and to enhance synergies across businesses and geographies. It 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	50
Bernard Kantor	Managing Director	1980	UK	52
Glynn Burger	Global Head of Group Risk Management and Joint Managing Director of Investec's South African operations	1980	South Africa	45
Fred Carr	Head of Private Client Portfolio Management and Stockbroking - UK	1997	UK	57
Perry Crosthwaite	Head of Investment Banking - UK	1998	UK	53
Steve Elliott	Executive Director Carr Sheppards Crosthwaite	1989	UK	48
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	UK	41
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's UK operations	1999	UK	36
Sam Hackner	Global Head of Private Banking	1989	South Africa	46
Rayanne Jacobson	Global Head of Group Finance	1996	South Africa	33
David Lawrence	Deputy Chairman of the Group's South African operations responsibility for banking, institutions and corporate relations	1996	South Africa	51
Andy Leith	Joint Managing Director of Investec's South African operations and Joint Global Head of Investment Banking	1994	South Africa	42
Geoff Levy	Chief Executive Officer of Investec's Australian operation	2001	Australia	43
Patsy McCue	Global Head of Human Resources	1984	South Africa	39
Farrel Meltzer	Managing Director of Investec's Australian operations	2000	Australia	37
Simon Shapiro	Global Head of Group Information Technology	1990	South Africa	43
Caryn Solomon	Global Head of Organisational Development	2000	UK	48
Alan Tapnack	Joint Regional Head of Investec's UK operations and Head of Investec's Israeli operations	1991	UK	55
Bradley Tapnack	Global Head of Corporate Governance and Compliance	1986	South Africa	55
Hendrik du Toit	Global Head of Investec Asset Management	1991	UK	41
Raymond van Niekerk	Global Head of Group Marketing	2001	South Africa	39
Allen Zimbler	Chief Integrating Officer	2001	UK	52

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	50
Bernard Kantor	Managing Director	1980	UK	52
Glynn Burger	Global Head of Group Risk Management and Joint Managing Director of Investec's South African operations	1980	South Africa	45
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's UK operations	1999	UK	36
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	UK	41
Sam Hackner	Global Head of Private Banking	1989	South Africa	46
Andy Leith	Joint Managing Director of Investec's South African operations and Joint Global Head of Investment Banking	1994	South Africa	42
Hendrik du Toit	Global Head of Investec Asset Management	1991	UK	40
Allen Zimbler	Chief Integrating Officer	2001	UK	52

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 an instrumental 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 replenished when required.

Board sub-committees

To assist the board in the discharge of its duties, a number of board sub-committees have been established. The features of these committees are as follows:

- The committees all have specific terms of reference that include roles and responsibilities, and are accountable to the board.
- The board evaluates the performance and effectiveness of each board committee on a regular and ongoing basis.

- The committees are composed of individuals with the requisite skills commensurate with the committee's objectives/scope of activity.
- Non-executive board members have been assigned to all of these committees.
- Various members of management are invited to attend committee and board meetings whenever appropriate.
- The board sub-committees are free to take independent outside professional advice as and when necessary.

The board sub-committees are outlined below.

Executive Committee

The Executive Committee is responsible for implementing the Group's strategy and managing its business affairs. 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 Executive Committee are:

- Glynn Burger (Global Head of Risk Management and Joint Managing Director of Investec's South African operations)
- Donn E Jowell (Non-Executive director)
- Bernard Kantor (Managing Director)
- Stephen Koseff (Chief Executive Officer)
- David M Lawrence (Executive Director)
- Bradley Tapnack (Executive Director)

The Executive Committee met five times during the year.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration of most senior strata, from the Chief Executive Officer and the directors to Global Group Management Forum level. The committee's principle responsibilities and objectives are to:

- Make recommendations to the board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost; and to determine on their behalf specific remuneration packages for executive directors and executive management.
- Ensure that executive directors and members of senior executive management are appropriately and fairly remunerated and incentivised for their contribution to the Group's performance.
- Attract and retain qualified and experienced management and executives necessary to meet the Group's objectives and safeguard shareholder interests.
- Ensure that market competitive reward strategies and programmes are in place.
- Administer and establish performance targets for Investec's employee share schemes.

In making its recommendations, the committee may use professional advisers inside and outside the company.

The Remuneration Committee comprises:

- Hugh Herman (Chairman of the board and a Non-Executive Director)
- Donn E Jowell (Non-Executive Director)
- Peter R S Thomas (Non-Executive Director)

The Remuneration Committee meets at least three times a year. Hugh Herman, the Chairman of the committee, was available to answer stakeholder questions at the annual general meeting.

The Chief Executive Officer may attend meetings by invitation and may provide his input on the remuneration of the other executives. The Chief Executive Officer, however, plays no part in decisions of his own remuneration.

Director's remuneration

The remuneration of executive directors comprises both current reward and future entitlements. For the year under review directors did not have service contracts. Remuneration elements are detailed below:

- Executive directors in the Group receive a salary and economic value added driven rewards based on corporate and individual performance. Executives' remuneration packages are designed so that a substantial portion is performance related. Salaries are reviewed annually by reference to performance and the market.
- Executive directors participate in various share incentive schemes.
- Executive directors participate in the defined contribution pension fund and provident fund schemes.
- Non-executive directors receive fees for their services as directors and for services on the various board sub-committees and, where applicable, subsidiary boards and ancillary trusts. The policy on the remuneration packages for the non-executive directors is agreed to by the directors as a whole.

Investec Group Limited: Directors' remuneration for the year ended 31 March 2002

Name	Services as directors	Cash portion of package	Performance related remuneration	Other* benefits	Total remuneration Expense
Executive directors					
S. Koseff	500 000	1 768 704	4 800 000	481 296	7 550 000
B. Kantor	500 000	2 790 058	5 500 000	264 908	9 054 966
D. M. Lawrence	–	1 205 274	2 650 000	294 726	4 150 000
B. Tapnack	–	1 181 857	2 500 000	318 143	4 000 000
Total	1 000 000	6 945 893	15 450 000	1 359 073	24 754 966
Non-executive directors					
H. S. Herman	500 000	1 939 502	2 300 000	310 498	5 050 000
S. E. Abrahams	591 917	–		–	591 917
A. I. Basserabie**	7 500	–	–	–	7 500
Dr H. K. Davies	30 000	–		–	30 000
G. H. Davin	30 000	–		–	30 000
D. E. Jowell	1 379 246	–		–	1 379 246
I. R. Kantor	30 000	–		–	30 000
D. H. Mitchell***	7 500	–	–	–	7 500
D. R. Motsepe	30 000	–		–	30 000
Dr M. Z. Nkosi	79 800	–		–	79 800
P. R. S. Thomas	576 250	–		–	576 250
Total	3 262 213	1 939 502	2 300 000	310 498	7 812 213
Rand total	**4 262 213**	**8 885 395**	**17 750 000**	**1 669 571**	**32 567 179**

* Other benefits represent travel allowance, provident fund, medical aid, group life, pension fund, company car.

** Resigned during the year on 12 June 2001.

*** Resigned during the year on 16 May 2001.

Investec Group Limited: Directors' shareholdings at 31 May 2002

	Investec Group Limited (IGL)		Investec Holdings Limited (Inhold)		
Name	IGL ordinary shares beneficially held°	Indirect beneficial and non-beneficial call warrants†°	Inhold ordinary shares beneficially held	Inhold ordinary shares non-beneficially held	Future entitlements to Inhold ordinary shares under employee ownership initiatives
Executive directors					
S. Koseff*	3 526	545 263	487 178	103 010	372 611
B. Kantor*	1 000	545 263	408 700	300 000	372 611
D. M. Lawrence	–	19 263	60 500	–	175 436
B. Tapnack	–	26 368	60 838	–	209 943
Non–executive directors					
H. S. Herman*	2 500	42 763	139 250	–	361 344
S. E. Abrahams	–	2 105	–	–	20 937
Dr H. K. Davies	918	–	4 189	–	–
G. H. Davin*	–	–	100	–	50 000
D. E. Jowell**	–	3 158	–	135 000	31 406
I. R. Kantor	874	1 100 000	–	–	90 000
D. R. Motsepe	–	–	–	–	–
Dr M. Z. Nkosi	–	–	–	–	–
P. R. S. Thomas*	575	2 632	159 951	–	26 172
Total number	**9 393**	**2 286 815**	**1 320 706**	**538 010**	**1 710 460**

* Also directors of Inhold.

† Two-year variable call warrants at a strike price of R145 per share.

° Beneficial interests include those of connected persons as defined in the Listing Rules of the UKLA.

** D. E. Jowell has a non-beneficial interest of 880 IGL ordinary shares.

A company in which H. S. Herman, S. Koseff and B. Kantor own 7,6%, 38,4% and 38,4%, respectively, in an indirect beneficial capacity owns 3 817 900 Inhold ordinary shares and has a short position of 2 209 500 IGL ordinary shares, which interests are not included above.

In addition B. Kantor entered into a put and call option agreement with Investec Securities Limited on 30 November 2001 pursuant to which he is entitled to put 200 000 IGL ordinary shares at strike price of R225,00 and Investec Securities Limited are entitled to call 200 000 IGL ordinary shares at a strike price of R300,00. The expiry date for the exercise of this put and/or call is 28 November 2003.

No share options have been issued to directors and participants are at risk for shares issued under share executive trusts and employee ownership initiatives.

There have been no changes in the beneficial and non-beneficial holdings of the directors in the share capital of the company and Inhold from 1 April 2002, being the start of IGL's current financial year, to 31 May 2002.

Audit Committee

The Group Audit Committee comprises non-executive directors, with a non-executive director as Chairman, and meets at least six times a year. The members of the Audit Committee are listed on page 151. A number of senior managers are invited (or required by the Audit Committee Charter) 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 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 Group Audit Committee is supported by the Audit Sub-Committees established for all significant business operations and geographic locations, designed to assess, implement and report on the operational internal control environment. Non-executive directors have "white cards" to attend all the meetings of these various committees and at least one non-executive director is assigned to each sub-committee in order to promote integration of the whole system. The Group Audit Committee reviews the significant issues raised in all the Audit Sub-Committees.

The duties and responsibilities of the Audit Committee are set out in a written Charter approved by the Board of Directors and (in summary) include:

- Review of accounting policies and changes in accounting policies.
- Review of the adequacy and effectiveness of internal controls and management information.
- Review of suggested improvements to disclosure.
- Review of annual and interim financial reports and accounts.
- Review and consideration of areas of judgement, external audit adjustments, the going concern statement and compliance with national and international accounting standards.
- Review of the Internal Audit Charter and plans, review of the performance of the Internal Audit function and the interaction of that function with the external auditors.
- Review of the processes intended to secure statutory and regulatory compliance and compliance with internal codes of ethics and conduct.
- Review of the external auditors' audit plan, discussion with them of the scope and cost of the annual audit, discussion of problems if encountered and of management letters and statutory reports.

The Audit Committee Charter is reviewed annually. The Chairman of this committee is required to attend the annual general meeting and is responsible for addressing any stakeholder questions on its work.

The risk and compliance managers, internal auditors, respective firms of external auditors, non-executive directors and various supervisory and regulatory bodies all have unrestricted access to the Chairman of the Audit Committee and to each other. They submit formal reports to the committee at its meetings throughout the 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 (Global Head of Risk Management and Joint Managing Director of Investec's South African operations)

- 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)
- Alan Tapnack (Chief Executive Officer of Investec Bank (UK) Limited)
- Bradley Tapnack (Executive Director)
- Peter R S Thomas (Non-Executive Director)

The committee acts as agent of the board. Its purpose is to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec, and that the risk management structure is adequate with sufficient resource 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 for any changes to business objectives and the bases of measuring risk.

The Board Risk Review Committee defines the processes by which internal financial control risk is assumed and monitored. The Audit Committee is responsible for reviewing these processes, which are the domain of the Board Risk Review Committee. The independent Group Risk Management division provides the expertise and basic materials from which the processes can be built and monitored daily.

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 pages 100 to 126.

The Board Risk Review Committee meets monthly and before each board meeting.

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 latter is the responsibility of management who report to these committees regularly. Management has unrestricted access to these committees.

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 it 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 developed and set 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 polices 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 have been 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 refer to pages 100 to 126.

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 "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 (within reason) to:

- Provide reasonable assurance of both the integrity and reliability of financial information.
- 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.

Controls are reviewed and evaluated regularly for appropriateness and effectiveness. The Board Risk Review Committee and the Audit Committee assist the board in this regard (as discussed above). Best practices are reinforced through active risk management processes and initiatives. During the previous financial year, the Group initiated a programme to implement the "Turnbull Guidance", which specifically relates to the accountability and audit aspects of corporate governance practices as set out in the "London Combined Code".

This programme continues to be monitored and enhanced to support the board in its responsibilities regarding risk management and internal control.

Internal and external audit

An Internal Audit function is based in each significant jurisdiction in which the Group operates. Internal Audit operates independently from executive management, with unrestricted access to the Chairman of the Group Audit Committee. 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 function, refer to page 120.

The Group's external auditors are KPMG and Ernst & Young. The Group encourages consultation between external and internal auditors within defined parameters that does not in any way impair the independence of either 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 Chairman of the Group Audit Committee. For further details on the Group's Compliance function, refer to page 121.

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, addressing material matters of significant interest and concern, and showing 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 annual general meeting and any other meetings of Investec, and to raise issues and participate in discussion on items included in the notice of the meeting.

The Group has an Investor Relations division which is responsible for ensuring appropriate communication with its 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 e-mail, regular telephone conferences and liaison with private shareholders in response to their enquiries. The Investor Relations division regularly reports back to the operating divisions, the Group executive and the board on various matters/concerns raised by 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 has also employed an external public relations specialist to assist in this regard.

The Group's ongoing commitment to providing timeous, detailed and relevant disclosure to its stakeholders was rewarded during the year under review, when it received the following awards:

- Best Investment Analyst Society Presentation - Investment Analysts Society of Southern Africa.
- Best Annual Report in the Financial, Insurance and Property Services Sector - South African Institute of Chartered Secretaries and Administrators.
- 10th place out of the top 100 listed companies on the JSE - Ernst & Young Excellence in Financial Reporting Award.

Investec's communication policy focuses on ensuring that all employees in all jurisdictions in which the Group operates 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 established 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 e-mail 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 132 and 133. In addition, the Group holds an annual management conference at which approximately 400 of its senior management from all around the world meet to discuss strategic initiatives as well as key business and industry developments and issues.

Regulation and supervision

The Group is subject to external regulation and supervision by various South African and international statutory bodies and regulators. The Group strives to achieve an open and active dialogue with its regulators and supervisors to comply with the various regulatory and supervisory requirements. 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.

Going concern

The financial statements of Investec Group Limited and Investec Holdings Limited, set out on pages 157 to 225 and pages 226 to 239 respectively, are prepared on the going concern basis. The directors are of the opinion, based on enquiries made and their knowledge of the Group, that adequate resources exist to support the Group on the going concern basis over the next year.

Values and code of conduct

The Group has a strong 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.

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 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. For further information in this regard, refer to page 97.

Investec continually strives to conduct its business with uncompromising integrity and fairness so as to promote complete trust and confidence in the banking industry.

Dealings and securities

Investecs' policy on Personal Account Dealing is based on the Position Paper and guidelines issued by the regulators and is established on international best practice. The policy includes the following features:

- The policy prohibits trading by staff for speculative purposes (and therefore requires a 30-day holding period for securities).
- The Group's Compliance division is required to sign-off on all employee dealings in securities.
- It facilitates the compilations 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 divisions administers compliance with the Group's Personal Account Dealing policy. Each employee is required to sign the 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 internally and not through an external broker.

Details of directors' dealing in Investec shares are disclosed to the board and, in accordance with the JSE Listings Requirements, are also 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 the most important asset and, therefore, the Group's philosophy 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 Investec's clients. For this reason, Investec emphasises strongly the processes of recruitment, education and development. To this end, Investec has an internal business learning centre which, together with the various divisions, has created 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 both permitting and encouraging wide participation in formal forums and processes.

Material employee ownership - staff share schemes

Material employee ownership is one of Investec's fundamental philosophies. As at 31 March 2002, management and staff held an effective interest in Investec Group Limited of approximately 20%. Ownership of the Group is devolved on employees through the staff share scheme, and participation in ownership by all employees is actively encouraged. 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 through 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 in proportion 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 or maximum period of a further three or eight years respectively. The shares are allocated at the current market value and employees are offered loans to purchase the shares at market rates of interest. 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 of, and contribution made by, the respective staff members.

In addition to the staff share scheme, other incentive schemes are operated by the Group. While 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 membership believe are in a position to add significant value to the Group. While housed in different structures from the staff share scheme, the underlying assets in them are Group instruments. Any benefits the members derive from such schemes thus totally depend on the performance of the Group.

Sustainability reporting

The Group is aware of the requirement as laid out by King II to report on its "triple bottom line". While the Group does report on, and implement processes regarding these non-financial matters, it is continually improving its reporting in this regard.

Investec has strategically focused on education, economic growth and entrepreneurship in addressing empowerment in society and the workplace. The Group's societal focus is on developing the skills pool of the country and the organisation. The historical make-up of the financial skills sector and the vast skills deficit created by years of systemic inequality within the formal education system in South Africa, will only be overcome with commitment, creativity, focus and hard work. Progress will require extensive investment in training and development, both with employees and in educational institutions. Further aspects of the Group's employment equity strategy concentrate on creating a learning environment, ensuring equal opportunity in recruitment and providing growth and development opportunities for all employees.

The Group recognises that the creation of a diverse workforce will better position it to meet the needs of a diverse client base and the challenges of a global economy. Within this context, the Investec Group in South Africa has developed an employment equity philosophy, which captures its employment equity objectives. Further details of the Group's employment equity, internal skills building, black economic empowerment, environmental and corporate social responsibility processes and initiatives are set out in the handout accompanying the Annual Report.

Corporate governance and the implementation of the Dual Listed Companies structure

As discussed on page 26, Investec was given permission in November 2001 to dual list the Group on the JSE and LSE. The implementation of the Dual Listed Companies structure will not, in any way, alter the Group's commitment to conducting its affairs in accordance with the highest standards of corporate ethics. The directors will continue to seek to comply with the requirements of all applicable guidelines on corporate governance, including the London Combined Code and the King II Code. They will also seek to operate procedures required to comply with appropriate internal control aspects of all applicable corporate governance provisions, including the Combined Code in accordance with the Turnbull Report.

The most significant changes brought about by the implementation of this structure (subsequent to the financial year end), with respect to the information discussed in this section, include:

- A nominations committee has been appointed.
- The board sub-committees have been reconstituted.
- The Investec Group Limited Board has been reconstituted. The boards of Investec Group Limited (to be renamed Investec Limited) and Investec PLC will comprise the same persons and will consist of four executive directors and 10 non-executive directors. The details of the individuals who comprise the reconstituted board of directors, are set out below:

Executive Directors

Stephen Koseff, aged 50, Chief Executive Officer, BCom CA(SA) H Dip BDP MBA. 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 Group Limited, Investec Bank Limited, Investec Bank (UK) Limited and The Bidvest Group Limited.

Bernard Kantor, aged 52, 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 Group Limited, Investec Bank Limited and Investec Bank (UK) Limited.

Glynn Burger, aged 45, Executive Director responsible for Finance and Risk, MBL, B.Acc, CA(SA). 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, aged 55, Executive Director, 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. 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.

Non-Executive Directors

Hugh S Herman, aged 61, Non-Executive Chairman, BA, LLB. Hugh practised as a lawyer before joining Pick 'n Pay, a leading South African supermarket group, where he became Managing Director. He joined Investec in 1994. His directorships include Investec Group Limited and Investec Bank (UK) Limited, and he is a non-executive director of Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

John Abell, aged 70, Non-Executive Director, 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 Group Limited and Investec Bank (UK) Limited.

Sam E Abrahams, aged 63, Non-Executive Director, 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 Group Limited and Investec Bank Limited.

George Alford, aged 54, Non-Executive Director, FCIS, FIPD, MSI. George was appointed Head of Private Banking at Kleinwort Benson Group in 1991 and is currently a senior adviser to the FSA. His directorships include Investec Group Limited and Investec Bank (UK) Limited.

Donn E Jowell, aged 60, Non-Executive Director, BCom, LLB. Donn is Chairman of Jowell Glyn & Marais Inc, the South African legal advisers to the company. His current directorships include Anglovaal Mining Limited, Comparex Holdings Ltd, Investec Group Limited and Investec Bank Limited and various other Investec companies.

Ian R Kantor, aged 55, Non-Executive Director, 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, Investec Group Limited, Investec Bank Limited and Investec Bank (UK) Limited.

Sir Chips Keswick, aged 62, Non-Executive Director. Sir Keswick 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, Investec Group Limited and Investec Bank (UK) Limited.

Peter Malungani, aged 44, Non-Executive Director, BCom, MAP, LDP. Peter is Executive Chairman and founder of Peu Investment Group and Chairman of Phumelela Gaming and Leisure Limited. His current directorships include SA Rail Commuter Corporation Limited, Super Group Limited and Investec Bank Limited.

