

Investec Annual Review and Summary Financial  
Statement **2003**

# corporate information

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### Registration Number

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

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The Summary Financial Statements have been approved by the Board of Directors of the group and were signed on its behalf by Mr. S. Koseff, Chief Executive Officer, on 27 June 2003. This Summary Financial Statement is only a summary of information in *Investec's Annual Report 2003* (Annual Report). It is not the group's statutory accounts and does not contain sufficient information to allow as full an understanding of the results and state of affairs of the group as would be provided by the full Annual Report. For further information, the full annual financial statements, the unqualified auditors' report on those financial statements and the Directors' Report should be consulted. The auditors' report did not contain a statement under section 237 (2) or section 237 (3) of the UK Companies Act.

Should you wish to obtain the full Annual Report 2003, free of charge, or elect to receive the full Annual Report in future years, please contact the Investor Relations division, whose contact details appear at the beginning of this report.

Furthermore, the Annual report 2003 may be viewed on our website: [www.investec.com](http://www.investec.com)



## mission statement

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

## philosophies and values

### Philosophies

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

### Values

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



## financial highlights

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

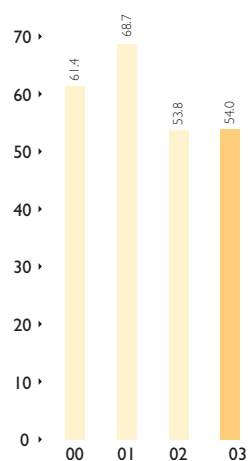
## financial highlights

UK GAAP <sup>1</sup>	31 March 2003	% Change	31 March* 2002
<b>Salient Financial Features and Key Statistics</b>			
Earnings per share before exceptional items and amortisation of goodwill (pence)	97.6	(30.2)	139.8
Headline earnings per share (pence)	90.9	(28.3)	126.8
Basic earnings per share (pence)	(70.4)	>(100)	14.8
Diluted earnings per share (pence)	(70.4)	>(100)	13.9
Proposed dividends declared per share (pence)	54.0	0.4	53.8
Dividend cover (times)	1.8		2.6
Net tangible asset value per share (pence)	385.5	3.1	373.8
Weighted number of ordinary shares in issue (million)	90.9	(0.4)	91.3
Total number of shares in issue (million)	1 13.0	22.6	92.2
Number of employees in the group	4 874	(11.8)	5 529
Market capitalisation (£ millions)	695	(10.2)	742

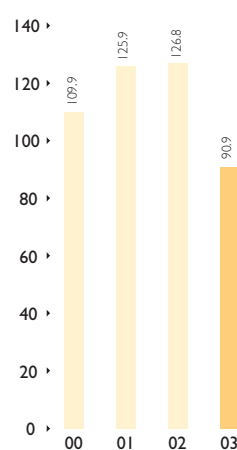
### Notes:

- 1 Refer to definitions on page 86.
- 2 In calculating the return on average shareholders' funds for the year ended 31 March 2002, the shareholders' funds for the year ended 31 March 2001 have not been restated for changes to accounting policies and disclosures.

\* Restated for changes to accounting policies and disclosures.



Dividends per share (pence)



Headline earnings per share (pence)



## an overview of investec's dual listed companies structure

### Introduction

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

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

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

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

### Implementation of a Dual Listed Companies Structure

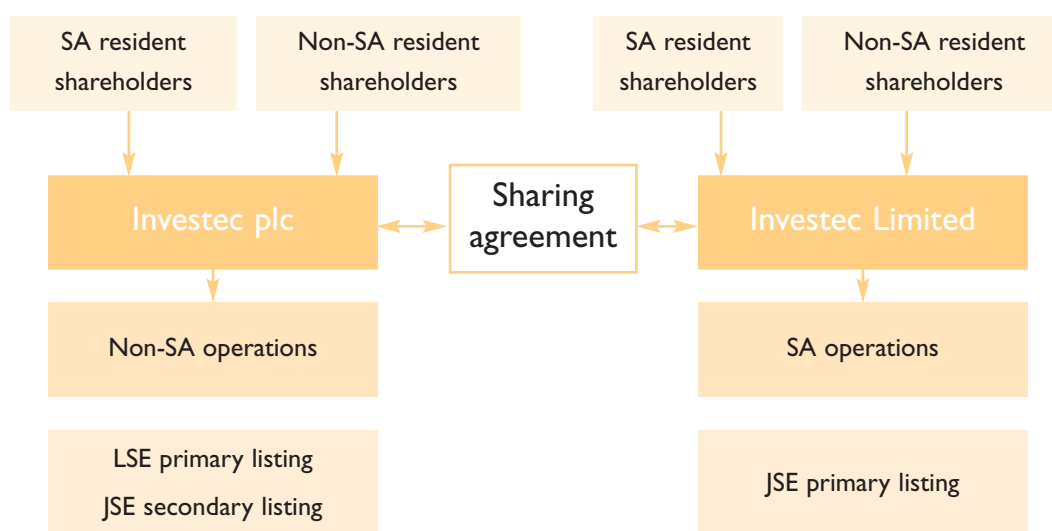
A circular regarding the establishment of a DLC structure was issued on 20 June 2002. In summary, some of the salient features of the DLC structure include:

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

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



### A simplified illustration of the DLC structure



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

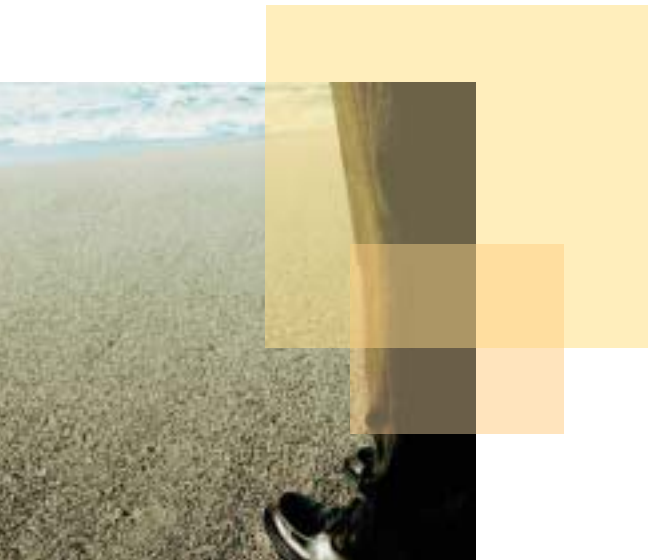
### Presentation of financial information

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

Accordingly, the results for Investec plc set out on pages 72 to 83 presents the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling. The results for Investec Limited set out on pages 98 to 104 are also prepared on a DLC basis under SA GAAP, denominated in South African Rand.

The financial information contained throughout this document, other than on pages 88 to 111, has been prepared in accordance with UK GAAP. All references in this document referring to "Investec" or "the group" relate to the combined DLC group comprising Investec Limited and Investec plc.

SA GAAP differs in certain respects from UK GAAP. A high-level reconciliation and summary of the principal differences between SA GAAP and UK GAAP is set out on page 105.



## chairman's statement

- Hugh Herman

### Results

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

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

### Listing in London

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

## Key developments

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

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

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

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

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

## Empowerment and transformation

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

## Corporate governance

Over the past few years, the importance of corporate governance and increased disclosure and transparency has been placed high on the agenda of all companies. This was intensified by the release of the Sarbanes-Oxley legislation in the US, the Higgs and Smith Review in the UK and in South Africa, the King II Report and the Myburgh Review. These governance standards emphasise the need for increased

ethical awareness and greater corporate responsibility. Investec emphasises conducting business in accordance with the best standards of corporate ethics and the board of directors is dedicated to the highest level of integrity.

## Sustainability

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

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

## Management and staff

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

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

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

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

## Outlook

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

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

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

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



Hugh Herman  
Chairman



## review by chief executive officer and managing director

- Stephen Koseff and Bernard Kantor

### Overview

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

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

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

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

Despite the challenging operating environment, Investec made significant advances during the financial year to address the key issues affecting financial performance. Accordingly, the group made considerable adjustments to align its cost structure with the declining revenue environment. In certain business units,

a number of strategic initiatives aimed at streamlining operations and realigning strategies were implemented.

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

#### **Salient financial features:**

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

For more details on the group's performance in the period under review, see pages 17 to 30.