Peter R S Thomas, aged 57, Non-Executive Director, CA (SA). Peter is a chartered accountant and former Managing Director of The Unisec Group Limited. His current directorships include Investec Group Limited and Investec Bank Limited.

shareholder analysis

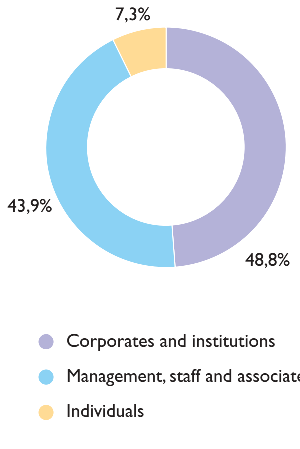
During the year under review, the shares of Investec Group Limited and its holding company, Investec Holdings Limited, were listed on the JSE Securities Exchange South Africa and traded under the ticker symbols INT and INH respectively.

Management and staff owned a significant stake in both Investec Group Limited and Investec Holdings Limited. The direct interest of management and staff in the wealth of the Group has been a cornerstone of the Group's culture and strategy since the Group's listing in 1988, and continues to play an important role in its performance.

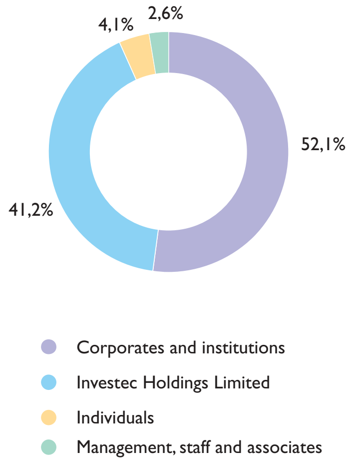
Spread of ordinary shareholders

Percentage shareholding on a fully converted basis at 31 March 2002

Investec Holdings Limited (fully converted basis 48,5mn shares)



Investec Group Limited (fully converted basis 109,2mn shares)



Spread of ordinary shareholders

Implementation of a Dual Listed Companies structure

During November 2001 Investec received permission to dual list the Group on the JSE and LSE. As a result of the implementation of the Dual Listed Companies structure (subsequent to the financial year end) the shareholding structure on the previous page will change. Investec Holdings Limited will be unbundled and its ordinary shares will be suspended on the JSE. Investec Group Limited (IGL) will retain all its businesses in continental Southern Africa and Mauritius and its primary listing on the JSE. Most of its other businesses will be placed into a UK company, Investec PLC. Investec PLC will then be unbundled from IGL and listed on the LSE with a secondary listing on the JSE. For more information on this structure, please refer to page 26.

Investec Group Limited ordinary share capital reconciliation

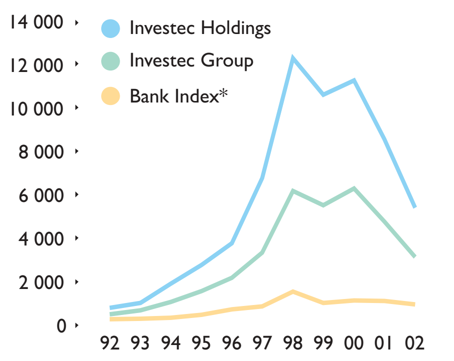
Opening balance at 1 April 2001*	80 910 020
Conversion of debentures	31 622
Issued in relation to the Fedsure acquisition	19 212 204
Shares received on Fedsure Holdings Limited unbundling	(3 864 868)
Adjustments to Fedsure acquisition considerations**	(346 862)
Share buy-backs**	(3 800 000)
Other share issues	86 193
Closing balance at 31 March 2002	92 228 309
Represented as:	
Issued shares	96 193 177
Less: Treasury shares	(3 964 868)
	92 228 309

* comprises 81 010 020 issued shares, less 100 000 treasury shares.

** cancelled during the year: total 4 146 862 shares.

Share performance

Investec Group's share price has increased from 375 cents on 1 April 1988 to R130 on 31 March 2002. This steady growth in the share price has resulted in a 10-year compound growth rate of 16,6%. As a result of the rating of its underlying investment, Investec Holdings Limited's share price has increased from 190 cents on 1 April 1988 to R108 on 31 March 2002, a 10-year compound growth rate of 18,4%.



Relative Share Price Index 1990 = 100
* Prior to 1998 the graph shows the Bank and Financial Services Index. In March 1999 the index was split and the figures from 1999 show the Banks Index only.

Investec Group Limited ordinary shares in issue – 31 March 2002

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
16 148	1 - 500	83,04	1 941 741	2,02
1 375	501 - 1 000	7,07	1 076 172	1,12
1 180	1 001 - 5 000	6,07	2 674 836	2,78
249	5001 - 10 000	1,28	1 812 128	1,88
336	10 001 - 50 000	1,73	7 770 403	8,08
77	50 001 - 100 000	0,40	5 304 141	5,51
80	100 001 and over	0,41	75 480 771	78,47
	Adjustments*		132 985	0,14
19 445		**100**	**96 193 177**	**100**

Investec Holdings Limited ordinary shares in issue – 31 March 2002

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 755	1 - 500	72,16	809 033	2,19
687	501 - 1 000	10,42	537 249	1,45
769	1 001 - 5 000	11,67	1 772 779	4,79
132	5001 - 10 000	2,00	962 229	2,60
165	10 001 - 50 000	2,50	3 720 898	10,05
24	50 001 - 100 000	0,37	1 792 184	4,84
57	100 001 and over	0,86	25 962 158	70,14
1	Adjustment*	0,02	1 458 766	3,94
6 590		**100**	**37 015 296**	**100**

* Arising from dematerialisation orders in transit.

share statistics

Refer to definitions on page 240

Investec Group Limited ordinary shares in issue

For the year ended 31 March	2002	2001	2000	1999	1998
Closing market price per share (cents)					
– year end	13 000	19 700	26 020	22 900	25 600
– highest	24 580	27 800	30 000	27 100	26 000
– lowest	13 000	19 200	18 440	12 500	13 250
Tangible net asset value per share (Rand)	70,9	63,1	55,7	53,6	51,2
Number of shares in issue on a fully converted basis (million)	109,2	97,9	92,6	92,5	79,9
Number of ordinary shares in issue (million)	96,2	81,0	80,6	80,4	76,1
Market capitalisation on a fully converted basis (R'mn)	14 196	19 286	24 095	21 178	20 451
Monthly average volume of shares traded ('000)	5 035	2 812	1 717	2 046	1 164
Monthly average value of shares traded (R'mn)	908	663	408	442	218
Year end market price/tangible net asset value per share	1,8	3,1	4,7	4,3	5,0
Price earnings ratio	7,1	12,1	20,0	23,1	38,0
Dividend cover (times)	2,2	2,2	2,1	2,1	1,9
Dividend yield (%)	6,3%	3,8%	2,4%	2,1%	1,4%
Earnings yield (%)	14,2%	8,3%	5,0%	4,3%	2,6%
Number of shareholders	19 445	3 454	3 070	3 788	4 162

Investec Holdings Limited ordinary shares in issue

For the year ended 31 March	2002	2001	2000	1999	1998
Closing market price per share (cents)					
– year end	10 780	17 100	22 500	21 200	24 540
– highest	21 000	24 000	26 000	27 000	24 740
– lowest	10 780	17 100	16 320	12 200	13 000
Number of shares in issue on a fully converted basis (million)	48,5	52,3	52,3	46,3	44,6
Number of ordinary shares in issue (million)	37,0	40,8	40,8	40,8	40,5
Market capitalisation on a fully converted basis (R'mn)	5 174	8 943	11 763	9 816	10 933
Monthly average volume of shares traded ('000)	1 520	742	444	499	313
Monthly average value of shares traded (R'mn)	230	151	95	100	57
Dividend cover (times)	2,1	2,0	2,0	2,0	2,0
Dividend yield (%)	7,0%	4,0%	2,5%	2,0%	1,2%
Number of shareholders	6 590	1 729	2 010	2 394	2 656
Percentage shareholding in Investec Group Limited (on a fully converted basis)	41,2%	50,3%	50,0%	50,1%	50,0%

directorate investec group limited

Reg. No. 1925/002833/06

Executive Directors

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer
Director of The Bidvest Group Limited, Investec Holdings Limited and the JSE Securities Exchange South Africa.

Bernard Kantor (52)
Managing Director
Director of Investec Holdings Limited.

David M Lawrence (51)*
BA(Econ) (Hons) MCom
Deputy Chairman of Investec Bank Limited.

Bradley Tapnack (55)*
BCom CA(SA)
Global Head of Corporate Governance and Compliance.

Non-Executive Directors

Hugh S Herman (61)
BA LLB
Non-Executive Chairman
Director of Investec Holdings Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

Sam E Abrahams (63)
FCA CA(SA)
Director of Super Group Limited and Foschini Limited.

Dr Hilton K Davies (69)*
BCom D Econ (Sc)
Chairman of Waco International Limited, Allied Technologies Limited and Growth Partners.

Graham H Davin (46)*
BCom BAcc CA(SA) MBA
Director of Investec Holdings Limited. Director of Insinger de Beaufort Holdings SA. Director of Bank Insinger de Beaufort NV.

Donn E Jowell (60)
BCom LLB
Consultant to Jowell, Glyn & Marais Inc. Director of Anglovaal Mining Limited.

Ian R Kantor (55)
BSc(Eng) MBA
Chairman of Investec Holdings Limited. Chief Executive Officer of Insinger de Beaufort Holdings SA and Bank Insinger de Beaufort NV.

Daphne R Motsepe (45)*
BR B Compt MBA
Director of Highveld Steel and Vanadium Corporation Limited.

Dr Morley Z Nkosi (67)*
BSc MBA PhD
Director of Anglovaal Mining Limited

Peter R S Thomas (57)
CA(SA)
Director of Investec Holdings Limited.

Note:

- Disclosure of nationalities of directors is limited to South African incorporated companies.
- As a consequence of the implementation of the Group's Dual Listed Company structure (subsequent to the financial year end) the Investec Group Limited board has been reconstituted. Refer to page 26, 144 and 145 for futher information.

* Resigned 26 June 2002.

group audit committee

Donn E Jowell (60)
Chairman
BCom LLB
Consultant of Jowell, Glyn & Marais Inc.

Sam E Abrahams (63)
FCA CA(SA)
Non-Executive Director of Investec Group Limited.

Steve Binnie (34)*
BCom BAcc CA(SA) MBA
Group Accountant SA.

Glynn R Burger (45)*
BAcc CA(SA) H Dip BDP MBL
Group Risk Manager of Investec Group Limited and Director of Investec Holdings Limited.

Geoff Cook (34)*
BA LLB
Group Compliance.

Colin Fiddes (42)*
BCom BAcc CA(SA)
Global Head of Operational Risk.

Anneke Grobbelaar (33)*
CA(SA)
Partner of Ernst & Young.

Rayanne Jacobson (33)*
BCom Honours (Taxation) CA(SA)
Global Head of Group Finance.

Stephen Koseff (50)*
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer of Investec Group Limited and Director of Investec Holdings Limited.

Andy W J Leith (42)*
BCom CA(SA)
Executive Director of Investec Bank Limited. Joint Global Head of Investment Banking and Joint MD of Investec's South African operations.

John Louw (49)*
BCom CA(SA)
Partner of KPMG Inc.

Bill McClure (59)*
CA(SA)
Partner of Ernst & Young.

Tracy Middlemiss (38)*
BCom BAcc CA(SA)
Partner of KPMG Inc.

Dr Morley Z Nkosi (67)
BSc MBA PhD
Non-Executive Director of Investec Group Limited.

Brigid Schrieder (33)*
BCom BAcc CA(SA)
Internal Audit.

Simon Shapiro (43)*
BCom (Hons) MBA
Chief Technology Officer.

Bradley Tapnack (55)*
BCom CA(SA)
Executive Director and Global Head of Corporate Governance and Compliance.

Peter R S Thomas (57)
CA(SA)
Non-Executive Director of Investec Holdings Limited and Investec Group Limited.

* By invitation
- As a consequence of the implementation of the Group's Dual Listed Company structure (subsequent to the financial year end) the sub-committees of the board have been reconstituted. Refer to page 26, 144 and 145 for further information.

directorate investec holdings limited

Reg. No. 1985/005574/06

Directors

Ian R Kantor (55)
BSc(Eng) MBA
Chairman
Director of Investec Group Limited.
Chief Executive Officer of Insinger de Beaufort Holdings SA and Bank Insinger de Beaufort NV.

Bas Kardol (Dutch) (75)
Deputy Chairman.

Glynn R Burger (45)
BAcc CA(SA) H Dip BDP MBL
Director of Investec Bank Limited.

Graham H Davin (46)
BCom BAcc CA(SA) MBA
Director of Investec Group Limited.
Executive Director and Chief Financial Officer of Insinger de Beaufort Holdings SA and Director of Bank Insinger de Beaufort NV.

Hugh S Herman (61)
BA LLB
Chairman of Investec Group Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

Bernard Kantor (52)
Managing Director of Investec Group Limited.

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer of Investec Group Limited, Director of The Bidvest Group Limited, and JSE Securities Exchange South Africa

Peter R S Thomas (57)
CA(SA)
Director of Investec Group Limited.

- As a consequence of the implementation of the Group's Dual Listed Company structure (subsequent to the financial year end) Investec Holdings Limited will unbundle its shareholding in Investec Group Limited and will be wound up. Refer to page 26, 144 and 145 for further information.

directorate investec bank limited

Reg. No. 1969/004763/06

Executive Directors

David M Lawrence (51)
BA(Econ) (Hons) MCom
Deputy Chairman

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer

Bernard Kantor (52)
Managing Director

Glynn R Burger (45)
BAcc CA(SA) H Dip BDP MBL

Richard P M A Forlee (41)
BCom CA(SA) MBA

Sam Hackner (46)
BCom (Hons) CA(SA)

Andy W J Leith (42)
BCom CA(SA)

M Carole L Mason (41)**
BA (Econ) (Hons) MSc (Econ)

David M Nurek (52)
Dip Law Dip Company Law

Bradley Tapnack (55)
BCom CA(SA)

Non-Executive Directors

Hugh S Herman (61)
BA LLB
Non-Executive Chairman

Sam E Abrahams (63)
FCA CA(SA)

Reg S Berkowitz (65)
Natal Law Certificate

Graham H Davin (46)*
BCom BAcc CA(SA) MBA

Donn E Jowell (60)
BCom LLB

Ian R Kantor (55)
BSc(Eng) MBA

David Kuper (67)

Peter M Malungani (44)
BCom MAP LDP

Dr Renosi D Mokate (44)
BA MA PhD

Dr Morley Z Nkosi (67)
BSc MBA PhD

Peter R S Thomas (57)
CA(SA)

Russel A P Upton (67)
CA(SA)

* Resigned 26 June 2002

** Irish

directorate

Investec Bank (UK) Limited

Hugh S Herman (61)
BA LLB
Chairman

Alan Tapnack (55)
BCom CA(SA)
Chief Executive Officer

Bradley Fried (36)
BCom CA(SA) MBA
Chief Operating Officer

John Abell (70)
MA (Hons)

George F. O. Alford (53)
FCIS FIPD MSI

Peregrine Crosthwaite (53)
MSI

Michael Jameson-Till (57)

Bernard Kantor (52)

Ian R Kantor (55)
BSc(Eng) MBA

Sir Chips Keswick (62)

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA

Ian Wohlman (47)
ACIB

Investec Bank (Israel) Limited

Hugh S Herman (61)
BA LLB
Chairman

Alan Tapnack (55)
BCom CA(SA)
Deputy Chairman

Jonathan Irroni (52)
BA
Managing Director and Chief Executive Officer

Talya Aharoni (51)
MBA

Amihai Ayalon (57)

David Golan (61)
MBA

Michael Herzberg (64)
LLB

Bernard Kantor (52)

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA

Mordechai Limon (78)
MBA

Zeev Rotem (46)
PhD

Daniel Rothschild (56)
MSA

Zvi Zur (79)

directorate

Investec Ernst & Company

William Behrens (63)
BA (Econ)
Chairman

William Burdett (62)
BSc (Hons)

Daniel Cristofano (68)
BS Finance

Hugh S Herman (61)
BA LLB

Bernard Kantor (52)

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA

Mark B Segall (39)
AB JD

Investec Asset Management (Pty) Limited

Reg. No. 1984/011235/07

Hugh S Herman (61)
BA LLB
Chairman

Hendrik J du Toit (40)
BCom (Hons) MCom MPhil
Chief Executive Officer

Gail Boon (34)
BA (Hons) MBA

George H F Brits (42)
PhD MBA

Brett N Comley (43)*
BCom CA(SA)

Robert A Coombe (33)
BCom CA(SA) ACMA

Elsabé de Vries (39)
BAcc BCompt (Hons) CTA

Domenico Ferrini (33)
BCom

Jeremy B Gardiner (37)
BCom (Hons)

Roelof C Horne (38)
BCom (Hons) CA(SA)

Bernard Kantor (52)

Thabo Khojane (29)
BA Hons (Econ) BSc (Eng)

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA

Kim M McFarland (37)**
BAcc CA(SA) MBA

John T McNab (35)
BEng MEng CFA

Andre D Roux (48)
MSc (Oxford) MPhil (Cambridge)

Mark I Samuelson (37)
BCom

Douglas J N Thomson (32)
BCom Hons

* Resigned 30 June 2002
** British

directorate

Investec Australia Limited

David Gonski (48)
BCom LLB
Chairman

Geoffrey Levy (43)
BCom LLB
Chief Executive Officer

Farrel A Meltzer (37)
BCom BAcc CA(SA) Dip Adv Banking
Managing Director

Julian Block (68)
Dip Law H Dip Tax LLM M Taxation

Alan Chonowitz (48)
BAcc MCom CA(SA)

Sam Hackner (46)
BCom (Hons) CA(SA)

Hugh S Herman (61)
BA LLB

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA

David M Lawrence (51)
BA(Econ) (Hons) MCom

Andy W J Leith (42)
BCom CA(SA)

Richard A Longes (56)
BA LLB MBA

Robert C Mansfield (50)
BCom

Investec Bank (Mauritius) Limited

Hugh S Herman (61)
BA LLB
Chairman

Pierre de Chasteigner du Mee (48)
ACEA FBIM FMAAT

Stephen Koseff (50)
BCom CA(SA) H Dip BDP MBA

David M Lawrence (51)
BA(Econ) (Hons) MCom

Angelo Letimier (54)

Craig McKenzie (41)
BSc MSc CFA

contents to investec group limited financial statements

directors' responsibility

Financial Statements for Investec Group Limited

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies have been consistently applied, supported by reasonable and prudent judgements and estimates. The Directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at the year end. The financial statements appearing on pages 167 to 222 were approved by the Board of Directors on 5 July 2002 and are signed on its behalf by

Hugh Herman	Stephen Koseff
Chairman	Chief Executive Officer

Furthermore, the Group's external auditors have audited the financial statements and their unqualified report appears on page 166.

ten - year review[a]

Refer to definitions on page 240

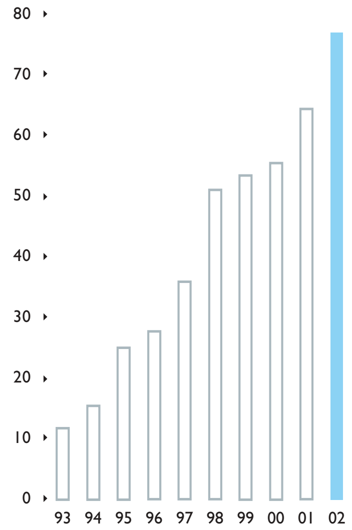
For the year ended 31 March	10 year Rand Compound Growth	2002 US$[b]	2002 Rand	2001 Rand	2000 Rand
Investec Group Limited					
Income Statement & Selected Returns					
Headline earnings attributable to ordinary shareholders (million)	48,2%	180	1 684	1 314	1 047
Headline net income before tax (NIBT) (million)	46,5%	254	2 369	1 825	1 553
Headline NIBT: South Africa & other (% of earnings)		56	56	39	30
Headline NIBT: Non-South Africa & other (% of earnings)		44	44	61	70
Return on average tangible shareholders' funds (%)		27,6	27,6	25,8	24,3
Return on average risk - weighted assets (%)		3,0	3,0	3,0	2,8
Balance Sheet					
Total assets (billion)	54,2%	27	304	195	174
Total capital resources (million)	45,4%	1 411	16 016	11 240	7 895
Cash and short-term funds as a percentage of total assets (%)		57,9	57,9	63,3	64,4
Assets under management (billion)	55,8%	67	759	514	486
Salient Financial Features & Key Statistics					
Headline earnings per share (cents)	28,9%	197,1	1 840,4	1 628,2	1 300,9
Dividends declared per share (cents)	28,0%	88	825	750	620
Dividend cover (times)		2,2	2,2	2,2	2,1
Tangible net asset value per share (Rands)	19,9%	6,2	70,9	63,1	55,7
Share price (cents)	20,3%	1 145	13 000	19 700	26 020
Number of shares in issue on a fully converted basis (million)		109,2	109,2	97,9	92,6
Weighted number of shares in issue (million)		91,5	91,5	80,7	80,5
Market capitalisation on a fully converted basis (million)	35,6%	1 251	14 196	19 286	24 095
Year end $/ZAR exchange rate			11,3515	8,0039	6,5570
Year end £/ZAR exchange rate			16,1577	11,3956	10,4617
Personnel					
Number of employees in the Group			5 529	4 836	4 441
Net contribution per employee ('000)	22,7%	32,0	363	339	320

[a] Restated for changes to accounting policies and disclosures.