### **Dual Listed Companies structure established**

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

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

### **US operations rationalised**

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

business. Accordingly, the US strategy was reviewed and steps were taken to significantly rationalise the operation.

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

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

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

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

## UK businesses streamlined and resized

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

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

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

## Sound Rand performance from Southern Africa operations

Operations in South Africa recorded operating profit before exceptional items and amortisation of goodwill of £68.5 million, decreasing by 16.2%. The depreciation of the Rand of some 9.2% during the



period under review had a negative effect on the results expressed in Pound Sterling of those Investec businesses that generate revenues and profits in Rand terms.

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

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

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

### Solid platform in Australia

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

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

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

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

### Israel affected by weak operating environment

The deteriorating operating environment experienced in Israel during 2002 persisted in 2003 with a fragile geopolitical situation that culminated with war in Iraq. Public confidence in the stability of the financial sector was somewhat shaken due to the discovery of a massive fraud which led to the collapse

of a small domestic bank and the near collapse of the larger Industrial Development bank which suffered significant bad debt write downs. As a result, margin compression and a significant fall-off in capital market activity had a negative impact on the results of the group's Israeli operations.

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

### Empowerment deal provides opportunities for the group

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

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

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

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

### Strategic direction

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

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

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

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

## Acknowledgements

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

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

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

## Prospects

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

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



Stephen Koseff  
Chief Executive Officer



Bernard Kantor  
Managing Director



## a brief overview of the group's performance

### Introduction

The following summary commentary and analysis of the group's financial results for the year ended 31 March 2003 should be read together with the summary financial statements on pages 72 to 83. The commentary is a summary of the more detailed analysis of the group's performance found in its Annual Report for the year ended 31 March 2003. The commentary and analysis is based on the group's consolidated financial results presented in accordance with UK GAAP and denominated in Pound Sterling. The financial information discussed below is based on the year under review, and may not necessarily reflect the financial condition or results of operations of the group going forward.

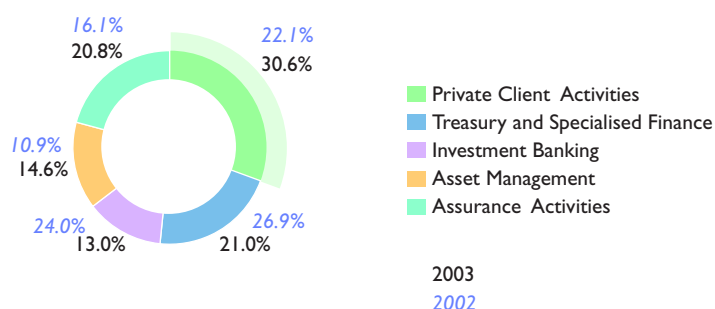
### Key income drivers

Investec provides a wide range of financial products and services to a niche client base in two principal markets, South Africa and the UK, as well as certain other markets, including Australia, the US and Israel.

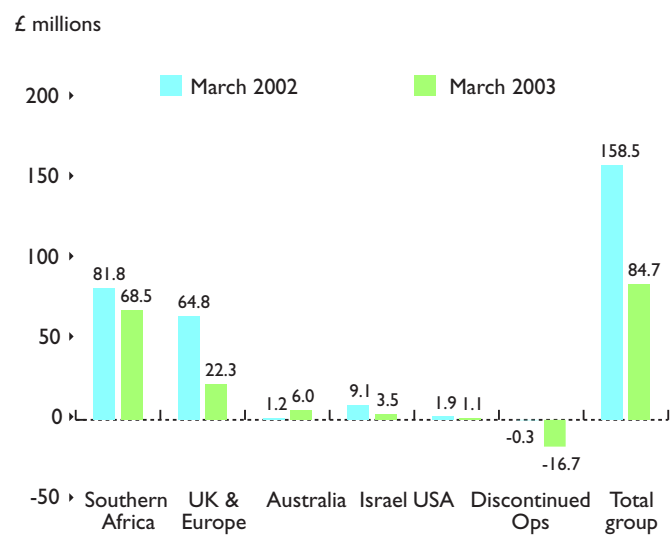
Investec is organised into four principal business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking and Asset Management. In addition, Investec's head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding and other activities, such as Investec's Property business, Trade Finance and Traded Endowment operations.