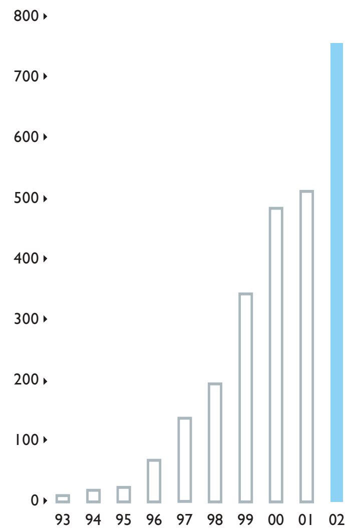
[b] US Dollar information converted at a closing rate of R11,3515 to one US Dollar for the balance sheet items and an average rate of R9,3373 to one US Dollar for income statement items.

[c] The Group's net income before tax was predominantly earned in Southern Africa.

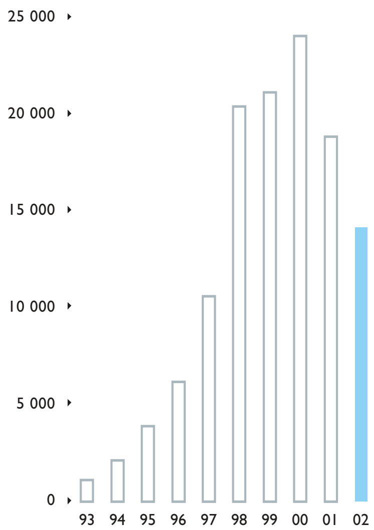
1999 Rand	1998 Rand	1997 Rand	1996 Rand	1995 Rand	1994 Rand	1993 Rand
787	487	341	235	148	80	54
1 016	562	419	265	181	88	57
33	63	67	71	74	–[c]	–[c]
67	37	33	29	26	–[c]	–[c]
19,0	15,2	16,0	15,5	15,0	17,2	17,9
2,5	2,5	2,5	2,5	2,3	2,0	1,8
118	86	62	47	15	11	6
7 667	5 219	3 500	2 289	1 829	909	492
62,2	62,5	69,5	74,6	44,8	47,6	31,3
344	195	138	69	24	19	10
989,6	672,9	523,8	419,8	310,7	224,2	176,8
475	350	260	200	150	115	90
2,1	1,9	2,0	2,1	2,1	1,9	2,0
53,6	51,2	36,0	27,8	25,1	15,5	11,8
22 900	25 600	13 800	9 000	6 500	4 500	2 800
92,5	79,9	77,0	68,9	60,0	47,4	40,0
79,5	77,7	72,4	63,4	53,3	41,7	35,6
21 178	20 451	10 619	6 205	3 900	2 132	1 120
6,1925	5,0340	4,4225	3,9918	3,5930	3,4785	3,1755
9,9935	8,4707	7,2020	6,0882	5,8027	5,1621	4,7750
3 721	2 706	2 238	1 659	1 345	1 067	826
307	270	240	178	139	108	78



Tangible net asset value per share (Rand)



Assets under administration (R'billion)



Market capitalisation (R'million)

financial review - us dollar

Balance sheets at 31 March	Investec Group				
(US$ millions)	2002	2001*	2000*	1999*	1998*
Assets					
Cash and short-term funds	9 798	8 643	11 151	5 927	7 227
Short-term negotiable securities	5 703	6 731	5 954	5 977	3 637
Investment and trading securities	1 578	1 245	2 709	2 317	1 975
Other assets	710	779	1 133	810	635
Advances	4 793	4 755	5 038	3 504	3 306
Associated companies	44	68	53	99	50
Property and equipment	220	165	163	149	138
Goodwill	483	356	373	347	32
Long-term assurance assets attributable to the shareholder	85	–	–	–	–
	23 414	22 742	26 574	19 130	17 000
Long-term assurance assets attributable to policyholders	3 351	1 587	–	–	–
	26 765	**24 329**	**26 574**	**19 130**	**17 000**
Equity and Liabilities					
Capital and Reserves					
Ordinary share capital	5	6	7	8	9
Compulsorily convertible debentures	204	290	261	277	57
Convertible preference shares	34	48	–	–	–
Reserves	922	784	939	902	814
	1 165	1 128	1 207	1 187	880
Interest of minority shareholders in subsidiaries	48	33	44	90	192
Total shareholders' funds	1 213	1 161	1 251	1 277	1 072
Subordinated debt	198	243	–	–	–
	1 411	1 404	1 251	1 277	1 072
Liabilities					
Deposits and other accounts	21 959	21 276	25 268	17 816	15 895
Taxation	44	62	55	37	33
	22 003	21 338	25 323	17 853	15 928
Long-term assurance liabilities attributable to policyholders	3 351	1 587	–	–	–
	26 765	**24 329**	**26 574**	**19 130**	**17 000**
R/$1 conversion rate used:					
Closing rate for balance sheet conversion	11,3515	8,0039	6,5570	6,1925	5,0340

* Restated for changes to accounting policies and disclosures

Note: the above balance sheets have been prepared in accordance with South African GAAP.

financial review - us dollar

Income statements for the years ended 31 March	Investec Group				
(US$ millions)	2002	2001*	2000*	1999*	1998*
Interest received	1 333	1 640	1 422	1 617	1 271
Interest paid	1 099	1 386	1 201	1 416	1 120
Net interest income	**234**	**254**	**221**	**201**	**151**
Provision for bad and doubtful debts	22	27	33	38	22
	212	227	188	163	129
Other income	565	490	510	378	204
Total income	**777**	**717**	**698**	**541**	**333**
Operating expenses	523	471	452	367	217
Income before exceptional items	**254**	**246**	**246**	**174**	**116**
Exceptional items	108	42	26	6	3
Income before taxation	**146**	**204**	**220**	**168**	**113**
Taxation	45	43	56	31	18
Income after taxation	**101**	**161**	**164**	**137**	**95**
Share of income/(loss) of associated companies	2	(12)	7	13	16
Operating income	7	9	17	13	16
Exceptional items	(5)	(21)	(10)	–	–
Net income	**103**	**149**	**171**	**150**	**111**
Earnings attributable to minority shareholders	2	2	2	6	6
	101	147	169	144	105
Convertible debenture and convertible bond interest	33	33	39	16	10
Earnings attributable to ordinary shareholders	**68**	**114**	**130**	**128**	**95**
Earnings per share (cents)	73,3	142,0	160,5	162,4	135,4
Headline earnings per share (cents)	197,1	220,5	205,4	169,9	139,7
Dividends paid per share (cents) - per AC104	87,3	93,8	84,9	67,8	60,2
R/$1 conversion rate used:					
Average rate for income statement conversion	9,3373	7,3851	6,3333	5,8253	4,8171

* Restated for changes to accounting policies and disclosures

Note: the above income statements have been prepared in accordance with South African GAAP.

financial review - sa rand

Balance sheets at 31 March	Investec Group				
(R millions)	2002	2001*	2000*	1999*	1998*
Assets					
Cash and short-term funds	111 224	69 176	73 118	36 699	36 381
Short-term negotiable securities	64 738	53 874	39 043	37 014	18 310
Investment and trading securities	17 917	9 968	17 765	14 346	9 942
Other assets	8 060	6 237	7 426	5 017	3 196
Advances	54 413	38 062	33 034	21 700	16 641
Associated companies	503	544	349	618	250
Property and equipment	2 499	1 320	1 065	924	695
Goodwill	5 485	2 849	2 443	2 147	161
Long-term assurance business attributable to the shareholder	960	–	–	–	–
	265 799	182 030	174 243	118 465	85 576
Long-term assurance assets attributable to policyholders	38 042	12 702	–	–	–
	303 841	**194 732**	**174 243**	**118 465**	**85 576**
Equity and Liabilities					
Capital and Reserves					
Ordinary share capital	58	49	48	48	46
Compulsorily convertible debentures	2 317	2 321	1 710	1 715	286
Convertible preference shares	385	385	–	–	–
Reserves	10 470	6 273	6 154	5 585	4 095
	13 230	9 028	7 912	7 348	4 427
Interest of minority shareholders in subsidiaries	541	267	291	560	967
Total shareholders' funds	13 771	9 295	8 203	7 908	5 394
Subordinated debt	2 245	1 945	–	–	–
	16 016	11 240	8 203	7 908	5 394
Liabilities					
Deposits and other accounts	249 270	170 292	165 679	110 328	80 013
Taxation	513	498	361	229	169
	249 783	170 790	166 040	110 557	80 182
Long term assurance liabilities attributable to policyholders	38 042	12 702	–	–	–
	303 841	**194 732**	**174 243**	**118 465**	**85 576**

* Restated for changes to accounting policies and disclosures

financial review - sa rand

Income statements for the years ended 31 March (R millions)	Investec Group 2002	2001*	2000*	1999*	1998*
Interest received	12 444	12 114	9 006	9 417	6 121
Interest paid	10 261	10 236	7 608	8 246	5 396
Net interest income	**2 183**	**1 878**	**1 398**	**1 171**	**725**
Provision for bad and doubtful debts	202	198	211	223	104
	1 981	1 680	1 187	948	621
Other income	5 273	3 621	3 230	2 204	985
Total income	**7 254**	**5 301**	**4 417**	**3 152**	**1 606**
Operating expenses	4 885	3 476	2 864	2 136	1 044
Income before exceptional items	**2 369**	**1 825**	**1 553**	**1 016**	**562**
Exceptional items	1 013	312	165	35	15
Income before taxation	**1 356**	**1 513**	**1 388**	**981**	**547**
Taxation	420	321	352	178	83
Income after taxation	**936**	**1 192**	**1 036**	**803**	**464**
Share of income/(loss) of associated companies	17	(86)	42	78	81
Operating income	62	70	106	78	81
Exceptional items	(45)	(156)	(64)	–	–
Net income	**953**	**1 106**	**1 078**	**881**	**545**
Earnings attributable to minority shareholders	22	13	15	37	27
	931	1 093	1 063	844	518
Convertible debenture and convertible bond interest	305	247	245	92	46
Earnings attributable to ordinary shareholders	**626**	**846**	**818**	**752**	**472**
Earnings per share (cents)	684,2	1 048,4	1 016,4	945,8	652,4
Headline earnings per share (cents)	1 840,4	1 628,2	1 300,9	989,6	672,9
Dividends paid per share (cents) - per AC104	815,0	692,5	537,5	395,0	290,0

* Restated for changes to accounting policies and disclosures

declaration by company secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2002, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

S. Noik
Group Secretary
5 July 2002

report of the independent auditors

To the Members of Investec Group Limited

We have audited the annual financial statements and Group annual financial statements of Investec Group Limited set out on pages 167 to 222 for the year ended 31 March 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

Scope

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

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

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

Audit opinion

In our opinion, the financial statements fairly present in all material respects, the financial position of the Company and of the Group at 31 March 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc.
Chartered Accountants
(SA)
Registered Accountants
and Auditors

Ernst + Young

Ernst & Young
Chartered Accountants
(SA)
Registered Accountants
and Auditors

Johannesburg
5 July 2002

directors' 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 United Kingdom and South Africa, as well as certain other geographies including Australia, the United States 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.

Authorised and issued share capital

Details of the share capital are set out in notes 11 and 13 to the financial statements.

During the year 86 193 ordinary shares were issued to the share incentive trust for a total of R12,3 million including share premium, in respect of options exercised.

11 622 convertible debentures were converted into ordinary shares, on a one for one basis, at an average of R24,20 per share and 20 000 debentures were converted at R230,00 per share.

19 212 204 ordinary shares were issued for acquisitions made, for a total of R4 342 million including share premium.

4 146 862 ordinary shares were cancelled for a total of R785 million, including share premium.

3 864 868 ordinary shares were received by the company and its subsidiaries as a result of Fedsure Holdings Limited unbundling of its shareholding in Investec Group Limited.

Financial results

The results of the company and the Group are set out in the financial statements and accompanying notes.

Dividends

	2002 R'mn	2001 R'mn
Ordinary dividends		
The following ordinary dividends were declared:		
Interim dividend of 375 cents per share (2001 – 310 cents) to shareholders registered on 14 December 2001 – paid on 18 December 2001	350	250
Final dividend of 450 cents per share (2001 – 440 cents) to shareholders registered on 14 June 2002 – paid on 18 June 2002	415	441
	765	691
Preference dividends		
The following preference dividends were paid or accrued:		
Redeemable preference shares (included in interest paid)	310	347
Convertible preference shares (of which R16 million was set off against the liability raised)	29	15

The principal value of the redeemable preference shares has been classified as a liability in terms of AC125 and included under creditors and other liabilities. The convertible preference shares have been split between equity and debt, with the debt portion included under creditors and other liabilities.

directors' report

Directors and secretary

Details of the directors are reflected on page 150, and that of the secretary is at the beginning of the report.

On 26 June 2002, resignations were received from Drs H. K. Davies and M. Z. Nkosi and Messrs G. H. Davin, D. M. Lawrence, B. Tapnack and Ms D. R. Motsepe. On the same date Messrs J. N. Abell, G. O. F. Alford, P. M. Malungani and Sir Chips Keswick were appointed to the board. In addition, 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.

Directors' shareholdings

On 31 March 2002 the current directors beneficially held 9 393 shares in the company (2001 – 31 883). The current directors future entitlements under the share incentive trusts are 56 300 (2001 – 79 300) Investec Holdings Limited ordinary shares.

	2002	2001
H. K. Davies	918	918
G. H. Davin	–	1 904
H. S. Herman	2 500	4 525
B. Kantor	1 000	2 025
I. R. Kantor	874	18 248
S. Koseff	3 526	3 888
P. R. S. Thomas	575	375
	9 393	31 883

There have been no material changes to the above holdings from 31 March 2002 to the date of this report.

Share incentive trusts

The staff share purchase and option schemes trust operates in terms of the Investec Group Limited Security Purchase and Option Scheme. The status of the scheme at 31 March 2002 was as follows:

	2002	2001
The following number of options were granted to management and staff but not yet exercised :		
Investec Group Limited shares	5 657 874	3 600 993
Investec Holdings Limited shares	6 893	–

The Investec Group Limited options have been granted at an average exercise price of R197,91 (2001 – R237,95) at exercise dates ranging from 1 April 2002 to 31 March 2011.
The Investec Holdings Limited options were granted at R67,43 per share and are exercisable between 1 April 2002 and 28 August 2002.

directors' report

	2002	2001
The following number of Group instruments were owned and administered by the scheme, including those held on behalf of participants who had purchased the instruments but not yet taken them up:		
– Investec Group Limited ordinary shares	358 935	204 845
– Investec Group Limited convertible debentures	1 860 000	1 880 000
– Investec Holdings Limited ordinary shares	4 632 603	3 716 124
The scheme was financed by a loan from Investec Bank Limited, which is included in advances and other accounts	R916mn	R854mn

During the year ended 31 March 2002 the following instruments were issued to staff in terms of the share purchase scheme:

– 51 809 Investec Group Limited ordinary shares at a price of R142,07 per share.
– 35 104 Investec Holdings Limited ordinary shares at R143,43 per share.

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.

Contracts

Refer to note 28 on page 212 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 221 and 222.
The interest of the company in the aggregate profits after tax of its subsidiary companies for the year is R6 470 million (2001 – R1 134 million) and its share in aggregate losses is R189 million (2001 – R48 million).

Special resolutions

On 11 January 2002, a special resolution was passed, granting the company a general approval in terms of Sections 85 and 89 of the Companies Act 1973 ,as amended, for the acquisition by it of issued shares in the company.

Major shareholders

At 31 May 2002, the following shareholders were registered as holding 5% or more of the issued shares of the company:–

Investec Holdings Limited	29,4%
Nedcor Bank Nominees Ltd	17,6%
Standard Bank Nominees Tvl (Pty) Ltd	15,5%
Ferbros Nominees (Pty) Ltd	7,3%
Absa Nominees (Pty) Ltd	6,3%
First National Nominees (Pty) Ltd	5,9%
CMB Nominees (Pty) Ltd	5,7%

At 31 March 2002, Investec Holdings Limited reported a beneficial holding of 33,9% in the issued shares of the company.

directors' report

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and international accounting standards, as well as complying with South African Statements of Generally Accepted Accounting Practice.

Post balance sheet events

Subsequent to the financial year, a members' meeting has been scheduled at which inter alia the following matters are subject to approval pursuant to the proposed Dual Listed Companies structure:-

- the sale of all operations outside continental South Africa with a number of exceptions
- the adoption of a new Memorandum and Articles of Association
- the restructuring of the company's share capital to facilitate the Dual Listed Companies structure
- the execution of the necessary documents to give effect to the Dual Listed Companies structure
- the unbundling by the company of its shares in Investec PLC to members in the ratio of 63 ordinary shares for every 100 ordinary shares in the company
- the proposed capital raising by Investec PLC of up to 10 million ordinary shares
- a change in the company's name from Investec Group Limited to Investec Limited

balance sheets

at 31 March (R millions)	Notes	Group 2002	Group 2001	Company 2002	Company 2001
Assets					
Cash and short-term funds	2	111 224	69 176	–	–
Short-term negotiable securities	3	64 738	53 874	–	–
Investment and trading securities	4	17 917	9 968	74	–
Other assets	5	8 060	6 237	25	–
Advances	6	54 413	38 062	2	2
Subsidiary companies		–	–	11 296	6 529
Associated companies	7	503	544	–	200
Property and equipment	8	2 499	1 320	–	–
Goodwill	9	5 485	2 849	–	–
Long-term assurance assets attributable to the shareholder	10.1	960	–	–	–
		265 799	182 030	11 397	6 731
Long-term assurance assets attributable to policyholders	10.2	38 042	12 702	–	–
		303 841	**194 732**	**11 397**	**6 731**
Equity and Liabilities					
Capital and Reserves					
Ordinary share capital	11	58	49	58	49
Compulsorily convertible debentures	12	2 317	2 321	379	383
Convertible preference shares	13	385	385	385	385
Reserves	14	10 470	6 273	10 485	5 735
		13 230	9 028	11 307	6 552
Interest of minority shareholders in subsidiaries		541	267	–	–
Total shareholders' funds		13 771	9 295	11 307	6 552
Subordinated debt	15	2 245	1 945	–	–
		16 016	11 240	11 307	6 552
Liabilities					
Deposits and other accounts	16	249 270	170 292	63	131
Taxation	17	513	498	27	48
		249 783	170 790	90	179
Long-term assurance liabilities attributable to policyholders	10.2	38 042	12 702	–	–
		303 841	**194 732**	**11 397**	**6 731**

income statements

for the year ended 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
Interest received	18.1	12 444	12 114	108	33
Interest paid	18.2	(10 261)	(10 236)	(276)	(1)
Net interest income		2 183	1 878	(168)	32
Provision for bad and doubtful debts	6	(202)	(198)	–	–
		1 981	1 680	(168)	32
Other income	19	5 273	3 621	362	929
Total income		7 254	5 301	194	961
Operating expenses	19	(4 885)	(3 476)	(2)	(1)
Income before exceptional items		2 369	1 825	192	960
Exceptional items	19	(1 013)	(312)	451	–
Income before taxation		1 356	1 513	643	960
Taxation	20	(420)	(321)	36	(27)
Income after taxation		936	1 192	679	933
Share of income/(loss) of associated companies	21	17	(86)	(16)	(63)
Operating income		62	70	5	51
Exceptional items		(45)	(156)	(21)	(114)
Net income		953	1 106	663	870
Earnings attributable to minority shareholders		(22)	(13)	–	–
		931	1 093	663	870
Compulsorily convertible debenture interest		(305)	(247)	(37)	(24)
Earnings attributable to ordinary shareholders		626	846	626	846
Earnings per share (cents)	26	684,2	1 048,4		
Headline earnings per share (cents)	26	1 840,4	1 628,2		
Diluted earnings per share (cents)	26	669,2	1 039,7		
Dividends paid per share (cents)		815,0	692,5		
Headline earnings attributable to ordinary shareholders					
Calculation of headline earnings					
Earnings attributable to ordinary shareholders		626	846		
Headline adjustments		1 058	468		
Goodwill amortised		747	312		
Goodwill impairment		512	–		
Loss on disposal of subsidiaries and fixed assets		21	–		
Profit on disposal of non-trading loans		(267)	–		
Share of associates' exceptional items		45	156		
Headline earnings		1 684	1 314		