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

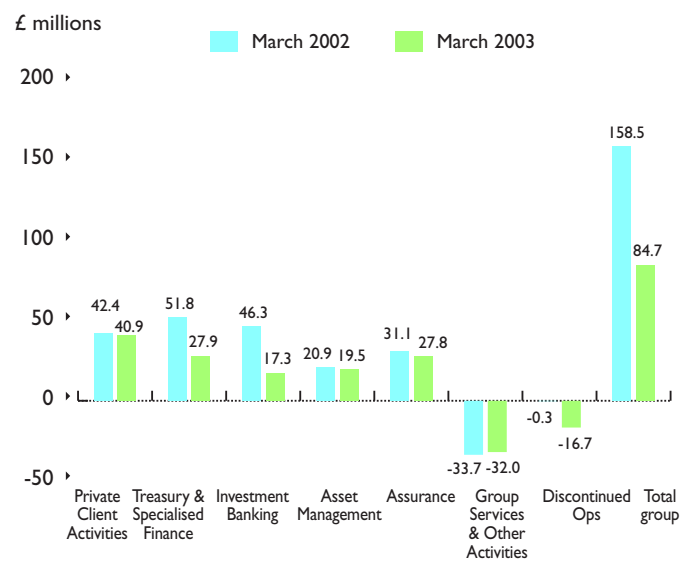
UK GAAP



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



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



## Business unit review

### Private Client Activities

The Private Client Activities division, comprising both the Private Banking and Private Client Portfolio Management and Stockbroking divisions, posted operating profit before amortisation of goodwill and exceptional items of £40.9 million, marginally down on the prior year. A solid performance was recorded by the group's Private Banking operations. The severe market conditions, however, resulted in a weaker contribution from Private Client Portfolio Management and Stockbroking which suffered as a result of the lower market prices and reduced demand for equity and related investment products.

### Private Banking

#### Developments

The Private Banking division continued its credible performance with operating profit before amortisation of goodwill and exceptional items increasing 28.9% to £34.6 million. This performance was driven by sturdy growth in total advances and non-interest income, in South Africa, the UK and Australia. Since March 2002, the group's private client lending book in South Africa grew by 24.6% in Rand terms to R17.2 billion (£1.4 billion), and the private client lending book in the UK grew by 17.0% in Sterling terms to £925 million.

In South Africa, Investec Private Bank, once again, posted a commendable performance as a result of its integrated approach to wealth creation and wealth management.

The Private Banking division in the UK continues to perform well with solid performances from all business areas, particularly structured property finance and specialised lending. A major initiative completed during the year was the relocation of the call centre of the division's deposit business to South Africa generating an annual saving of £1.2 million. Despite a strong bias in the lending book towards commercial and residential property exposures, the book is well secured and the group believes that loan to value ratios are conservative.

In Australia, the private client group experienced a strong performance off the back of solid growth in its loan portfolio. In addition, the private advisory business strengthened its client base through referrals from existing clients and other divisions within the group. The granting of the banking licence enhanced the group's ability to attract deposits.

#### Outlook

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

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

**South Africa**

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

**UK and Europe**

The Private Banking businesses in the UK and Europe are still in a growth phase and vast opportunities exist for future development and increased presence and profitability. The Investment Management business continues to focus on both a client-centric investment consulting approach and on sourcing strategies that are opportunistic and non-traditional. The focus for the Trust businesses is on "high-end" advisory-led services and business development.

The Specialist Lending team will continue to market through professional intermediaries and the Private Client Investment Banking team aims to benefit from investment funding opportunities that arise. Furthermore, the establishment of a new banking presence in Geneva will enable the development of additional structured products to service targeted clientele.

**Australia**

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

**Private Client Portfolio Management and Stockbroking**

The Private Client Portfolio Management and Stockbroking division reported operating profit before amortisation of goodwill and exceptional items of £6.3 million, a decrease of 59.8%.

**Developments**

As at 31 March 2003, Investec Securities Limited in South Africa had total funds under management of R25.6 billion (£2 billion), down from R27.3 billion at the prior year end. The recent strength in the Rand resulted in Rand hedge stocks declining sharply and diminishing Rand values of the asset swap portion of Investec Securities' portfolios. However, the division focused on cost reductions and was able to supplement its revenue stream with a number of new investment initiatives.