cash flow statements

for the year ended 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
Cash retained/(utilised) from operating activities					
Cash generated by operating activities	23.1	2 782	2 167	27	525
Dividends received from associated companies	23.2	–	18	–	14
Taxation paid	23.3	(461)	(213)	15	(15)
Cash available from operating activities		2 321	1 972	42	524
Dividends paid	23.4	(791)	(558)	(803)	(558)
Compulsorily convertible debenture interest paid		(305)	(247)	(37)	(24)
Net cash inflow/(outflow) from operating activities		1 225	1 167	(798)	(58)
Cash (utilised)/generated in investing activities					
Net funds(utilised)/arising on acquisitions	23.5	(680)	(747)	1 590	(672)
Net investment in associated companies		–	(300)	–	(25)
Net investment in fixed assets		(969)	(376)	–	–
Net cash (outflow)/inflow from investing activities		(1 649)	(1 423)	1 590	(697)
Cash flows from banking activities					
Movement in deposits and other accounts		41 068	9 632	(68)	106
Movement in income earning assets	23.6	(16 401)	(17 664)	(29)	19
Net cash inflow/(outflow) from banking activities		24 667	(8 032)	(97)	125
Cash flows from assurance activities					
Movement in long-term assurance fund and other liabilities		(14 636)	4 837	–	–
Movement in assurance related assets		14 797	(4 838)	–	–
Net cash inflow from assurance activities		161	(1)	–	–
Cash flows from financing activities					
Proceeds on issue of ordinary shares and conversion of debentures		12	15	12	15
Cashflow on cancellation of shares		(707)	–	(707)	–
Net proceeds on issue of convertible debentures		–	629	–	230
Issue of convertible preference shares		–	385	–	385
Issue of bonds		300	1 945	–	–
Net cash (outflow)/inflow from financing activities		(395)	2 974	(695)	630
Net increase/(decrease) in cash and short–term funds		24 009	(5 315)	–	–
Cash and short–term funds at beginning of year		69 176	73 127	–	–
Effect of exchange rates on opening balance of cash and short-term funds		18 039	1 364	–	–
Cash and short–term funds at end of year		111 224	69 176	–	–

statement of changes in shareholders' funds

for the year ended 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
Ordinary share capital					
Balance at beginning of year		49	48	49	48
Cancellation of shares during the year		(2)	–	(2)	–
Issue of shares		11	1	11	1
Balance at end of year	11	58	49	58	49
Compulsorily convertible debentures					
Balance at beginning of year		2 321	1 710	383	171
Issues of debentures		–	629	–	230
Conversion to ordinary shares		(4)	(18)	(4)	(18)
Balance at end of year	12	2 317	2 321	379	383
Convertible preference shares					
Balance at beginning of year		385	–	385	–
Issue of convertible preference shares		–	460	–	460
Less: Liability portion transferred to deposits and other accounts		–	(75)	–	(75)
Balance at end of year	13	385	385	385	385
Share premium					
Balance at beginning of year		4 036	3 951	4 036	3 951
Issue of shares-net of issue expense		4 328	67	4 328	67
Repurchase and cancellation of shares		(784)	–	(784)	–
Conversion from debentures		4	18	4	18
Balance at end of year	14	7 584	4 036	7 584	4 036
Treasury shares					
Opening balance		(27)	–	–	–
Acquired and held during the year		(798)	(27)	(670)	–
Closing balance	14	(825)	(27)	(670)	–
General reserves					
Balance at beginning of year		1 852	1 476	1 921	1 556
– As previously reported		–	1 168	–	1 248
– Prior year adjustments		–	308	–	308
Earnings attributable to ordinary shareholders		626	846	626	846
Transfer (to)/from equity accounted reserves		(35)	104	34	77
Dividends paid for the year	22	(791)	(558)	(803)	(558)
Transfer to secondary reserves		(2)	(16)	–	–
Balance at end of year	14	1 650	1 852	1 778	1 921
Secondary reserves					
Balance at beginning of year		393	604	(256)	(342)
Transfer from general reserves		2	16	–	–
Movement in foreign currency translation reserve		1 863	152	2 060	–
Movement in equity revaluations		(251)	(379)	(11)	86
Balance at end of year	14	2 007	393	1 793	(256)
Equity accounted reserves of associated companies					
Balance at beginning of year		19	123	34	111
Transfer from/(to) retained income		35	(104)	(34)	(77)
Balance at end of year	14	54	19	–	34
Total		13 230	9 028	11 307	6 552

accounting policies

Basis of preparation

The annual financial statements have been prepared on the historical cost basis, unless otherwise indicated, in conformity with South African Statements of Generally Accepted Accounting Practice and the South African Companies Act of 1973. In preparation of the consolidated financial statements uniform accounting policies have been applied throughout the Group. The following are the principal accounting policies, which are consistent with those of the previous year. Monetary disclosures are in rand millions, unless otherwise indicated.

Basis of consolidation

The annual financial statements incorporate the consolidated financial results of Investec Group Limited and its subsidiaries. All entities in which the Group holds more than one half of the voting rights or over which the company has the ability to 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 annually.

All intercompany transactions, balances and unrealised surpluses and deficits are eliminated on consolidation.

The results of operating subsidiaries and associates have been equity accounted in the company's financial statements. The carrying amounts of these investments are reviewed annually for impairment.

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 the shareholder and the assets and liabilities attributable to policyholders are classified separately in the consolidated balance sheet.

Accounting for associates

Entities other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the statutory accounts, associates are accounted for using the equity method.

Equity accounting involves recognising the attributable share of the results and reserves of associated undertakings, based on accounts made up to dates not earlier than six 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. Goodwill relating to associates is included in goodwill on the balance sheet and amortised as detailed below.

Equity income relating to undistributed reserves of associates is transferred to an equity accounted reserve at the end of each reporting period.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary or associate at date of acquisition.

Goodwill is carried at cost less accumulated amortisation and impairments. The carrying amount is reviewed annually for impairment.

Goodwill arising on the acquisition of subsidiaries and associates is amortised to the income statement over its useful economic life, not exceeding 20 years. Negative goodwill arising on acquisitions is included within goodwill and released to the income statement over the period that non-monetary assets are recovered. Negative goodwill arising on the acquisition of monetary assets is taken to income in the year of acquisition.

accounting policies

Foreign entities
Foreign entities are subsidiaries, the activities of which are not an integral part of those of the reporting entity.

The assets and liabilities of foreign entities are translated at rates of exchange ruling at the balance sheet date. The translation differences arising are taken to reserves. The results of foreign entities 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 for foreign currency loans which are used to hedge the net investment in foreign subsidiaries are also taken to reserves.

Goodwill arising on the acquisition of foreign entities is translated at historical rates of exchange.

Foreign operations
Foreign operations are subsidiaries, the activities of which are an integral part of those of the reporting entity.

The monetary assets and liabilities of foreign operations are translated at rates of exchange ruling at balance sheet date. The results of foreign operations are translated at weighted average rates of exchange for the relevant period. The translation differences arising are included in income for the period.

Foreign currency transactions
All foreign currency transactions are translated at the exchange rates ruling at the time of the transactions. Any profit or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange profit or loss in the income statement.

Interest bearing securities
Except for instruments held to maturity, interest bearing securities are marked to market and profits and losses recognised in the income statement. Interest bearing securities held to maturity are carried at amortised cost, net of any impairment.

Securities sold subject to repurchase agreements are recorded as assets. Obligations for the repurchase of these securities are included under deposits and other accounts.

Securities purchased under an agreement to resell the securities at a future date are reflected in the balance sheet as cash and short-term funds.

Stock borrowing and lending transactions that are not cash collateralised are not included in the balance sheet, but are disclosed as assets under administration.

Derivatives
Derivatives entered into for trading purposes are measured at fair value. Profits and losses arising on the mark to market of trading derivatives are recognised in the income statement in the period in which they arise, whereas income and expenses on hedging instruments are amortised over the life of the instrument, with adjustments made to reflect changes in estimated premiums and discounts. Where the Group has entered into legally binding netting agreements, related 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 risk of the asset, liability or cashflow to which it is linked; and

accounting policies

- adequate evidence of the intention to link with the underlying risk inherent in the asset, liability or cashflow; and
- must be designated as a hedge at the inception of the derivative contract.

Hedging instruments are accounted for on the same basis as the underlying asset, liability or cash flow being hedged with income and expense being recognised in the income statement. Hedging transactions that are superceded, cease to be effective or are terminated prior to maturity of the asset, liability, or cashflow being hedged are measured at fair value. Any profit or loss arising from re-measurement is deferred and amortised to income over the remaining life of the item previously hedged. When the underlying asset, liability or cashflow is terminated prior to the hedging transaction, the hedging instrument is re-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.

Equity investments

Equity investments are held either for trading or long-term investment purposes.

Listed equity investments are stated at market value. Unlisted equity investments are stated at the lower of cost or director's valuation unless there is a reliable basis to re-measure to fair value.

Profits and losses arising from the revaluation of trading investments are included in income.

The excess of market value of long-term investments over cost, determined on a portfolio basis, is taken to reserves, whilst any deficit arising is reflected in the income statement. On disposal of such investments, the revaluation is reversed and the full difference between cost and the amount realised is shown in the income statement.

Other investments

Other investments are valued at market value where a formal market exists or in the case of investments such as insurance policies or equity funds at the value of the underlying investments. Where no formal market exists investments are valued at the lower of cost or director's valuation.

Instalment credit, leases and rental agreements

Instalment credit, lease and rental agreements are regarded as financing transactions.

Amounts outstanding on these contracts, net of unearned finance charges, are included in advances. Finance charges on instalment sale transactions are credited to income in proportion to the capital balances outstanding. Finance lease income is credited to interest income according to the effective interest method.

Specific and general provisions for bad and doubtful debts

Advances are stated after the deduction of 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 advances in the balance sheet. The amount of specific provision raised is 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 provision for bad and doubtful debts in the income statement includes the unserviced interest which has been transferred to specific provisions.

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

accounting policies

taking into account the structure and the risk characteristics of the Group's loan portfolio and meets the minimum requirements of the banking regulations in the jurisdictions in which it operates. General provisions are deducted from advances in the balance sheet but, unlike specific provisions, are included in tier 2 capital when calculating the Group's capital base for regulatory purposes.

Property and equipment

Property and equipment is stated at amortised cost, less impairments. Depreciation is provided on a straight-line basis over their anticipated useful lives. Leasehold improvements are amortised over the remaining period of the leases.

The annual rates used to depreciate assets are as follows:

Computer equipment	33%
Infrastructure	20%
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	10%
Operating properties	2%

Certain of the Group's properties are held for long-term investment purposes. Investment properties are properties held to earn rental income or for capital appreciation. These properties are revalued to their open market value and the aggregate surplus or deficit on revaluation is recognised in the profit and loss account for the year.

Trading properties

Trading properties are included in investment and trading securities and are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Impairments

At each balance sheet date the Group reviews the carrying value of assets for indication of impairment. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that it was charged to the income statement.

Trust and fiduciary activities

The Group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the Group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

accounting policies

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 shareholders' 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 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 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. The different nature of these assets is reflected by classifying them 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 in accordance with policy conditions at market prices; investment properties are reflected at fair value and mortgages and loans are at cost less amounts written off. The net assets attributable to the shareholder are separately recognised on the Group's balance sheet as 'Long-term assurance liabilities attributable to the shareholder'.

Changes in the value of the long-term assurance business attributable to the shareholder, which are determined on a post-tax basis, are included in other income on the income statement.

For information purposes, the Group discloses its interest in long-term assurance business using the embedded value basis of accounting. The value of the shareholders' interest in the long-term assurance business ('the embedded value'), disclosed in the notes, 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 is comprised of 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.

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 no mortality risk is assumed by the company.

The liabilities are valued on a basis consistent with the asset values and comply with the Financial Soundness Valuation basis. The benefits for all policies are market related and the liabilities were taken to be the market value of the units allocated to policyholders.

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. Profits and losses arising as a 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.

accounting policies

Income

Income is derived primarily from the business of banking and related activities and comprises interest income and other income.

Interest income

Interest income is recognised in the income statement as it accrues, based on the effective rates of interest.

Included in interest income is the accrual of unserviced interest which is fully provided for in the charge for bad and doubtful debts in the income statement. Net interest margin is determined after taking into account the bad and doubtful debts charge. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Other income

Other income includes trading profits, commissions and fees, investment and life income.

Trading profits is shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily.

Fees and commissions include fees earned from providing advisory services, portfolio management and the arranging of financing for clients. All commissions and fees are recognised as income when the related services are performed. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly.

Investment income includes realised profits and losses on disposal of investments and dividends received.

Life income represents the changes in the value of the long-term assurance business attributable to the shareholder, determined on a post-tax basis.

Retirement benefits

In South Africa the Group provides a defined contribution pension fund, governed by the Pension Fund Act, 1956 and a disability fund for the benefit of employees. Membership of these funds is compulsory for all employees. The Group pension fund is structured as a money purchase scheme and accordingly can have no funding deficit. The scheme provides that at all times an employee will receive from the fund the amount that has been contributed together with the Group's contribution plus interest and capital appreciation. Life cover is incorporated in the fund.

The Group also offers the optional benefits of a defined contribution provident fund and a deferred compensation fund. The funds are administered by Alexander Forbes Consultants and Actuaries (Tvl) (Pty) Limited and are registered in South Africa. The Group has no liabilities for other post retirement benefits.

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 pension cost relating to closed UK defined benefit schemes is assessed in accordance with the advice of qualified actuaries. The cost of pensions is recognised on a systematic basis over employee's service lives. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

accounting policies

Segmental reporting

A segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments.

The Group's segmental reporting is presented in the form of a geographical (primary segment) and business analysis (secondary segment).

The geographical segmental analysis is based on the location of assets.

The business analysis is presented in terms of the Group's four principal business and Group Services and Other Activities. For details on the Group's operating structure, please refer to pages 53 and 54.

Treasury shares

Treasury shares represent shares in Investec Group Limited that are held by subsidiary companies. These shares are held at cost and treated as a deduction against Group reserves. Dividends relating to treasury shares are eliminated on consolidation.

In the 2002 financial year, treasury shares in the company financial statements represent temporary shareholdings that were in the process of being cancelled.

Comparative figures

Dividends

In line with the requirements of the revised accounting statement, Events After Balance Sheet Date (AC 107) in terms of which dividends to holders of equity instruments that are proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, the total value of this dividend has not been recognised in the current reporting period. Consequently, reserves at 31 March 2002 have increased to the extent of R416,7mn, with opening reserves restated accordingly giving rise to an increase of R356mn.

Where necessary, other comparative figures have been restated to conform with changes in presentation and enhance comparability.

notes to the financial statements

1. Segmental information

Primary segment – geographical analysis

for the year ended 31 March 2002

(R millions)	South Africa & Other[1]	United Kingdom & Europe	Israel	United States of America	Investec Group Limited
Net interest income	1 079	744	182	178	2 183
Provision for bad and doubtful debts	241	(46)	7	-	202
	838	790	175	178	1 981
Other income	2 044	2 434	96	699	5 273
Total income	2 882	3 224	271	877	7 254
Operating expenses	1 549	2 309	166	861	4 885
Income before exceptional items	1 333	915	105	16	2 369
Exceptional items	648	243	–	122	1 013
Income before taxation	685	672	105	(106)	1 356
Taxation	294	127	39	(40)	420
Income after taxation	391	545	66	(66)	936
Share of income/(loss) of associate companies	17	–	(1)	1	17
Operating income	62	–	(1)	1	62
Exceptional items	(45)	–	–	–	(45)
Net income	408	545	65	(65)	953
Earnings attributable to minority shareholders	–	7	15	–	22
Compulsorily convertible debenture interest	305	–	–	–	305
Earnings attributable to ordinary shareholders	103	538	50	(65)	626
Headline earnings	796	781	50	57	1 684
Cost to income ratio (%)	49,6	72,7	59,7	98,2	65,5
Return on average tangible NAV (%)	36,7	24,1	9,8	14,0	27,6
Effective tax rate (%)	28,6	13,9	37,1	250,0	
Number of employees	3 111	1 492	238	688	5 529
Cash and short-term funds	13 181	84 178	7 971	5 894	111 224
Short-term negotiable securities	4 749	59 989	–	–	64 738
Investment and trading securities	11 177	3 270	2 636	834	17 917
Other assets	2 387	4 948	33	692	8 060
Advances	35 811	13 643	3 752	1 207	54 413
Associated companies	468	18	9	8	503
Property and equipment	1 696	412	256	135	2 499
Goodwill	3 065	2 170	–	250	5 485
Long-term assurance assets attributable to the shareholder	960	–	–	–	960
Long-term assurance assets attributable to policyholders	38 042	–	–	–	38 042
Total assets	111 536	168 628	14 657	9 020	303 841
Ordinary shareholders' funds	6 073	6 082	543	532	13 230
Tangible net asset value	3 008	3 912	543	282	7 745
Liabilities (including subordinated debt and minority interest)	105 463	162 546	14 114	8 488	290 611

Footnotes refer page 185

notes to the financial statements

1. Segmental information (continued)

Primary segment – geographical analysis (continued)

for the year ended 31 March 2001

(R millions)	South Africa & Other[1]	United Kingdom & Europe	Israel	United States of America	Investec Group Limited
Net interest income	904	677	119	178	1 878
Provision for bad and doubtful debts	175	(11)	34	–	198
	729	688	85	178	1 680
Other income	1 258	1 796	173	394	3 621
Total income	1 987	2 484	258	572	5 301
Operating expenses	1 283	1 519	193	481	3 476
Income before exceptional items	704	965	65	91	1 825
Exceptional items	98	192	(3)	25	312
Income before taxation	606	773	68	66	1 513
Taxation	121	140	25	35	321
Income after taxation	485	633	43	31	1 192
Share of (loss)/income of associate companies	(86)	–	(2)	2	(86)
Operating income	70	–	(2)	2	70
Exceptional items	(156)	–	–	–	(156)
Net income	399	633	41	33	1 106
Earnings attributable to minority shareholders	3	–	10	–	13
Compulsorily convertible debenture interest	247	–	–	–	247
Earnings attributable to ordinary shareholders	149	633	31	33	846
Headline earnings	403	825	28	58	1 314
Cost to income ratio (%)	59,3	61,4	66,1	84,1	63,2
Return on average tangible NAV (%)	23,2	34,4	6,6	13,2	25,8
Effective tax rate (%)	26,5	14,5	38,5	38,5	
Number of employees	2 303	1 432	242	859	4 836
Cash and short-term funds	7 444	51 179	5 222	5 331	69 176
Short-term negotiable securities	8 156	45 718	–	–	53 874
Investment and trading securities	6 577	1 476	1 805	110	9 968
Other assets	2 784	3 078	48	327	6 237
Advances	21 657	9 647	3 991	2 767	38 062
Associated companies	532	–	8	4	544
Property and equipment	748	286	188	98	1 320
Goodwill	450	2 213	–	186	2 849
Long-term assurance assets attributable to policyholders	12 702	–	–	–	12 702
Total assets	61 050	113 597	11 262	8 823	194 732
Ordinary shareholders' funds	3 061	4 774	474	719	9 028
Tangible net asset value	2 611	2 561	474	533	6 179
Liabilities (including subordinated debt and minority interest)	57 989	108 823	10 788	8 104	185 704

Footnotes refer page 185

notes to the financial statements

1. Segmental information (continued)

Secondary segment – business analysis[2]

for the year ended 31 March 2002

(R millions)	Investment Banking	Treasury & Specialised Finance	Private Client Activities	Asset Management	Other	Investec Group Limited
Net operating income	1 324	1 320	2 048	1 317	1 245	7 254
Operating expenses	740	595	1 479	817	1 254	4 885
Income before exceptional items	584	725	569	500	(9)	2 369
Exceptional items	87	20	135	686	85	1 013
Income before taxation	497	705	434	(186)	(94)	1 356
Share of income of associate companies	–	–	–	–	17	17
Total assets	10 849	191 973	45 844	41 214	13 961	303 841
Cost to income ratio (%)	55,6	44,1	68,0	62,0	–	65,5
Number of employees[3]	462	503	1 813	1 339	1 412	5 529

For the year ended 31 March 2001

(R millions)	Investment Banking	Treasury & Specialised Finance	Private Client Activities	Asset Management	Other	Investec Group Limited
Net operating income	1 021	1 006	1 585	881	808	5 301
Operating expenses	388	415	1 185	653	835	3 476
Income before exceptional items	633	591	400	228	(27)	1 825
Exceptional items	21	65	102	67	57	312
Income before taxation	612	526	298	161	(84)	1 513
Share of loss of associate companies	–	–	–	–	(86)	(86)
Total assets	9 314	129 047	34 031	13 141	9 199	194 732
Cost to income ratio (%)	37,4	39,3	70,3	74,0	–	63,2
Number of employees[3]	344	441	2 028	670	1 353	4 836

Geographic and business analysis of net income before exceptional items and taxation

for the year ended 31 March 2002

(R millions)	South Africa & Other[1]	United Kingdom & Europe	Israel	United States of America	Investec Group Limited
Investment Banking	282	296	52	(46)	584
Treasury & Specialised Finance	568	153	4	–	725
Private Client Activities	134	370	46	19	569
Asset Management	467	29	4	–	500
Asset Management	247	29	4	–	280
Assurance Activities	220	–	–	–	220
Group Services & Other Activities	(118)	67	(1)	43	(9)
Headline net income before taxation	1 333	915	105	16	2 369

Footnotes refer page 185

notes to the financial statements

1. Segmental information (continued)

Geographic and business analysis of net income before exceptional items and taxation

for the year ended 31 March 2001

(R millions)	South Africa & Other[1]	United Kingdom & Europe	Israel	United States of America	Investec Group Limited
Investment Banking	172	432	29	–	633
Treasury & Specialised Finance	468	121	2	–	591
Private Client Activities	100	235	32	33	400
Asset Management	194	32	2	–	228
Asset Management	194	32	2	–	228
Assurance Activities	–	–	–	–	–
Group Services & Other Activities	(230)	145	–	58	(27)
Headline net income before taxation	704	965	65	91	1 825

Notes

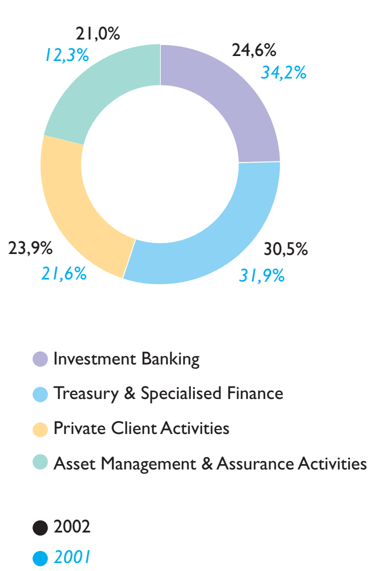
[1] Includes; Australia, Botswana, Hong Kong and Mauritius.