In the UK, Carr Sheppards Crosthwaite's (CSC) performance was negatively impacted by the fall in equity markets resulting in a decrease in total funds under management to £4.7 billion from £6.0 billion in March 2002. Despite the difficult operating environment, net new funds under management of £376 million were generated with more than half of the new funds emanating from private clients and trusts, and in excess of £100 million charity portfolio management mandates were won. In addition, CSC administered a further £560 million of Personal Equity Plan and Individual Savings Account funds for third parties in the period ending March 2003. More recently, and yet to be reflected in the funds under management, CSC was appointed by the Lord Chancellors Department to be one of two Panel Private Client Fund Managers to act on behalf of the Public Guardianship Office, the Court Funds Office and the Official Solicitor and Public Trustee.

## Outlook

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

### South Africa

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

### UK and Europe

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

The strategic focus looking forward will be directed to:

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

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

## Treasury and Specialised Finance

The Treasury and Specialised Finance division posted operating profit before amortisation of goodwill and exceptional items of £28.0 million, a decline of 46.0%. The UK and European operations reported an operating loss of £2.9 million, while the South African operation's contribution decreased by 22.4% to £31.4 million.

### Developments

The South African Treasury and Specialised Finance division's performance was lower than expected, with the Banking Activities suffering from the low appetite of South African corporates for structured deals and a provision required by the Project Finance division amounting to approximately £2 million. The Trading Activities performed well with strong contributions from the Interest Rate, Currency Trading and the Equity Derivatives businesses. During the period the group's 100% held subsidiary Securities Investment Bank was wound up and its activities absorbed into the South African Treasury and Specialised Finance business.



In the UK, the Treasury and Specialised Finance division suffered from difficult trading conditions. The interest rate repo desk was closed as it was capital intensive and used significant counterparty lines. On a more satisfying note, the division's Banking Activities made meaningful strides in establishing their position in the local market with a solid flow of deals and mandates concluded by the Structured and Project Finance businesses during the period.

In Australia, the Treasury and Specialised Finance businesses are being built up with the result that costs have exceeded revenue in the current year. The Project Finance division, which was established towards the end of the financial period, achieved a mandate to advise one of the large mining houses and was appointed as co-lead underwriter in relation to a new toll road, the largest infrastructure project of its kind in Australia.

## Outlook

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

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

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

The division's objectives include:

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

## Investment Banking

The Investment Banking division posted operating profit before amortisation of goodwill and exceptional items of £17.3 million, a decline of 62.6%, reflecting the prolonged weakness in financial markets and subdued trading volumes in all geographies in which the division operates.

## Developments

In South Africa, Investment Banking reported declining results, largely as a result of the lack of realisation opportunities in the direct investment portfolio from which the division had benefited in the previous year. The lower average volumes traded on the JSE Securities Exchange South Africa negatively affected the agency business of Investec Securities but were partially offset by the strong performance

from the Structured Equity Desk. Investec Corporate Finance continued to maintain its strong positioning and deal flow, focusing on corporate restructuring activities, shareholder activism mandates and black economic empowerment initiatives. Furthermore, the Private Equity division enjoyed good quality deal flow.

In the UK, Investec Investment Banking and Securities posted an operating loss. The division was severely impacted by the lack of corporate advisory and capital market activity, with the number of deals concluded declining substantially over the period. In the circumstances and given the lack of visible prospects of a market recovery the division's costs were significantly reduced from a peak annualised rate of £29 million to £18 million. Despite the difficult environment, the division has strengthened its retained corporate client list and increased its institutional market share. The UK Private Equity division benefited from a significant realisation in one of the underlying funds amounting to £9 million.

Investec Inc in the US, which was particularly vulnerable to the dramatic decline in equity markets, posted operating losses. During the period under review the group decided that it was not prudent to sustain the ongoing losses in the US investment banking operations. A strategic decision was taken to wind down the investment banking operations. The cost of closing this activity is recognised as an exceptional item in these results.

In Australia, Investec Wentworth performed well advising on 20 deals valued at A\$2.5 billion for the period ended 31 March 2003. The weak equity markets provided attractive private equity opportunities with Investec Wentworth Private Equity well placed to take advantage thereof.