[2] Segment descriptions are provided on page 54.

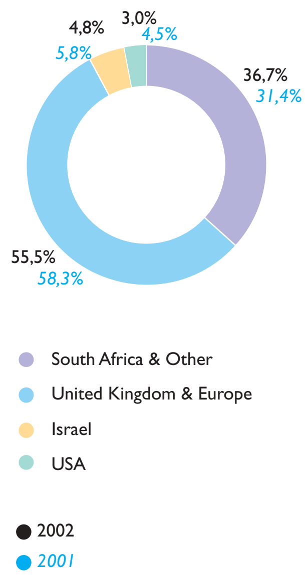
[3] In the Group Services & Other Activities division 905 and 732 employees relate to central service functions for 2002 and 2001 respectively.

Geographic and business analysis

Headline net income before tax by business (excluding "other" activities)



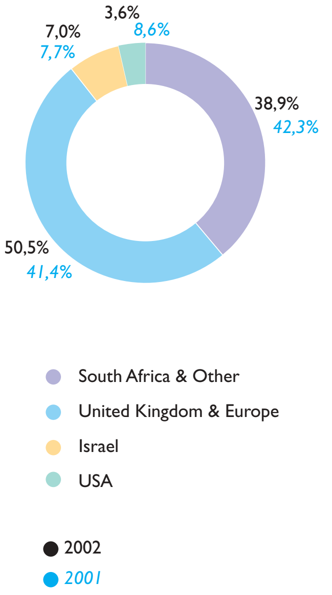
Assets by geography



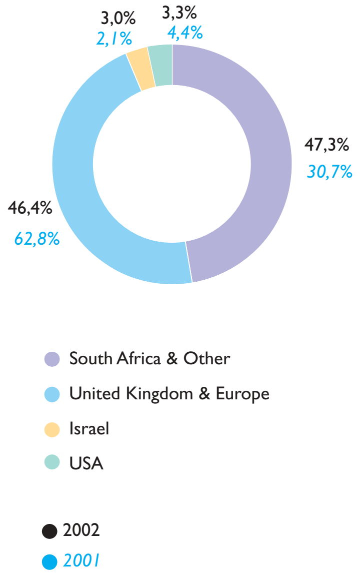
notes to the financial statements

Geographic and business analysis

Tangible net asset value by geography

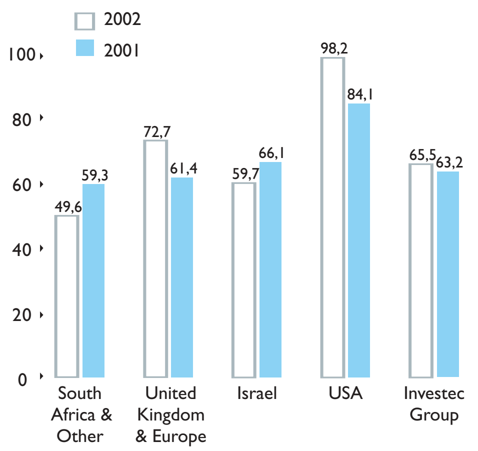


Headline earnings by geography



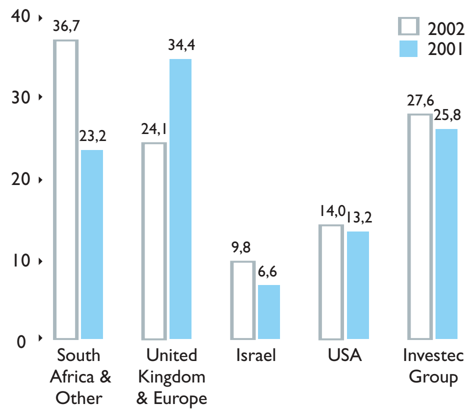
Cost to income ratio by geography

%



Return on net tangible asset value by geography

%



notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
2. Cash and short-term funds				
Cash and gold coins	343	121	–	–
Balances with Central Banks	7 045	5 333	–	–
Balances with other banks	25 161	19 149	–	–
Loans under resale agreements	62 842	33 757	–	–
Secured stock borrowing	7 952	6 439	–	–
Other short-term funds	7 881	4 377	–	–
	111 224	69 176	–	–
3. Short-term negotiable securities				
Balances with Central Banks	3 215	1 042	–	–
Bills	105	227	–	–
Commercial paper	58 551	50 972	–	–
Promissory notes	2 307	1 633	–	–
Traded endowments policies	560	–	–	–
	64 738	53 874	–	–
4. Investment and trading securities				
Category analysis				
Government and government guaranteed	5 073	4 689	–	–
Listed securities	1 845	956	36	–
Unlisted securities and investments	4 373	3 359	38	–
Positive fair value of trading derivatives	6 626	964	–	–
	17 917	9 968	74	–
Analysis by portfolio				
Trading	13 843	6 255	36	–
Investment	4 074	3 713	38	–
	17 917	9 968	74	–
5. Other assets				
Settlement debtors	4 677	3 205	–	–
Deferred tax asset	305	200	–	–
Other debtors and prepayments	3 078	2 832	25	–
	8 060	6 237	25	–

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
6. Advances				
Category analysis*				
Commercial property loans	14 444	7 498	–	–
Residential mortgages	7 236	5 245	–	–
Leases and instalment debtors	2 563	1 988	–	–
Corporate and public sector loans and advances	19 912	15 792	–	–
Margin lending	2 437	2 756	–	–
Other secured private advances	6 867	4 204	–	–
Other loans and advances	1 992	1 442	2	10
	55 451	38 925	2	10
Specific provision against doubtful debts	(440)	(507)	–	(8)
General provision against doubtful debts	(598)	(356)	–	–
	54 413	38 062	2	2
Specific and general provisions				
Reconciliation of movements in specific and general provisions for bad and doubtful debts.				
Balance at beginning of year	863	820	8	8
Income statement charge	202	198	–	–
Bad debts written off against provisions	(151)	(185)	(8)	–
Provisions relating to acquisitions/disposals	(4)	7	–	–
Arising on exchange adjustments	128	23	–	–
Balance at end of year	1 038	863	–	8
Maturity analysis				
On demand to one month	6 588	10 622	–	–
One month to six months	6 724	4 068	–	–
Six months to one year	5 764	3 750	–	–
One year to five years	19 595	10 654	2	10
Greater than five years	16 780	9 831	–	–
	55 451	38 925	2	10

* See also pages 108 and 125

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	 2001	Company 2002	 2001
6. Advances (continued)				
Geographical analysis				
Southern Africa and Other	30 847	22 208	2	10
United Kingdom and Europe	18 249	9 884	–	–
Israel	4 233	4 066	–	–
United States of America	2 122	2 767	–	–
	55 451	38 925	2	10
7. Associated companies				
Shares at cost	644	662	–	166
Less: Goodwill*	195	137	–	–
	449	525	–	166
Equity accounted share of retained earnings	54	19	–	34
Book value at end of year	503	544	–	200

The goodwill for the 2002 financial year relates to the acquisition of Capital Alliance Holdings Limited ('CAL').The 2001 financial year relates to Fedsure Holdings Limited which was fully amortised in 2001.The goodwill on CAL is amortised over 8 years.

	Group 2002
The only significant associate over the period was CAL. CAL is a listed company on the JSE Securities Exchange South Africa and became an associate of the Group on 19 October 2001.Their issued ordinary share capital at 31 March 2002	1 069
Holding in CAL ordinary shares (%)	29.7%
The significant transactions between the Group and CAL, all of which are on arm's length basis are	
1. Preference share investment in CAL	200
2. Interest received on the loan to CAL	25
3. Re-insurance premiums paid by clients of Investec Employee Benefits and paid over to CAL	1 200
Included in off-balance sheet funds under administration are investments placed on behalf of brokers and clients in managed products reinsured with CAL. Value of investments so placed at end of period	12 649

The Group transferred certain assets to CAL as part of a reinsurance agreement. CAL in turn subcontracted the management of these assets to the Group.The Group earned investment management fees effective from 19 October 2001 of R28,6 million from CAL under an arms length arrangement.

* Included and amortised in the goodwill note. Refer to note 9.

notes to the financial statements

for the year ended 31 March

(R millions)

8. Property and equipment

	Cost or Valuation	Accumulated Depreciation	Carrying Amount
2002			
Operational properties	964	(155)	809
Leasehold improvements	302	(73)	229
Investment properties	1 011	–	1 011
Furniture and vehicles	234	(110)	124
Equipment	888	(562)	326
	3 399	(900)	2 499
2001			
Operational properties	831	(111)	720
Leasehold improvements	200	(39)	161
Investment properties	69	–	69
Furniture and vehicles	197	(73)	124
Equipment	601	(355)	246
	1 898	(578)	1 320

	Operational properties	Leasehold improvements	Investment Properties*	Furniture and vehicles	Equipment	Total
2002						
Carrying amount at the beginning of year	720	161	69	124	246	1 320
Additions	–	31	729	45	155	960
Disposals	–	–	(1)	(31)	(27)	(59)
Business combinations	–	11	214	4	26	255
Translation differences	107	76	–	7	44	234
Depreciation	(18)	(50)	–	(25)	(118)	(211)
Carrying amount at end of year	809	229	1 011	124	326	2 499
2001						
Carrying amount at the beginning of year	509	138	69	121	228	1 065
Additions	222	46	–	68	109	445
Disposals	–	–	(23)	(49)	(5)	(77)
Business combinations	–	3	–	(2)	6	7
Reclassification as investment property	–	–	23	–	–	23
Translation differences	–	2	–	–	(1)	1
Depreciation	(11)	(28)	–	(14)	(91)	(144)
Carrying amount at end of year	720	161	69	124	246	1 320

* The majority of investment properties were acquired at fair value close to year end. A large component of group properties is held within the policyholder funds. Refer to note 10.2.

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001
9. Goodwill		
9.1 Goodwill reconciliation		
Balance at beginning of year	2 849	2 443
Net amount on acquisitions	3 895	718
Goodwill impairment	(512)	–
Goodwill amortised	(747)	(312)
Balance at end of year	5 485	2 849

Goodwill arising on the acquisition of subsidiaries is amortised over periods of between 3 and 20 years, reflecting its expected useful life. For the majority of acquisitions, the goodwill is amortised over 3 to 10 years.

Negative goodwill relating to non-monetary assets is released to the income statement over a period of 1 to 4 years, reflecting the period of expected benefit. There were no negative goodwill balances in 2001 and 2002.

Goodwill impairment of R512 million arose as a result of the following:-

- A review of the carrying value of the Group's recently acquired insurance and financial services business from Fedsure Holdings Limited. An impairment review was conducted using a combination of value in use (5 year discounted cash flow valuations using a conservative estimate of future growth) and net selling price on certain businesses. This resulted in an impairment of R472 million with respect to goodwill on the Fedsure insurance business.

- The remaining R40 million relates to a review of the carrying value of the Group's private client stockbroking business in the United States pending a probable disposal in the new financial year.

notes to the financial statements

for the year ended 31 March 2002

(R millions)

9. Goodwill (continued)

9.2 Acquisitions

The Group made the following acquisitions of subsidiary undertakings or net assets and operations for the year ended 31 March 2002 which are accounted for on an acquisition basis:

Fedsure Investments and Fedsure International

In June 2001, Investec Group Ltd acquired 100% of the issued ordinary share capital of Fedsure Investments (Pty) Ltd and Fedsure International (Pty) Ltd for a total consideration of R4 067 million. This consideration consisted of net ordinary share capital issued of R3 450 million, cash of R250 million and net other assets of R367 million. As part of the initial purchase price, Investec Group Limited issued 19 212 204 ordinary shares to Fedsure Holdings Limited. Fedsure Holdings Limited unbundled its Investec Group Limited shareholding and Investec received 4 211 730 shares. The receipt of these shares was treated as a reduction to share capital and share premium. Goodwill of R3 426 million arose on this acquisition. Goodwill is being amortised over the directors' estimate of its useful economic life of 8 years.

The assets and liabilities at the dates of acquisition and the total consideration paid are set out in the following tables:

	Book Value	Revaluation	Fair Value
At the date of acquisition:			
Assets			
Investment and trading securities	31 540	(31 289)	251
Other assets	1 756	(989)	767
Advances	173	(173)	–
Property and equipment	40	(11)	29
Long-term assurance business attributable to the shareholder	–	1 414	1 414
	33 509	(31 048)	2 461
Long-term assurance assets attributable to policyholders	–	28 762	28 762
Total assets	33 509	(2 286)	31 223
Liabilities			
Deposits and other accounts	4 056	(2 331)	1 725
Taxation	–	56	56
	4 056	(2 275)	1 781
Long-term assurance liabilities attributable to policyholders	28 637	125	28 762
Total liabilities	32 693	(2 150)	30 543
Total net assets	816	(136)	680
Less: minority interest	(39)	–	(39)
Net assets acquired	777	(136)	641
Goodwill			3 426
Total consideration for acquisition			4 067

The fair value adjustments in the above tables represent the reclassification of Fedsure Life assets and the fair value adjustments of liabilities acquired.

notes to the financial statements

for the year ended 31 March 2002

(R millions)

9. Goodwill (continued)

9.2 Acquisitions (continued)

The summarised profit and loss account of Fedsure Investments (Pty) Ltd and Fedsure International (Pty) Ltd for the period from 1 January 2001 to the effective date of acquisition is as follows:

Operating income	250
Exceptional Items	(924)
Loss on ordinary activities before taxation	(674)
Tax on ordinary activities	(55)
Loss attributable to shareholders	(729)

The summarised profit and loss account of Fedsure Investments (Pty) Ltd and Fedsure International (Pty) Ltd for the year ended 31 December 2000 is as follows:

Operating income	624
Exceptional Items	(1 158)
Loss on ordinary activities before taxation	(534)
Tax on ordinary activities	(119)
Loss attributable to shareholders	(653)

Other Acquisitions

During the year several other acquisitions and adjustments were made. The combined at acquisition balance sheets of these acquisitions and adjustments to purchase prices and/or net asset value is noted below:

1. In June 2001 PMG Holdings (since renamed Investec Inc.), a wholly owned subsidiary of the Group acquired a 100% interest in the PMG Group and its subsidiaries. The cash amount paid for the PMG Group was R258 million and the goodwill arising from the transaction was R176 million.
2. In October 2001 Capital Alliance Holdings Limited (CAL) became an associate of the Group. The transaction resulted in a transfer of certain of the insurance related liabilities of the Group to CAL.
3. In October 2001 IBUK Ltd a 100% held subsidiary of IGL acquired a 100% interest in European Capital Company Ltd. The cash consideration for the acquisition was R21 million and resulted in goodwill of R20 million.
4. In February 2002 Investec Australia Corporate Finance Ltd acquired a 100% holding in Chronworth (Pty) Ltd for a cash consideration of R20 million. Goodwill of R20 million arose.
5. There were also some additional acquisitions for a cash consideration of R75 million which resulted in goodwill of R34 million.

notes to the financial statements

for the year ended 31 March 2002

(R millions)

9. Goodwill (continued)

9.2 Acquisitions (continued)

	Book Value	Revaluation	Fair Value
At the date of acquisition:			
Assets			
Cash and short-term funds	2	–	2
Investment and trading securities	128	–	128
Other assets	82	(5)	77
Advances	15	–	15
Associated companies	403	–	403
Property and equipment	11	–	11
Long term assurance business attributable to the shareholder	(535)	–	(535)
Total assets	106	(5)	101
Liabilities			
Deposits and other accounts	153	–	153
Total liabilities	153	–	153
Total net assets	(47)	(5)	(52)
Goodwill			469
Total consideration for acquisitions			417

Contributions from the acquisitions are included in the results of Investec Group Limited. These cannot be separately analysed as the businesses acquired have been merged with existing Investec businesses.

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
10. Long-term assurance assets				
10.1 Long-term assurance assets attributable to the shareholder				
Long-term assurance assets attributable to the shareholder	960	–	–	–
Investec Employee Benefits Limited				
The embedded value comprises:				
Net tangible assets of life company including surplus	2 522	–		
Value of in-force business	429	–		
Embedded value	2 951	–		
Reallocated to investments in associated undertakings	(551)	–		
Elimination of intercompany balances	(1 011)	–		
Value of in–force business not recognised on balance sheet	(429)	–		
Long–term assurance assets attributable to the shareholder	960	–		
Income from long-term assurance business comprises:				
Premium Income	2 865	–		
Investment Income	999	–		
Total income	3 864	–		
Operating expenses	(401)	–		
Policyholder's benefits paid	(6 378)	–		
Operating loss	(2 915)	–		
Taxation charged to technical account	(129)	–		
Transfer from Life fund	3 264	–		
Surplus attributable to shareholders	220	–		

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

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. The principal economic assumptions which have been used for the 2002 year end are as follows:

	%
Risk-adjusted discount rate	16.5%
Return on equities (gross of tax)	15.5%
Return on fixed interest securities (gross of tax)	13.5%
Return on property investments (gross of tax)	14.5%
Return on cash held (gross of tax)	10.5%
Inflation rate	9.5%

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
10. Long-term assurance assets (continued)				
10.1 Long-term assurance assets attributable to the shareholder (continued)				
Balance Sheet				
The assets of the long-term assurance fund attributable to the shareholder are detailed below:				
Investments	1 771	–		
Intercompany loans due	1 315	–		
Other assets	1 213	–		
Assets of long-term assurance fund attributable to the shareholder	4 299	–		
Current liabilities	(1 777)	–		
	2 522	–		
Investments shown above comprise:-				
Fixed interest securities	59	–		
Stocks, shares and unit trusts	601	–		
Investment properties	300	–		
Associated undertaking	551	–		
Deposits	260	–		
	1 771	–		
10.2 Long-term assurance assets attributable to policyholders				
Investec Employee Benefits Limited	23 530	–		
Investec Assurance Limited	14 512	12 702		
	38 042	12 702		
Investec Employee Benefits Limited				
The investments of the long-term assurance fund attributable to policyholders	23 530	–		
Investments shown above comprise:-				
Fixed interest securities	6 012	–		
Stocks, shares and unit trusts	12 413	–		
Investment properties	673	–		
Deposits	4 432	–		
	23 530	–		

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
10. Long-term assurance assets (continued)				
10.2 Long-term assurance assets attributable to policyholders (continued)				
Investec Assurance Limited				
Investments	14 117	12 176		
Debtors and prepayments	357	515		
Other assets	38	11		
	14 512	12 702		
Investments shown above comprise:-				
Fixed interest securities	3 505	3 589		
Stocks, shares and unit trusts	6 150	4 220		
Investment properties	17	17		
Deposits	4 445	4 350		
	14 117	12 176		

The business undertaken by 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.

	Group 2002	Group 2001	Company 2002	Company 2001
11. Ordinary share capital				
Authorised				
150 000 000 (2001 – 150 000 000) ordinary shares of 60 cents each.	90	90	90	90
Issued				
96 193 177 (2001 – 81 010 020) ordinary shares of 60 cents each.	58	49	58	49

The unissued shares are under the control of the directors until the next annual general meeting.

Please refer to page 147 for a reconciliation of the issued ordinary share capital.

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
12. Compulsorily convertible debentures				
12.1 Company				
Issued				
Nil (2001 – 11 622) unsecured subordinated compulsorily convertible debentures of 60 cents each were converted into ordinary shares during the year.	–	1	–	1
880 000 (2001 – 880 000) Series I Class "A" unsecured subordinated compulsorily convertible debentures of 60 cents each issued at a premium of R174.40 each, net of issue expenses.	152	152	152	152
980 000 (2001 – 1 000 000) Series 11 Class "A" unsecured subordinated compulsorily convertible debentures of 60 cents each issued at a premium of R229,40 each, net of issue expenses	227	230	227	230
Details below relate to Series I & 11 Class "A" debentures:				
Interest is payable six monthly in 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 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 earlier, the Series 1 debentures will automatically convert on 1 October 2008. The Series 11 debentures will automatically convert on 4 December 2010.				
The unissued debentures are under control of the directors until the next annual general meeting.				
12.2 Subsidiary				
Issued				
3 573 994 (2001 – 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R78,50 each.	282	282	–	–

Interest is payable six monthly in arrears on 31 January and 31 July of each year at a rate of 15,25 %.
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, but not before 31 July 2002.

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
12. Compulsorily convertible debentures (continued)				
12.2 Subsidiary (continued)				
The Investec Bank Limited shares arising out of conversion have been sold forward by the holder thereof to Investec Holdings Limited in exchange for 4 033 507 Investec Holdings ordinary shares. The Investec Bank Limited shares have been simultaneously sold by Investec Holdings Limited to Investec Group Limited in exchange for 3 573 994				
Investec Group Limited ordinary shares.				
5 000 000 (2001 – 5 000 000) Class A unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R159,50 each, net of issue expenses.	797	797	–	–
1 000 000 (2001 – 1 000 000) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R159,50 each, net of issue expenses.	160	160	–	–
1 500 000 (2001 – 1 500 000) Class B unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R199,50 each, net of issue expenses.	300	300	–	–
Interest is payable six monthly in arrears on 15 June and 15 December of each year at a rate of 15% for Class A and Class A Series II and 12% for Class B debentures.				
The Class A and Class A Series II debentures will convert into Investec Bank Limited ordinary shares on a 3,5 for one basis on 15 December 2004. Class B debentures will convert on a 2,8 for one basis on the same date resulting in the total issue of 2 250 714 Investec Bank Limited shares.				
The 2 250 714 Investec Bank Limited shares arising out of the conversion have been sold forward by the holders thereof to Investec Group Limited in exchange for 7 500 000 Investec Group Limited ordinary shares, of which 6 800 000 have been simultaneously sold to Investec Holdings Limited in exchange for 7 480 000 Investec Holdings Limited ordinary shares.				
2 000 000 (2001 – 2 000 000) Class C unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R199,50 each, net of issue expenses.	399	399	–	–

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
12. Compulsorily convertible debentures (continued)				
12.2 Subsidiary (continued)				
Interest is payable six monthly in arrears on 30 September and 31 March of each year at a rate of 11% per annum of Class C debentures.				
The Class C debentures will convert into Investec Bank Limited ordinary share on a 2,3 for one basis on 31 March 2008.				
All the convertible debentures are issued as part of the Group's employee share ownership initiatives and are exempt from the requirements of AC125.				
Total compulsorily convertible debentures	2 317	2 321	379	383
13. Convertible preference shares				
Authorised				
10 000 000 (2001 – 10 000 000) Class "A" variable rate compulsorily convertible non cumulative preference shares of 60 cents each.	6	6	6	6
50 000 (2001 – 50 000) variable rate cumulative preference shares of 60 cents each.	–	–	–	–
Issued				
2 000 000 (2001 - 2 000 000) Class "A" variable rate compulsorily convertible non cumulative preference shares of 60 cents issued at a premium of R229,40 each.	460	460	460	460
Less: Liability portion included in deposits and other accounts	(75)	(75)	(75)	(75)
	385	385	385	385
The preference dividend is calculated at 45% of the South African prime overdraft rate.				
The preference shares are convertible into Investec Group Limited shares on a 1 to 1 basis. The conversion will take place on the business day following the last day to register for ordinary dividends, in the year that the total ordinary dividend declared equals or exceeds the dividend on a class "A" convertible preference share.				
The unissued shares are under the control of the directors until the next annual general meeting.				
14. Reserves				
Share premium	7 584	4 036	7 584	4 036
Treasury shares	(825)	(27)	(670)	–
General reserves	1 650	1 852	1 778	1 921
Secondary reserves	2 007	393	1 793	(256)
Equity accounted reserves of associated companies	54	19	–	34
	10 470	6 273	10 485	5 735

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
14. Reserves (continued)				
Secondary reserves comprise:				
Revaluation of investments	(38)	211	(267)	(337)
Foreign currency revaluation	2 585	722	2 060	81
Goodwill written off	(540)	(540)	–	–
	2 007	393	1 793	(256)
See note 23.2 for additional information on movements in equity accounted reserves of associated companies.				
15. Subordinated debt				
R1 961 million (2001 – R1 945 million) Investec Bank Limited 16% local registered unsecured subordinated bonds due 2012.	1 961	1 945	–	–
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.				
R284 million (2001 – Nil) Investec Bank Limited Class "E" 15% unsecured redeemable debentures due 2014.	284	–	–	–
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 ZAR - JIBAR - SAFEX plus 2.5%, payable quarterly on 31 March, 30 June, 30 September and 31 December.				
	2 245	1 945	–	–

The only event of default in relation to the subordinated liability is the non-payment of principal or interest. The only remedy available to the holders of the subordinated liabilities 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 liabilities until all other creditors have been paid in full.

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
16. Deposits and other accounts				
Category analysis				
Deposits and loans from banks	20 509	20 751	–	–
Demand and savings deposits	24 579	23 883	–	–
Fixed and notice deposits	56 187	33 014	–	–
Negotiable certificates of deposit	3 424	8 336	–	–
Other deposits and loan accounts	7 597	3 036	–	–
Liabilities in respect of repurchase agreements	91 235	58 653	–	–
Stock lending	10 754	9 107	–	–
Negative fair value of trading derivatives	7 984	1 472	–	–
Settlement liabilities	12 031	7 492	–	–
Creditors and other accounts	14 970	4 548	63	131
	249 270	170 292	63	131
Maturity analysis				
On demand to one month	131 670	118 117	–	–
One month to six months	79 879	35 381	63	18
Six months to one year	23 802	6 881	–	54
Greater than one year	13 919	9 913	–	59
	249 270	170 292	63	131
17. Taxation				
Taxation payable	402	398	27	48
Deferred tax liability	111	100	–	–
	513	498	27	48
Deferred tax liability (included in taxation)				
Accelerated capital allowances	53	59	–	–
Other temporary differences	58	41	–	–
	111	100	–	–
Deferred tax asset (included in other assets)				
Deferred capital allowances	234	117	–	–
Income and expenditure accruals	17	77	–	–
Other temporary differences	54	6	–	–
	305	200	–	–
Net deferred tax asset	194	100	–	–
Reconciliation of net deferred tax asset				
Opening balance	100	10	–	–
Charge to income statement	(20)	52	–	–
Arising on acquisitions	18	31	–	–
Exceptional items	38	–	–	–
Exchange adjustments	58	7	–	–
Closing balance	194	100	–	–

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
17. Taxation (continued)				
The deferred tax asset arising on acquisitions 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 taxable profits will arise in future periods. The assessment of the likelihood of future taxable 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.				
18. Interest				
18.1 Interest received				
Cash and short-term funds	3 965	3 971	–	–
Short-term negotiable funds	2 966	3 156	–	–
Investment and trading securities	202	383	–	–
Advances	4 693	4 424	50	–
Intercompany loans	–	–	58	33
	11 826	11 934	108	33
Foreign currency gains	753	204	–	–
Foreign currency losses	(135)	(24)	–	–
	12 444	12 114	108	33
18.2 Interest paid				
Demand and savings deposits	1 470	1 701	–	–
Fixed and notice deposits	3 271	2 463	–	–
Negotiable certificates of deposit	498	852	–	–
Repurchase agreements	4 037	4 824	–	–
Other deposits and loan accounts	985	396	276	1
	10 261	10 236	276	1

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
19. Other income, operating expenses and exceptional items				
Other income comprises				
Fees and commissions- annuity	2 991	2 339	–	–
Principal transactions and trading income	1 299	601	(24)	–
Fees and commissions - deal income	733	644	–	–
Dividends received	30	37	221	494
Income from long-term assurance business	220	–	–	–
Equity accounted earnings of subsidiaries	–	–	165	435
	5 273	3 621	362	929
Operating expenses comprise				
Personnel remuneration	2 506	1 698	–	–
Pension and provident fund contributionΔ	189	134	–	–
Auditors remuneration	45	24	–	–
- audit fees	45	22	–	–
- fees for other services	–	2	–	–
Directors' emoluments paid by subsidiary				
Executive directors	25	20	–	–
- remuneration	24	20	–	–
- other benefits	1	–	–	–
Non-executive directors' remuneration	8	8	–	–
Depreciation	211	144	–	–
Premises	324	246	–	–
Equipment	397	333	–	–
Business expenses	966	667	2	1
Marketing expenses	214	202	–	–
	4 885	3 476	2	1
Total employment cost:				
- Personnel remuneration	2 506	1 698		
- Pension and provident fund contributions	189	134		
- Executive directors' remuneration	25	20		
- Non-executive directors' remuneration	8	8		
- Directly allocated against income*	878	830		
	3 606	2 690		

Δ Refer to Note 29.1.

* Payments made as a result of contractual obligations directly relating to income generation.

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
19. Other income, operating expenses and exceptional items (continued)				
Exceptional items comprise				
Fedsure restructure	–	–	(451)	–
Goodwill amortised	747	312	–	–
Goodwill impairment	512	–	–	–
Loss on disposal of subsidiaries and fixed assets	21	–	–	–
Profit on disposal of non-trading loans	(267)	–	–	–
	1 013	312	(451)	–
Share of associates exceptional items	45	156	21	114
	1 058	468	(430)	114

The significant increase in exceptional items from R468 million in 2001 to R1 058 million in 2002 is as a result of a number of factors listed below:

- Increased goodwill amortisation relating to acquisitions made during the current year and towards the end of the previous year, of which the largest contributor was the Fedsure acquisition.
- An impairment of R472 million in relation to the purchased goodwill on Fedsure's insurance business, reflecting the problems in that business which were not apparent at the time of acquisition. The impairment test was performed in terms of the requirements of both AC 128 and AC 131, applying a combination of value in use and net selling price on all components of the Fedsure acquisition.
- Losses of R80 million in respect of the pending disposal of the US private client operations, of which R40-million represents the impairment of unamortised goodwill attributable to those particular businesses.
- Recognising that the effective date of the Fedsure acquisition was 1 June 2001, treatment of Fedsure's earnings as income from an associate was appropriate for the first two months of Investec's financial year. The net impact on Investec's earnings was a loss of R32 million, comprising operating profits of R13 million and exceptional losses of R45 million.

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
20. Taxation				
Normal Taxation	398	339	–	–
South Africa	294	87	–	–
- current tax on income for the period*	294	84	–	–
- adjustments in respect of prior periods	–	3	–	–
United Kingdom and Europe	71	205	–	–
Israel	39	21	–	–
United States of America	(33)	32	–	–
Other	27	(6)	–	–
Deferred tax	19	(52)	–	–
South Africa	(13)	8	–	–
United Kingdom and Europe	56	(65)	–	–
Israel	–	4	–	–
United States of America	(7)	3	–	–
Other	(17)	(2)	–	–
Secondary taxation on companies	3	34	(36)	27
Total tax charge for the period	420	321	(36)	27
Tax rate reconciliation				
Income before taxation as per income statement	1 356	1 513	643	960
Less: compulsorily convertible debenture interest	(305)	(247)	(37)	(24)
	1 051	1 266	606	936
Total taxation charge in income statement	420	321	(36)	27
Less: secondary taxation on companies (STC)	(3)	(34)	36	(27)
Total taxation on income	417	287	–	–
Effective rate of taxation	39,7%	22,7%	0,0%	0,0%
The standard rate of South African normal taxation has been affected by:				
– exceptional items – goodwill	(28,9%)	(7,4%)	22,3%	–
– dividend income	0,9%	5,9%	10,9%	15,8%
– accumulated tax losses	4,7%	0,4%	–	–
– foreign earnings**	5,9%	10,8%	–	–
– life income	6,3%	–	–	–
– other permanent differences	1,4%	(2,4%)	(3,2%)	14,2%
	30,0%	30,0%	30,0%	30,0%

* Includes capital gains tax of R4 million for the current year.

** Includes the effect of the cumulative tax losses and other permanent differences.

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
20. Taxation (continued)				
Future tax relief				
Estimated tax losses available for set-off against future taxable income				
South Africa	74	238	–	–
United Kingdom	161	190	–	–
Europe	298	240	–	–
	533	668	–	–
The above are gross tax losses, i.e. prior to the application of applicable taxation rates. Of the estimated tax losses, R98 million has been raised as a deferred tax asset, amounting to R30 million. Deferred tax assets on available tax losses have only been raised where it is probable that the asset will be utilised against taxable profit in the foreseeable future, by the entity in which the tax loss resides.				
The rates of corporation tax for the relevant periods are:				
South Africa	30%	30%		
United Kingdom	30%	30%		
Europe (average)	20%	20%		
United States of America*	35%	35%		
Israel	45%	45%		
Australia	30%	34%		
21. Share of income/(loss) of associated companies				
Operating income	62	70	5	51
Exceptional items	(45)	(156)	(21)	(114)
Per income statement	17	(86)	(16)	(63)

* 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 (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
22. Ordinary dividends				
on fully paid shares				
Final for 2001 year of 440 cents (2000 – 382,5 cents)	441	308	441	308
Interim of 375 cents (2001 – 310 cents)	350	250	362	250
Final of 450 cents (2001 – 440 cents)				
	791	558	803	558
Total of 825 cents (2001 – 750 cents)*				
* This represents the interim and final dividend declared during the financial reporting year				
23. Cash flow information				
23.1 Cash generated by operating activities				
Net income before taxation	1 356	1 513	643	960
Depreciation	211	144	–	–
Provision for bad and doubtful debts	202	198	–	–
Exceptional items (see note 19)	1 013	312	(451)	–
Equity accounted income of subsidiaries	–	–	(165)	(435)
	2 782	2 167	27	525
23.2 Dividends received from associated companies				
Equity accounted reserves at beginning of year	19	123	34	111
Equity accounted income/(loss) for the year	17	(86)	(16)	(63)
Realised during the year	18	–	(18)	–
Equity accounted reserves at end of year	(54)	(19)	–	(34)
	–	18	–	14
23.3 Taxation paid				
Taxation balances at beginning of year	(498)	(421)	(48)	(36)
Deferred tax asset raised on acquisitions	18	31	–	–
Taxation balances arising on the acquisitions of subsidiaries	(74)	–	–	–
Amounts charged to the income statement	(420)	(321)	36	(27)
Taxation balances at end of year	513	498	27	48
	(461)	(213)	15	(15)
23.4 Dividends paid				
Current year dividend paid	(791)	(558)	(803)	(558)

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
23. Cash flow information (continued)				
23.5 Net funds (utilised)/arising on acquisitions				
Advances and other assets	60	(4)	–	–
Associated companies	87	–	184	–
Deferred tax asset	(18)	(31)	–	–
Deposits and other accounts	912	24	–	–
Property and equipment	(255)	(7)	–	–
Goodwill	(3 896)	(718)	–	–
Investments and trading securities	(454)	–	–	–
Investment in subsidiaries	–	–	(2 623)	(724)
Long-term assurance assets - policyholders	(39 996)	–	–	–
Long-term assurance liabilities	39 996	–	–	–
Long-term assurance assets - shareholder	(1 101)	–	–	–
Minority shareholders on acquisitions	252	(36)	–	–
Profit on disposal of subsidiaries and associates	227	–	451	–
Taxation	56	–	–	–
	(4 130)	(772)	(1 988)	(724)
Net issue of shares	3 450	25	3 578	52
Net cash (outflow)/inflow	(680)	(747)	1 590	(672)
23.6 Movement in income earning assets				
Short term negotiable securities	2 500	(13 745)	–	–
Investment and trading securities	(6 646)	(222)	(4)	–
Advances	(12 326)	(4 848)	–	–
Other assets	71	1 151	(25)	19
	(16 401)	(17 664)	(29)	19

24. Assets under administration	2002	2001
Retail (includes unit trusts, mutual funds and linked products)	69 854	42 605
Institutional and investment trusts	202 829	119 150
Private clients	163 557	137 480
Private clients (discretionary)	68 869	63 719
Private clients (non-discretionary)	94 688	73 761
Scrip lending	14 619	18 645
Properties managed for third parties	4 114	1 975
Acceptances on behalf of clients	44	42
	455 017	319 897
On balance sheet assets	303 841	194 732
Total assets under administration	758 858	514 629

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
25. Contingent liabilities and commitments				
Guarantees and letters of credit	4 024	5 136		
Acceptances on behalf of clients	3 753	4 142		
Forward repurchase agreements	4 976	1 664		
Other	473	426		
	13 226	11 368		
Operating lease commitments				
Annual commitments in respect of non-cancellable operating leases				
Leasehold properties				
Within one year	84	61		
Between one and five years	318	211		
Over 5 years	147	160		
	549	432		
26. Earnings per share				
Headline earnings attributable to ordinary shareholders				
Calculation of headline earnings				
Earnings attributable to ordinary shareholders	626	846		
Headline adjustments	1 058	468		
Goodwill amortised	747	312		
Goodwill impairment	512	–		
Loss on disposal of subsidiaries and fixed assets	21	–		
Profit on disposal of non-trading loans	(267)	–		
Share of associates' exceptional items	45	156		
Headline earnings	1 684	1 314		
Earnings per share (cents)	684,2	1 048,4		
Headline earnings per share (cents)	1 840,4	1 628,2		
Weighted average ordinary shares in issue (millions)	91,5	80,7		

Earnings per share is calculated using earnings attributable to ordinary shareholders, divided by the weighted average number of shares in issue. Headline earnings per share is calculated on a similar basis using headline earnings as the numerator.

	Group 2002	Group 2001	Company 2002	Company 2001
Earnings attributable to ordinary shareholders	626	846		
Increase in after tax earnings as a result of conversion of convertible debentures which have a dilutive effect on earnings per share	1	30		
Diluted earnings attributable to ordinary shareholders	627	876		

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
26. Earnings per share (continued)				
Diluted earnings per share (cents)	669,2	1 039,7		
Fully diluted weighted average ordinary shares in issue (millions)	93,7	84,3		
Diluted earnings per share is calculated using diluted attributable earnings divided by the fully diluted weighted average number of shares in issue after taking into account the conversion of compulsorily convertible debentures. Only conversions which have a dilutive effect on earnings per share have been taken into consideration in the computation of diluted earnings.				
27. Earnings per compulsorily convertible debenture				
27.1 Company				
Nil (2001 – 11 622) Unsecured subordinated debentures of 60 cents each issued at various premiums.				
Interest earned	–	–*		
Weighted average number of debentures (millions)	–	–*		
Earnings per debenture (cents)	–	231,3		
880 000 (2001 – 880 000) Class "A" Series 1 unsecured subordinated debentures of 60 cents issued at a premium of R174,40 each.				
Interest earned	15	17		
Weighted average number of debentures (millions)	0,9	1,0		
Earnings per debenture (cents)	1 735,6	1 750,0		
980 000 (2001 – 1 000 000) Class "A" Series 11 unsecured subordinated debentures of 60 cents each issued at a premium of R229,40 each.				
Interest earned	22	7		
Weighted average number of debentures (millions)	1,0	0,3		
Earnings per debenture (cents)	2 264,9	2 300,0		
27.2 Subsidiary				
3 573 994 (2001 – 3 573 994) Unsecured subordinated debentures of 50 cents issued at a premium of R78,50 each.				
Interest earned	43	43		
Weighted average number of debentures (millions)	3,6	3,6		
Earnings per debenture (cents)	1 204,8	1 204,8		
5 000 000 (2001 – 5 000 000) Class "A" unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each.				
Interest earned	120	120		
Weighted average number of debentures (millions)	5,0	5,0		
Earnings per debenture (cents)	2 400,0	2 400,0		

* Amounts less than R1 million

notes to the financial statements

for the year ended 31 March	Group		Company	
(R millions)	2002	2001	2002	2001
27. Earnings per compulsorily convertible debenture (continued)				
1 000 000 (2001 – 1 000 000) Class "A" Series II unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each.				
Interest earned	24	24		
Weighted average number of debentures (millions)	1,0	1,0		
Earnings per debenture (cents)	2 400,0	2 400,0		
1 500 000 (2001 – 1 500 000) Class "B" unsecured subordinated debentures of 50 cents issued at a premium of R199,50 each.				
Interest earned	36	36		
Weighted average number of debentures (millions)	1,5	1,5		
Earnings per debenture (cents)	2 400,0	2 400,0		
2 000 000 (2001 – 2 000 000) Class "C" unsecured subordinated debentures of 50 cents each issued at a premium of R199,50 each.				
Interest earned	44	–*		
Weight average number of shares (millions)	2	–*		
Earnings per debenture (cents)	2 200,0	2 200,0		
28. 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:				
At year end, 5 directors had outstanding loans from Investec Bank Limited. For loans to related parties, normal credit parameters are applied.				
Loans-Investec Bank Limited	39	13		
H. Herman has a 17% and 13% holding in Picbel Parkade Shareblock (Pty) Ltd and Taaibos Square (Pty) Ltd respectively. Loans were provided to these entities by Investec Bank Limited on arms length, fully secured basis as follows:				
Picbel Parkade Shareblock (Pty) Ltd	22	24		
Taaibos Square (Pty) Ltd	25	26		

* Amounts less than R1 million

notes to the financial statements

for the year ended 31 March (R millions)	Group 2002	Group 2001	Company 2002	Company 2001
28. Related party transactions (continued)				
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 secured by Boutique Finance II Ltd's investment portfolio.				
Loan provided by Investec Bank (UK) Limited	68	60		
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 Group Limited has guaranteed 34% of the above loan provided.				
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 earnings of either Investec Securities Limited or the Group.				
Directors' portfolios are subject to management fees on an arms length basis.				
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.				
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 interest rate and receive a floating interest rate. The contract was dissolved during March 2002.				
On 30 September 2001, Investec Bank Limited sold certain property loans to Investec Employee Benefits for a total consideration of	547	–		
The balance was settled at year end.				

notes to the financial statements

for the year ended 31 March 2002

(R millions)

29. Employee benefits - Group

29.1 Pension costs	2002	2001
Defined benefit obligations	22	20
Defined contributions	167	114
Pension and provident fund contributions	189	134

The Group operates one significant non-contributory defined benefit scheme in the UK, the Guinness Mahon Pension Fund Scheme. The scheme was last valued at 31 March 2002 by a qualified actuary. The scheme assets are held in separate trustee administered funds. The pension cost relating to the scheme was determined using the attained age method and there were no unpaid contributions outstanding at the year end.