## Outlook

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

## South Africa

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

## UK and Europe

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

### Australia

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

### Asset Management

The Asset Management division, in the face of difficult equity market conditions, delivered operating profit before amortisation of goodwill and exceptional items of £19.5 million which represented growth of 4.0% in Rand terms and a 6.8% decline in Sterling terms. Assets under management increased by 3.4% in Sterling terms to £16.8 billion but declined by 20.0% in Rand terms to R210.6 billion. The major features of the past year were the excellent investment performance achieved across the division's core activities, except for South Africa balanced mandates, a decisive break into the UK institutional market, continued sales market share growth in core retail markets, continued success in South African fixed income and tight cost control.

### Developments

The UK institutional business has won new business in excess of £950 million, and gained acceptance from a spread of major consultants and multi-managers. The performance of the London based investment team was key to this success. The UK local authority fixed income business has continued to develop and grow, on the back of strong performance.

Against industry norms, Investec Asset Management recorded net inflows of retail funds of £190 million, representing a market share of 2.7% of net industry sales, up from 0.8% two years ago.

In South Africa, Investec Asset Management successfully managed the transition of the South African institutional offering from a predominantly balanced one to a range of specialist products alongside the traditional balanced offering. The specialist fixed income unit, created over the past four years, now manages R53 billion of funds. The sound financial performance of the South African Personal Investments business endorses the strategic direction embarked on two years ago, but the lack of domestic appetite for offshore investments and general unwillingness to re-engage the equity markets among IFA's and their clients makes the division enter the new financial year with some caution.

### Outlook

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

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

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

### Assurance Activities

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

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

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

The rationale behind this transaction was to:

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

Post the implementation of the transaction IEB will mainly comprise:

- A Risk Only division.
- An Investment Only division.

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

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

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

## Group Services and Other Activities

Group Services and Other Activities posted an operating loss of £32 million. The Central Funding division achieved a significant improvement in its performance, benefiting from effective capital management facilitated through the group's restructure, as well as increased returns on shareholder's funds within IEB, whose earnings were included for a full year in the current period as opposed to ten months in the prior period. These gains were offset by the weaker performance of the group's Traded Endowment Activities, which were affected by poor trading conditions caused by the bonus rate cuts announced by life insurance companies. The group's Property Activities performed reasonably well. The South African business benefited from an increase in assets under administration as a consequence of the Growthpoint restructure, the Melrose Arch mandate and the Fedsure acquisition.

## Geographic performance

The group's Southern African businesses accounted for 80.9% (2002:51.6%) of Investec's operating profit before amortisation of goodwill and exceptional items. Highlights of the developments and performance of the regions in which the group operates can be found on pages 12 to 15.

## Salient features of the group's results in the year under review - profit and loss analysis

### Operating income

Operating income of £509.9 million decreased by 17.6%. Excluding the impact of the discontinued operations in both years would have resulted in a decline of 14.2%. The movements in total operating income are further analysed below.

The group's net interest income declined by 19.8% mainly as a result of the winding down of the interest rate business in the UK, the closure of the clearing and execution activities in the US and the lower average Rand/Pound Sterling exchange rate.

Fees and commissions were impacted by the weaker economic and equity environment. The Investment Banking division in the UK, the Private Client Portfolio Management and Stockbroking divisions and the sale of the Clearing and Execution operations in the US were the primary contributors to this negative variance. The Private Banking businesses experienced a significant increase in fees and commissions largely as a result of increased lending turnover.

Dealing profits (trading income) declined by 8.6% to £45.2 million. The poor performance of the Traded Endowments operation was the largest contributing factor to this decline.

The performance of the group's long-term assurance activities is discussed in the appropriate Business Unit Review.

Other operating income (investment income) reflected a decline of 18.4%, largely as a result of the weaker performance of the group's direct investment portfolios.

#### **Administrative expenses**

Total administrative expenses decreased by 8.4% from £428.5 million to £392.5 million principally due to rationalisation of the group's activities in North America, ongoing focus on cost control, the depreciation of the Rand and a reduction in incentive based remuneration in those businesses which experienced a decline in profitability. Taking the above into consideration, the group has effectively reduced its administrative cost base by 18.8% from £428.5 million to £348.2 million.