The assumptions which had the most significant effect on the results of the valuation are those relating to the real rate of return on investments both before and after retirement. In the valuation it was assumed that the investments would earn a rate of return of 1,4% per annum in excess of growth of salaries up to the normal retirement date.

The actuarial valuation of the Guinness Mahon Group Pension Fund Scheme at 31 March 2000 was updated to 31 March 2002 by a qualified actuary, using a set of assumptions consistent with AC116.

The major assumptions used were:	
Rate of increase in pensionable salaries	4,25%
Rate of increase in pensions in payment for post April 1997 service	2,75%
Discount rate	6,00%
Inflation assumption	2,75%

The net pension asset/(liability) in respect of the scheme as at 31 March 2002:	
Equities	558
Gilts	394
Insurance policy	164
Cash	27
Total fair value of assets	1 143
Present value of liabilities	(1 104)
Net surplus	39

The net pension surplus in respect of the scheme has not been recognised in the balance sheet as it is not considered to be recoverable.

notes to the financial statements

for the year ended 31 March 2002

29. Employee benefits (continued)

29.2 Equity compensation benefits

Investec Group Limited Security Purchase and Option Scheme.

The group offers vested share options to permanent employees with more than six months service under the Investec Group Limited Security Purchase and Option Scheme. Staff have no rights relating to shares allocated in terms of the scheme until such date that the options are exercised. The options are exercisable at any time up to the expiry date or termination of the employees' contract of employment.

Movements in the number of share options held by employees are as follows:

	2002 Number	2001 Number
Outstanding at 1 April	3 600 993	1 842 367
Issued during the year	2 715 853	2 234 230
Exercised	(42 009)	(189 696)
Lapsed	(616 963)	(285 908)
Outstanding at 31 March	5 657 874	3 600 993

Details of share options:

	2002			2001		
	Expiry date	Exercise price	Aggregate proceeds on issue	Expiry date	Exercise price	Aggregate proceeds on issue
Granted during the year	1 March 2012	R174,72	R41 263 711	1 March 2011	R242,50	R108 360 060
Exercised during the year	2002-2009	R134,86	R9 374 110	2006-2009	R139,14	R26 911 666

Terms of options at 31 March:

	Average Exercise price	2002 Number	2001 Number
Expiry date			
31 March 2011	R242,50		446 840
31 March 2012	R174,72	1 953 250	
1 December 2009	R246,00	1 662 921	
2 July 2010	R237,00	142 700	
3 December 2010	R235,00	277 370	
4 December 2011	R169,80	732 050	
25 February 2012	R143,60	44 000	

capital adequacy statement

(R millions)	Risk-weighting (%)	Total Assets 2002	Risk-weighted Assets 2002	Risk-weighted Assets 2001
Money, interbank deposit and claims on Central Government	–	26 993	–	–
Irrevocable letters of credit of behalf of public sector bodies in RSA	5	–	–	1
Land Bank and other public sector bodies	10	160	16	20
Trade transactions with recourse to other banks	20	25 044	5 009	2 720
Residential mortgage loans and off-balance sheet assets	50	10 109	5 054	3 232
All other assets	100	53 806	53 806	42 168
Impairments	–	(59)	(59)	(107)
Total assets – banking activities[a]		116 053	63 826	48 034
Trading assets subject to CAR		186 258	–	–
Total assets[a]		302 311	63 826	48 034
Risk-weighted capital requirement – banking activities at 10% (2001–8%)			6 383	3 843
Net qualifying capital[b] – banking activities			8 415	7 364
Qualifying capital as a percentage of banking risk–weighted assets			13,2%	15,3%
Tier 1			8,7%	8,1%
Tier 2			4,5%	7,2%
Permanent			1,4%	3,5%
Non-permanent			3,1%	3,7%

Notes

a. This balance includes off balance sheet items against which capital is required to be held and excludes goodwill which is treated as an impairment against capital.

b Net qualifying capital includes only 50% of revaluations and is after deducting capital required for trading activities.

Net qualifying capital – Banking activities

	2002	2001
Primary capital and reserves	5 556	3 918
Ordinary share capital and premium	6 816	4 058
General reserves	1 650	1 852
Convertible preference shares	460	460
Equity accounted reserves	54	19
Foreign currency reserves	2 585	722
Minority shareholders interest	541	267
Impairments	(5 544)	(2 955)
Capital allocated for trading activities	(1 006)	(505)
Secondary capital and reserves	2 859	3 446
Permanent: compulsorily convertible debentures	2 317	2 321
Non-permanent:	542	1 125
Subordinated debt	2 245	1 945
General provisions	598	356
50% of net revaluation reserves	(19)	106
50% of goodwill write off	(271)	(271)
Capital allocated for trading activities	(2 011)	(1 011)
Net qualifying capital	8 415	7 364

The capital adequacy statement presented is that of the Group, on a pure accounting consolidated basis.

group derivative instruments

Financial Instruments, including Derivatives and Risk

Fair values

The fair value of a financial instrument represents the present value of the positive or negative cash flows which would have occurred if the rights and obligations arising from that instrument were closed out by the Group in an orderly market place transaction at year end.

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 investment purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values of other non-trading securities approximate their carrying values in the balance sheet.

Derivatives

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 correlation.

Notional Principal

The notional principal gives an indication of the Group's activity in the derivatives market and represents the aggregate size of the total outstanding contracts at year end. This figure cannot be used to assess the market risk associated with the position. Detailed on the next page is the derivative exposure for both trading and non-trading portfolios.

group derivative instruments

for the year ended 31 March (R millions)	2002 Notional Principal	2002 Positive Fair Value	2002 Negative Fair Value	2001 Notional Principal	2001 Positive Fair Value	2001 Negative Fair Value
Trading derivatives						
Foreign exchange derivatives						
Forward foreign exchange	215 685	13 834	13 498	175 346	4 582	4 445
Currency swaps	10 488	913	2 721	7 585	145	687
OTC options bought and sold	8 498	135	478	4 125	75	32
Other foreign exchange contracts	–	–	–	640	18	16
OTC derivatives	234 671	14 882	16 697	187 696	4 820	5 180
Exchange traded futures	118 808	22	34	–	–	–
Exchange traded options	–	–	–	–	–	–
Total	353 479	14 904	16 731	187 696	4 820	5 180
Interest rate contracts						
Caps and floors	54 228	71	87	13 107	14	20
Swaps	300 610	4 067	4 043	151 671	2 711	2 719
Forward rate agreements	405 317	826	768	132 198	127	83
OTC options bought and sold	23 382	268	384	25 673	119	143
OTC derivatives	783 537	5 232	5 282	322 649	2 971	2 965
Exchange traded futures	1 457	1	1	51 630	23	20
Exchange traded options	1 300	1	1	462	–	–
Total	786 294	5 234	5 284	374 741	2 994	2 985
Equity and stock index derivatives						
OTC options bought and sold	13 928	865	926	6 338	197	325
Equity swaps and forwards	1	–	–	2	–	–
OTC derivatives	13 929	865	926	6 340	197	325
Exchange traded futures	29	–	2	1 415	104	106
Exchange traded options	2 242	49	40	29 657	229	231
Warrants	794	125	49	361	2	26
Total	16 994	1 039	1 017	37 773	532	688
Commodity derivatives						
OTC options bought and sold	34 264	1 244	837	–	–	–
Commodity swaps and forwards	5 890	123	86	11 178	230	231
OTC derivatives	40 154	1 367	923	11 178	230	231
Exchange traded futures	47 015	1 052	1 015	–	–	–
Exchange traded options	6 585	189	173	–	–	–
Total	93 754	2 608	2 111	11 178	230	231

group derivative instruments

for the year ended 31 March (R millions)	2002 Notional Principal	2002 Positive Fair Value	2002 Negative Fair Value	2001 Notional Principal	2001 Positive Fair Value	2001 Negative Fair Value
Credit derivatives						
Credit linked notes bought and sold	450	6	6	–	–	–
Credit swaps bought and sold	300	2	2	–	–	–
	750	8	8	–	–	–
Total trading derivatives	1 251 271	23 793	25 151	611 388	8 576	9 084
Effect of netting	–	(17 167)	(17 167)	–	(7 612)	(7 612)
Trading derivatives included in assets/liabilities	**1 251 271**	**6 626**	**7 984**	**611 388**	**964**	**1 472**
Hedging Derivatives (Off-Balance Sheet)						
Foreign exchange derivatives						
Forward foreign exchange	–	–	–	246	10	10
Currency swaps	149	15	–	546	39	59
OTC derivatives	149	15	–	792	49	69
Exchange traded futures	–	–	–	–	–	–
Exchange traded options	149	15	–	792	49	69
Interest rate derivatives						
Caps and floors	40	–	–	–	–	–
Swaps	20 713	401	427	15 270	262	580
OTC derivatives	20 753	401	427	15 270	262	580
Exchange traded futures	6 277	–	–	–	–	–
	27 030	401	427	15 270	262	580
Equity and stock index derivatives						
OTC options bought and sold	18	5	–	21	6	–
Total	**27 197**	**421**	**427**	**16 083**	**317**	**649**

group derivative instruments

for the year ended 31 March (R millions)	Group 2002	2001
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.		
Unrecognised gains to be recognised within one year	16	35
Unrecognised gains to be recognised in more than one year	383	272
Total unrecognised gains	399	307
Unrecognised losses to be recognised within one year	40	14
Unrecognised losses to be recognised in more than one year	362	580
Total unrecognised losses	402	594
Total recognised (loss)/gain in current period	(158)	91
Portion of recognised (loss)/gain which was unrecognised in prior year	(16)	1
Net recognised (loss)/gain arising in the current period	(174)	92

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.

Risk management information

Shareholders should refer to pages 100 to 126 containing further risk information which would form an integral part of the annual financial statements.

principal subsidiary & associated companies

Principal Subsidiary Companies	Nature of Business	Issued Ordinary Capital	Holding	Shares at Book Value R' million		Net Indebtedness R' million	
			%	2002	2001	2002	2001
Direct subsidiaries of Investec Group Limited							
Fedsure Investments Limited ƒ	Investment holding	R739 000 000	100	1 066	–	(1 058)	–
Invego Investments Ltd ƒ	Investment holding	R1 044	100	2 271	–	(2 994)	291
Investec Asset Management Holdings (Pty) Ltd ƒ	Investment holding	R100	100	–	–	–	22
Investec Assurance Ltd ƒ	Insurance company	R10 000 000	100	10	10	–	–
Investec Bank Ltd ƒ	Banking institution	R4 762 770 007	100	7 218	5 913	(6 763)	(6 710)
Investec Employee Benefits Holdings (Pty) Ltd ƒ	Investment holding	R50 000	100	–	–	683	–
Investec Australia Limited —	Banking institution	AU$291 197 616	100	909	468	(71)	90
Investec Hong Kong (Pty) Ltd ◊	Investment holding	HK$1	100	1	–	(1 715)	(2 287)
Investec Int. (Gibraltar) (Limited) ß	Investment holding	£2	100	51	–	2 375	1 302
Investec International BV ±	Investment holding	Euro18 000	100	15	–	730	752
Investec SA ∞	Investment holding	£418 019 644	100	7 949	5 858	(5)	2
Investec Securities Ltd ƒ	Stockbroking and portfolio management	R172 000	100	132	132	–	–
Securities Investment Bank Ltd ƒ	Banking institution	R109 724 159	100	272	302	–	–
Other subsidiaries				282	373	(62)	11
				20 176	13 056	(8 880)	(6 527)

Indirect subsidiaries of Investec Group Limited			
Investec Bank (UK) Ltd *	Banking institution	£351 365 000	100
Investec Holdings (UK) Ltd*	Holding company	£462 332 020	100
Guinness Mahon Group Ltd *	Holding company	£45 208 017	100
Investec 1 Ltd*	Investment holding	£13 181 677	100
Investec Group (UK) PLC *	Holding company	£488 038 082	100
Investec Asset Finance PLC *	Leasing company	£526 000	100
Investec Group Investments (UK) Ltd *	Investment holding	£15 400 000	100
Investec Property Investments Limited (formerly Investec Property PLC) *	Property holding	£37 702 034	100
Investec Bank (Channel Islands) Ltd *	Banking institution	£10 000 000	100
Investec Bank (Jersey) Ltd *	Banking institution	£5 000 000	100
Investec Bank (Switzerland) AG ≈	Banking institution	CHF10 000 000	100

principal subsidiary & associated companies

Principal Subsidiary Companies	Nature of Business	Issued Ordinary Capital	Holding %
Indirect subsidiaries of Investec Group Limited (continued)			
Carr Sheppards Crosthwaite Ltd *	Stockbroking and portfolio management	£10 461 000	100
Gandon Capital Markets Ltd ‡	Banking institution	£4 444 000	100
Investec Ernst and Company ^	Stockbroking and portfolio management	$98 680 947	100
Investec Bank (Israel) Ltd #	Banking institution	NIS376 500 000	100
Investec Bank (Botswana) Ltd o	Banking institution	Pula5 000 000	100
Investec Ltd ƒ (renamed Grayinvest Limited)	Investment holding	R114 150 000	100
South African Druggists Ltd (renamed Barfold Investments Ltd) ƒ	Investment holding	R76 066 076	100
Investec Asset Management (Pty) Ltd ƒ	Asset management	R50 000	100
Investec Insurance Brokers (Pty) Ltd ƒ	Insurance broking	R2	100
Investec International Holdings (Pty) Ltd ƒ	Investment holding	R2 134 302	100
Investec Fund Managers SA Ltd ƒ	Unit trust management	R8 000 000	100
Investec Bank (Mauritius) Ltd i	Banking institution	R281 630 446	100
IPG (Property Trading & Development) (Pty) Ltd ƒ	Property trading	R1 174	100
Reichmans Ltd ƒ	Trade financing	R23 439 678	100
100 Grayston Drive Property (Pty) Ltd ƒ	Property holding	R2	100
Fedsure Life Assurance Ltd (renamed Investec Employee Benefits Ltd) ƒ	Life assurance	R2 418 523 071	100
European Capital Company Ltd *	Project Finance	£498 059	100
Principal associated company of Investec Group Limited			
Capital Alliance Holdings Ltd ƒ	Life Assurance	R175 290 000	30

Investec Bank (Israel) Ltd's year-end is 31 December in line with Israeli statutory requirements.
Details of subsidiary and associated companies which are not material to the financial position of the Group are not stated above.
* UK — Australia ∞ Luxembourg # Israel i Mauritius ^ USA o Botswana ‡ Ireland µ British Virgin Islands
ƒ South Africa ≈ Switzerland ± Netherlands ◊ Hong Kong ß Gibraltar

group currency profile

for the year ended 31 March 2002

(R millions)	ZAR	GBP	USD	NIS	EUR	Other	Total
Assets							
Cash and short-term funds	9 995	76 117	13 942	5 880	4 336	954	111 224
Short-term negotiable securities	3 839	56 560	2 434	-	996	909	64 738
Investment and trading securities	14 396	1 853	456	1 973	415	(1 176)	17 917
Other assets	2 574	4 119	1 076	32	154	105	8 060
Advances	22 092	13 176	12 017	1 649	2 068	3 411	54 413
Associated companies	453	–	41	9	–	–	503
Property and equipment	1 684	377	135	256	31	16	2 499
Long-term assurance assets	960	–	–	–	–	–	960
Goodwill	5 485	–	–	–	–	–	5 485
	61 478	152 202	30 101	9 799	8 000	4 219	265 799
Equity and Liabilities							
Share capital and reserves	10 528	–	–	–	–	–	10 528
Compulsorily convertible debentures	2 317	–	–	–	–	–	2 317
Convertible preference shares	385	–	–	–	–	–	385
Subordinated debt	2 245	–	–	–	–	–	2 245
Interest of minority shareholders in subsidiaries	541	–	–	–	–	–	541
Deposits and other accounts	52 771	143 714	32 990	8 882	7 722	3 191	249 270
Taxation	258	198	6	23	10	18	513
	69 045	143 912	32 996	8 905	7 732	3 209	265 799
Assets under administration							
Retail	34 827	26 713	178	628	7 508	–	69 854
Institutional and investment trusts	77 693	114 432	8 596	–	2 108	–	202 829
Private clients (discretionary)	6 790	58 788	389	2 471	431	–	68 869
Private clients (non-discretionary)	20 610	41 976	31 460	–	61	581	94 688
Scrip lending	100	14 519	–	–	–	–	14 619
Properties managed for third parties	3 900	214	–	–	–	–	4 114
Acceptances on behalf of clients	–	–	–	44	–	–	44
	143 920	256 642	40 623	3 143	10 108	581	455 017
On balance sheet assets	61 478	152 202	30 101	9 799	8 000	4 219	265 799
	205 398	408 844	70 724	12 942	18 108	4 800	720 816

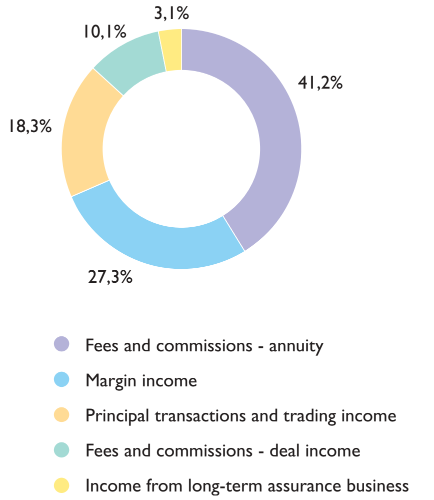
The above analysis excludes long term assurance assets and liabilities attributable to policyholders.
The Group currency profile analyses the consolidated assets and liabilities in terms of their originating currencies. These totals are then expressed in South African rands. Consequently this profile does not reflect any off balance sheet hedges entered into by the Group.

The following exchange rates were used for conversion of assets and liabilities at 31 March 2002:

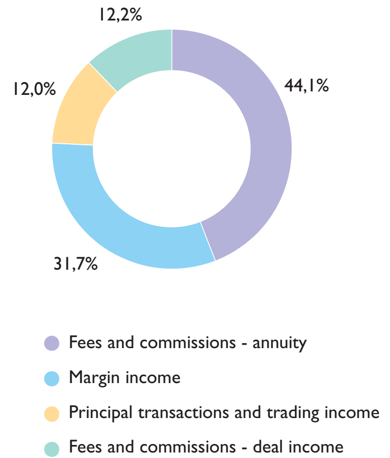
British Pound £1 = R16.1577251 US Dollar $1 = R 11.3515 Israeli Shekel NIS1 = R2.4090620
European Euro = R9.9013459

operating income by type

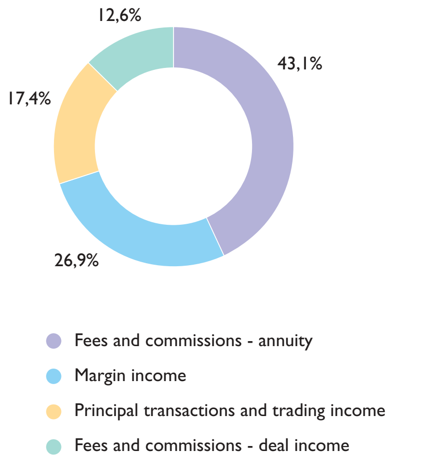
2002



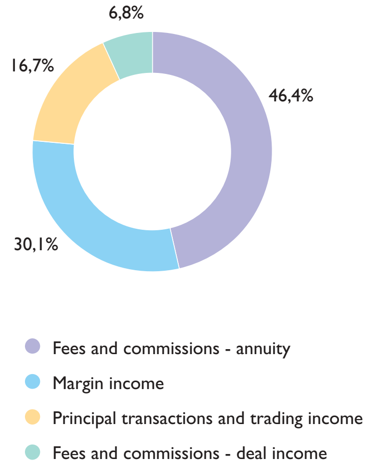
2001



2000



1999



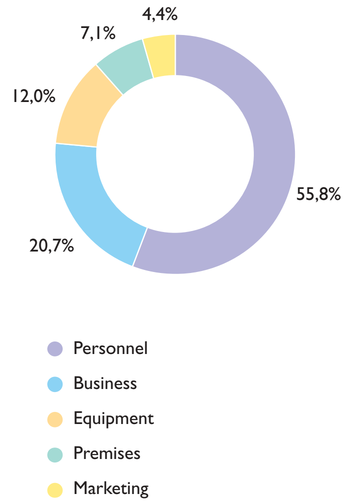
for the year ended 31 March

(R millions)	2002	2001	2000	1999
Fees and commissions - annuity	2 991	2 339	1 904	1 463
Margin income	1 981	1 680	1 187	948
Principal transactions and trading income*	1 329	638	767	527
Income from long-term assurance business	220	–	–	–
Fees and commissions - deal income	733	644	559	214
Total income	7 254	5 301	4 417	3 152

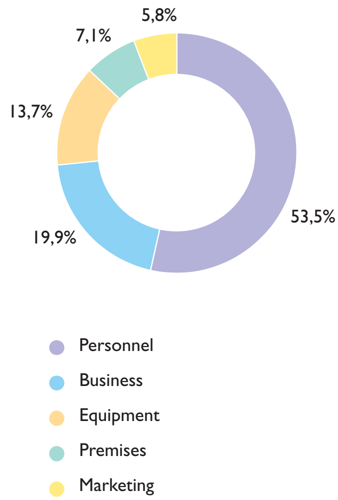
* Includes dividends received - for further definitions on other income refer to page 180.

operating expenses by type

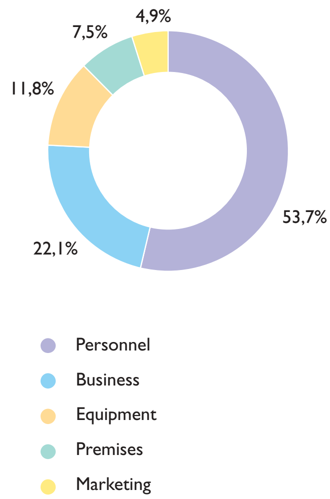
2002



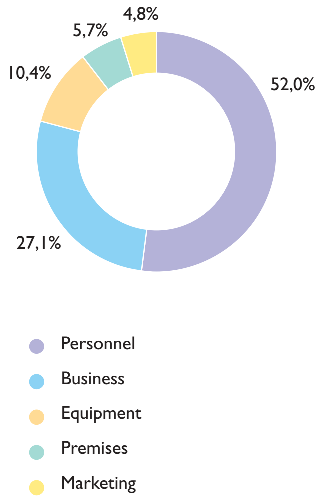
2001



2000



1999



for the year ended 31 March

(R millions)	2002	2001	2000	1999
Personnel	2 728	1 860	1 537	1 111
Business	1 011	691	632	579
Equipment	585	477	337	221
Premises	347	246	217	122
Marketing	214	202	141	103
Total Operating Expenses	4 885	3 476	2 864	2 136

Note:
Personnel expenses includes personnel remuneration, pension and provident contributions and directors remuneration. Business expenses includes auditors remuneration. Equipment expenses includes depreciation.

contents to investec holdings limited financial statements

directors' responsibility

Financial Statements for Investec Holdings Limited

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies have been consistently applied, supported by reasonable and prudent judgements and estimates. The Directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at the year end. The financial statements appearing on pages 231 to 239 were approved by the Board of Directors on 5 July 2002 and are signed on its behalf by

I R Kantor
Chairman

B Kardol
Deputy Chairman

Furthermore, the Group's external auditors have audited the financial statements and their unqualified report appears on page 230.

chairman's statement

The performance of Investec Holdings (Inhold) is directly related to that of its subsidiary, Investec Group Limited. Notwithstanding, the difficult global operating environment that prevailed during the year under review, Investec posted sound results for the 23rd consecutive year. Inhold is therefore satisfied to announce that headline earnings per share for the year ended 31 March 2002, increased by 15% to 1 574,3 cents. Shareholders are referred to Investec's results as discussed in the preceding pages of this report for further information.

A final dividend of 410,0 cents (2001 - 400,0 cents) per share was declared, bringing the total dividends declared per share to 750 cents (2001 - 680 cents), an increase of 10,3%.

Inhold has achieved a 10-year compound growth rate in headline earnings per share and dividends declared per share of 31,3% and 35,5% respectively.

On 22 November 2001, Investec announced that it would pursue a listing on the London Stock Exchange and the JSE Securities Exchange South Africa (JSE) using a Dual Listed Companies (DLC) Structure. Consequently, the Inhold pyramid structure will no longer be appropriate due to the changed circumstances and it is therefore intended that Inhold will unbundle its assets and delist from the JSE.

I would like to take this opportunity to thank the Board of Directors and all our colleagues within the Group who have contributed to the ongoing success of our business since our listing in 1986.

Although, we are sad to see the end of the road for Inhold, we at Investec are very excited by the DLC structure and believe it will allow us to achieve our strategic objective to become one of the world's leading specialist banking groups.

Ian Kantor
Chairman

5 July 2002

declaration by company secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2002, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

S. Noik
Group Secretary
5 July 2002

report of the independent auditors

To the Members of Investec Holdings Limited

We have audited the annual financial statements and Group annual financial statements of Investec Holdings Limited set out on pages 231 to 239 for the year ended 31 March 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

Scope

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

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

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

Audit opinion

In our opinion, the financial statements fairly present in all material respects, the financial position of the Company and the Group at 31 March 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc.
Chartered Accountants
(SA)
Registered Accountants
and Auditors

Ernst + Young

Ernst & Young
Chartered Accountants
(SA)
Registered Accountants
and Auditors

Johannesburg
5 July 2002

directors' report

Nature of business

Investec Holdings Limited (Inhold) is the controlling company of Investec Group Limited, which through its subsidiaries provides a wide range of specialised products and services to a selective client base. Investec is organised into four principal divisions, namely Investment Banking, Treasury and Specialised Finance, Private Client Activities and Asset Management.

Authorised and issued share capital

During the year the company acquired and cancelled 3 754 500 of its ordinary shares in issue.

Financial results

The results of the company and the Group are set out in the financial statements and accompanying notes.

Dividends

	2002 R'mn	2001 R'mn
Ordinary shares		
The following dividends were declared:		
Interim dividend of 340,0 cents per share (2001 – 280,0 cents) to shareholders registered on 14 November 2001 – paid on 18 December 2001	126	114
Final dividend of 410,0 cents per share (2001 – 400,0 cents) to shareholders registered on 14 June 2002 – paid on 18 June 2002	152	163
	278	277
Preference shares		
The following preference dividends were paid or accrued	34	24

Directors and secretary

Details of the directors are reflected on page 152 and that of the secretary is at the beginning of the report. In terms of the Articles of Association, Messrs G R Burger, G H Davin, H S Herman and B Kantor retire by rotation, but being eligible, offer themselves for re-election.

Directors' shareholdings

On 31 March 2002 the current directors' beneficially held 1 446 485 shares in the company (2001 – 4 789 333). The directors future entitlements under the share incentive trusts and in terms of employee ownership initiatives are 952 335 (2001 – 952 335) Investec Holdings Limited shares. Details of current directors' direct and indirect beneficial shareholdings in the company's issued share capital, at 31 March 2002 were:-

	2002	2001
G. R. Burger	251 306	377 945
G. H. Davin	100	199 662
H. S. Herman	139 250	181 845
B. Kantor	408 700	842 943
I.R. Kantor	–	2 262 032
S. Koseff	487 178	764 955
P. R. S. Thomas	159 951	159 951
	1 446 485	4 789 333

A company in which G.R. Burger, H.S. Herman S. Koseff and B. Kantor own 15,6%, 7,6%, 38,4% and 38,4%, respectively, in an indirect beneficial capacity owns 3 817 900 Inhold ordinary shares and has a short position of 2 209 500 Investec Group Limited ordinary shares, which interests are not included above. The comparative figures for 2001 include 900 287 Inhold ordinary shares.

directors' report

Details of current directors' non beneficial shareholdings in the company's issued share capital at 31 March were:

	2002	2001
S. Koseff	103 010	206 020
B. Kantor	300 000	–

There have been no material changes to the above holdings from 31 March 2002 to the date of this report.

Share incentive trusts

Particulars of the Group's share incentive trusts are fully disclosed in the Investec Group Limited Directors' Report on pages 168 and 169.

Special resolutions

On 11 January 2002 a special resolution was passed granting the company a general approval in terms of section 85 and 89 of the Companies Act 1973 (as amended) for the acquisition of issued shares in the company.

Audit Committee

An audit committee comprising executive and 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.

Contracts

Refer to note 28 in Investec Group Limited's annual financial statements for details of contracts with directors.

Major shareholders

At 31 May 2002, the following were registered as holding 5% or more of the issued shares of the company:–

Standard Bank Nominees Tvl (Pty) Ltd	27,7%
Old Mutual Nominees (Pty) Ltd	15,0%
Nedcor Bank Nominees (Pty) Ltd	10,7%
Ferbros Nominees (Pty) Ltd	26,8%

Basis of presentation

The annual financial statements have been prepared on the historical cost basis, unless otherwise indicated. The accounting policies applied are consistent with those of Investec Group Limited, as detailed on pages 175 to 181.

Post balance sheet events

Subsequent to the financial year end, a members meeting has been scheduled at which inter alia the following matters are subject to approval:-

– the company unbundle its interest in Investec Group Limited with members receiving 86,04 ordinary shares in IGL for every 100 ordinary shares held in the company
– the company be placed in members' voluntary winding up
– application be made to the JSE Securities Exchange South Africa (JSE) for the termination of the JSE listing of the ordinary shares of the company

balance sheets

at 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
Assets					
Cash and short-term funds		111 224	69 176	–	–
Short-term negotiable securities		64 738	53 874	–	–
Investment and trading securities		17 917	9 968	–	–
Other assets		8 060	6 255	–	18
Advances		54 345	38 008	–	–
Subsidiary companies	1	–	–	2 577	3 238
Associated companies		503	544	–	–
Property and equipment		2 499	1 320	–	–
Goodwill		5 485	2 849	–	–
Long-term assurance assets attributable to the shareholder		960	–	–	–
		265 731	181 994	2 577	3 256
Long-term assurance assets attributable to policyholders		38 042	12 702	–	–
		303 773	194 696	2 577	3 256
Equity and Liabilities					
Capital and Reserves					
Ordinary share capital	2	2	4	2	4
Compulsorily convertible debentures		2 317	2 321	–	–
Reserves	3	3 622	2 738	2 104	2 786
		5 941	5 063	2 106	2 790
Interest of minority shareholders in subsidiaries		7 343	3 784	–	–
Total shareholders' funds		13 284	8 847	2 106	2 790
Subordinated debt		2 245	1 945	–	–
Cumulative redeemable preference shares	4	382	382	382	382
		15 911	11 174	2 488	3 172
Liabilities					
Deposits and other accounts		249 302	170 316	84	79
Taxation		518	504	5	5
		249 820	170 820	89	84
Long-term assurance liabilities attributable to policyholders		38 042	12 702	–	–
		303 773	194 696	2 577	3 256

income statements

for the year end 31 March (R millions)	Notes	Group 2002	Group 2001	Company 2002	Company 2001
Interest received		12 437	12 120	28	6
Interest paid		(10 290)	(10 268)	(50)	(33)
Net interest income		2 147	1 852	(22)	(27)
Provision for bad and doubtful debts		(202)	(198)	–	–
		1 945	1 654	(22)	(27)
Other income	5	5 279	3 627	236	383
Total income		7 224	5 281	214	356
Operating expenses		(4 885)	(3 476)	–	–
Income before exceptional items		2 339	1 805	214	356
Exceptional items		(1 013)	(312)	–	–
Income before taxation		1 326	1 493	214	356
Taxation		(422)	(326)	(2)	(5)
Income after taxation		904	1 167	212	351
Share of income/(loss) of associated companies		17	(86)	–	–
Operating income		62	70	–	–
Exceptional items		(45)	(156)	–	–
Net income		921	1 081	212	351
Earnings attributable to minority shareholders		(404)	(483)	–	–
		517	598	212	351
Compulsorily convertible debenture interest		(305)	(247)	–	–
Earnings attributable to ordinary shareholders		212	351	212	351
Earnings per share (cents)	6	548,4	860,9		
Headline earnings per share (cents)	6	1 574,3	1 368,7		
Diluted earnings per share (cents)	6	548,4	860,9		
Dividends paid per share (cents)		740,0	627,5		
Headline earnings attributable to ordinary shareholders					
Calculation of headline earnings					
Earnings attributable to ordinary shareholders		212	351		
Headline adjustments		1 058	468		
Goodwill amortised		747	312		
Goodwill impairment		512	–		
Loss on disposal of subsidiaries and fixed assets		21	–		
Profit on disposal of non-trading loans		(267)	–		
Share of associates' exceptional items		45	156		
Minority share of headline adjustments		(661)	(260)		
Headline earnings		609	559		

cash flow statements

for the year ended 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
Cash retained/(utilised) from operating activities					
Cash generated by operating activities		2 752	2 147	101	242
Dividends received from associated companies		–	18	–	–
Taxation paid		(464)	(352)	(2)	–
Cash available from operating activities		2 288	1 813	99	242
Dividends paid		(800)	(568)	(289)	(255)
Compulsorily convertible debenture interest paid		(305)	(247)	–	–
Net cash inflow/(outflow) from operating activities		1 183	998	(190)	(13)
Cash (utilised)/generated in investing activities					
Net funds (utilised)/arising on acquisitions		(680)	(747)	774	(430)
Net investment in associated companies		–	(300)	–	–
Net investment in fixed assets		(969)	(376)	–	–
Net cash (outflow)/inflow from investing activities		(1 649)	(1 423)	774	(430)
Cash flows from banking activities					
Movement in deposits and other accounts		41 054	9 658	5	79
Movement in income earning assets		(16 433)	(17 509)	18	(18)
Net cash inflow/(outflow) from banking activities		24 621	(7 851)	23	61
Cash flows from assurance activities					
Movement in long-term assurance fund and other liabilities		(14 636)	4 837	–	–
Movement in assurance related assets		14 797	(4 838)	–	–
Net cash inflow/(outflow) from assurance activities		161	(1)	–	–
Cash flows from financing activities					
Proceeds on issue of subsidiary ordinary shares to minority shareholders		–	15	–	–
Cash flow on cancellation of shares		(607)	–	(607)	–
Net proceeds on issue of convertible debentures		–	629	–	–
Issue of redeemable preference shares		–	382	–	382
Issue of bonds		300	1 945	–	–
Net cash (outflow)/inflow from financing activities		(307)	2 971	(607)	382
Net increase/(decrease) in cash and short–term funds		24 009	(5 306)	–	–
Cash and short–term funds at beginning of year		69 176	73 118	–	–
Effect of exchange rates in opening balance of cash and short-term funds		18 039	1 364	–	–
Cash and short–term funds at end of year		111 224	69 176	–	–

statement of changes in shareholders' funds

for the year ended 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
Share capital					
Balance at beginning of year		4	4	4	4
Issue of shares		–	–	–	–
Buy-back of own shares		(2)	–	(2)	–
Balance at end of year	2	2	4	2	4
Compulsorily convertible debentures					
Balance at beginning of year		2 321	1 710	–	–
Issues of debentures		–	629	–	–
Conversion to ordinary shares of subsidiary		(4)	(18)	–	–
Balance at end of year		2 317	2 321	–	–
Share premium					
Balance at beginning of year		1 484	1 484	1 484	1 484
Buy-back of own shares		(605)	–	(605)	–
Balance at end of year	3	879	1 484	879	1 484
General reserves					
Balance at beginning of year		1 086	941	929	833
–As previously reported		923	800	766	692
–Prior year adjustments		163	141	163	141
Earnings attributable to ordinary shareholders		212	351	212	351
Transfer (to)/from equity accounted reserves		(13)	47	–	–
Dividends		(289)	(255)	(289)	(255)
Transfer from interest of minority shareholders		1 031	9	–	–
Transfer to secondary reserves		(1)	(7)	–	–
Balance at end of year	3	2 026	1 086	852	929
Secondary reserves					
Balance at beginning of year		159	255	373	373
Movement arising from a change in shareholding		(35)	–	–	–
Transfer from general reserves		1	7	–	–
Movement in revaluations		570	(103)	–	–
Balance at end of year	3	695	159	373	373
Equity accounted reserves of associated companies					
Balance at beginning of year		9	56	–	–
Transfer from/(to) retained income		13	(47)	–	–
Balance at end of year		22	9	–	–
Total		5 941	5 063	2 106	2 790

notes to the financial statements

for the year ended 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
1. Subsidiary company					
Investment at cost				1 364	1 963
Equity accounted earnings of subsidiaries				821	1 197
Net indebtedness				392	78
				2 577	3 238
2. Ordinary share capital					
Authorised					
100 000 000 (2001 – 100 000 000) ordinary shares of 10 cents each.				10	10
Issued					
37 015 296 (2001 – 40 769 795) ordinary shares of 10 cents each.				2	4
The unissued shares are under the control of the directors until the next annual general meeting.					
3. Reserves					
Share premium				879	1 484
General reserves				852	929
Secondary reserves				373	373
				2 104	2 786
4. Cumulative redeemable preference shares					
Authorised					
25 000 (2001 – 25 000) cumulative redeemable preference shares of 50 cents each				–	–
Issued					
800 (2001 – 800) cumulative redeemable preference shares of 50 cents each, issued at various premiums				382	382

The preference dividend is calculated at 45% of the South African prime overdraft rate.

The unissued preference shares are under the control of the directors until the next annual general meeting.

notes to the financial statements

for the year ended 31 March		Group		Company	
(R millions)	Notes	2002	2001	2002	2001
5. Other income					
Dividends from subsidiaries				122	270
Profit on sale of shares in subsidiary*				358	–
Equity accounted (loss)/earnings of subsidiaries				(244)	113
				236	383
6. Earnings per share					
Calculation of headline earnings					
Earnings attributable to ordinary shareholders				212	351
Headline adjustments				1 058	468
Goodwill amortised				747	312
Goodwill impairment				512	-
Loss on disposal of subsidiaries and fixed assets				21	-
Profit on disposal of non-trading loans				(267)	-
Share of associates' exceptional items				45	156
Minority share of headline adjustments				(661)	(260)
Headline earnings				609	559
Earnings per share (cents)				548,4	860,9
Headline earnings per share (cents)				1 574,3	1 368,7
Weighted average ordinary shares in issue (millions)				38,7	40,8

Earnings per share is calculated using earnings attributable to ordinary shareholders, divided by the weighted average number of shares in issue. Headline earnings per share is calculated on a similar basis using headline earnings as the numerator.

The Group earnings per share and headline earnings per share is equal to that of the Company as the Company equity accounts the earnings of its subsidiary.

There are no instruments issued by Investec Holdings Limited which have a dilutive effect on earnings per share. Therefore diluted earnings per share is equal to earnings per share.

* Profit effectively reversed by equity accounting income of subsidiary.

notes to the financial statements

for the year ended 31 March 2002

7. Directors remuneration

Included in operating expenses of the Group are the following directors emoluments paid for by the subsidiary company.

	R' million
2002:	28
2001:	25

Consolidated assets, liabilities and income statement notes for Investec Holdings Limited are in all material respects consistent with those of Investec Group Limited as presented on pages 182 to 220.

financial definitions

Annuity income as a percentage of total income	Net interest income, commission and fees (recurring) and income from long-term assurance business, expressed as a percentage of total income.
Assets under administration	Includes third party assets under administration and on-balance sheet assets.
Cash and short-term funds as a percentage of total assets	Cash and short-term funds, including short-term negotiable securities, expressed as a percentage of total assets.
Cost to income ratio	Operating expenses expressed as a percentage of total income, before deducting provision for bad and doubtful debts.
Dividend cover	Headline earnings per ordinary share divided by dividends per ordinary share.
Dividend yield (%)	Dividends per ordinary share divided by the closing share price on the JSE Securities Exchange South Africa.
Earnings yield (%)	Headline earnings per ordinary share divided by the closing share price on the JSE Securities Exchange South Africa.
Effective tax rate	Taxation expressed as a percentage of headline net income before tax, after deducting debenture interest.
Headline net income before tax	Income before taxation, prior to headline adjustments e.g. goodwill amortisation.
Headline net income before tax: South Africa & Other	Headline net income before tax earned in South Africa, Mauritius, Hong Kong, Botswana and Australia.
Headline net income before tax: Non-South Africa & Other	Headline net income before tax earned in UK and Europe, USA and Israel.
Margin lending	Investec Ernst & Company extends credit to clients for the purchase of securities, using the securities purchased and/or other securities in the client's accounts as collateral for amounts loaned. Amounts loaned are limited by margin regulations of various US regulatory authorities and are subject to Investec's credit review and daily monitoring procedures.

financial definitions

Market capitalisation on a fully converted basis
Number of shares in issue on a fully converted basis, multiplied by the closing share price on the JSE Securities Exchange South Africa.

Net contribution per employee
Headline earnings before debenture interest and earnings attributable to minority shareholders, divided by the average number of employees.

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.

Price earnings ratio
The closing share price on the JSE Securities Exchange South Africa divided by the headline earnings per share.

Return on average risk weighted assets
Headline earnings expressed as a percentage of average risk weighted assets, as defined in the South African Banks Act.

Return on average tangible shareholders' funds
Headline earnings before deducting the after-tax cost of the debenture interest, expressed as a percentage of the average tangible net asset value of Investec Group.

Return on investment
Headline earnings before deducting the after-tax cost of the debenture interest, expressed as a percentage of average shareholders' funds, including goodwill previously amortised and currently unamortised.

Tangible net asset value
Shareholders' funds including all convertible instruments, excluding subordinated debt, minority shareholders' interest in subsidiaries and goodwill.

Tangible net asset value (NAV) per share
Tangible NAV divided by the total number of shares in issue on a fully converted basis.

Total capital resources
Includes total shareholders' funds and subordinated debt.

Weighted number of ordinary 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.