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

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

#### **Provision for bad and doubtful debts**

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

The percentage of gross non-performing loans to core loans and advances increased from 1.2% last year to 1.5%. Notwithstanding, total provision coverage remains conservative both on a gross and net basis with the relevant percentages being 136.7% and 338.1% respectively. In addition, the group's general provision coverage as a percentage of net loans and advances increased from 1.1% to 1.3%.

#### **Operating profit before taxation, amortisation of goodwill and exceptional items**

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

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

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

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

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

### Goodwill amortisation

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

### Share of income of associated companies

The marked increase in associate income is attributable to the fact that the group's interest in its main associate, Capital Alliance Holdings Limited (CAL) was acquired in October 2001. An amount of

£11.3 million (before amortisation of goodwill) has been accrued, representing Investec's share in CAL's estimated operating earnings for the twelve month period ended 31 March 2003.

### Exceptional items

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

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

### Taxation

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

## Salient features of the group's results in the year under review - balance sheet analysis

### Capital resources

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

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



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

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

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

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

#### **Total assets and assets under administration**

Total assets declined by 11.8% from £16.9 billion at 31 March 2002 to £14.9 billion at 31 March 2003. Total assets under administration decreased by 8.2% from £44.2 billion at 31 March 2002 to £40.6 billion at 31 March 2003. This was mainly attributable to a decline in assets under management of £1.6 billion across all ranges of third party funds due to depressed equity values and the winding down of the interest rates business in the UK which had a significant effect on the level of on-balance sheet assets of the group.

#### **Prospects**

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

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



## investec in perspective

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

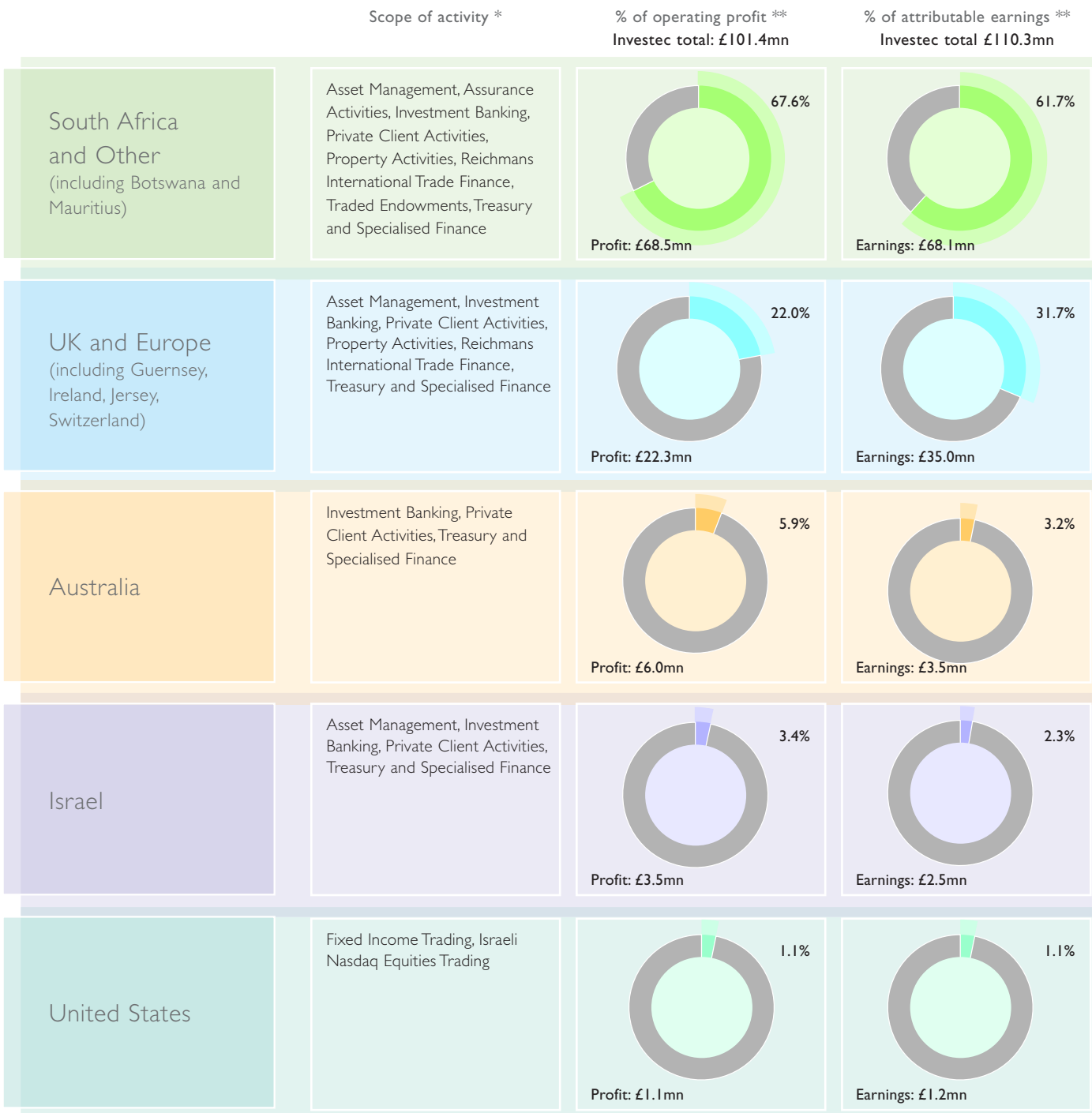
- Private Client Activities
- Treasury and Specialised Finance
- Investment Banking
- Asset Management

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

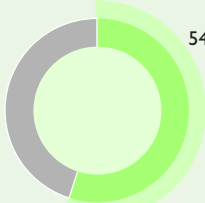
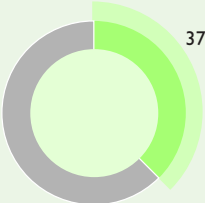
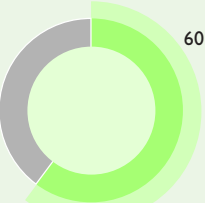
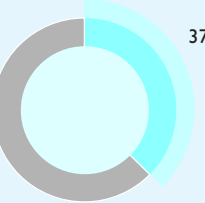
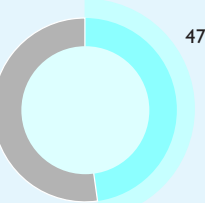
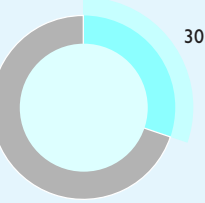
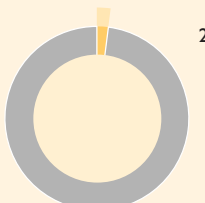
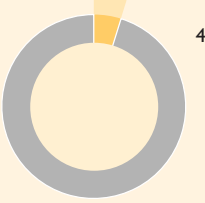
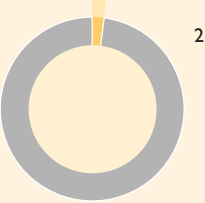
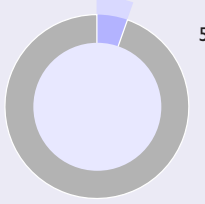
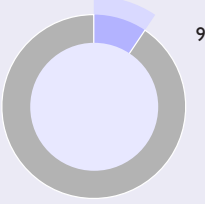
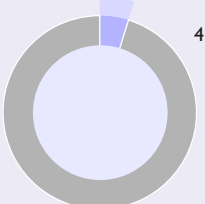
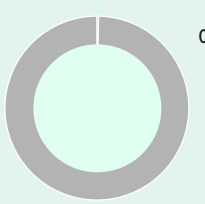
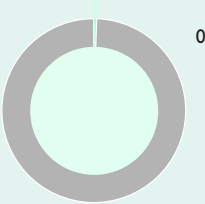
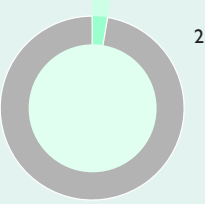
The business divisions are effectively managed as autonomous international business segments, enabling them to remain focused on trends and dynamics within their particular industries. Notwithstanding, as a result of the inter-related nature of their target markets and activities, a degree of interaction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

# investec in perspective

## by geography



\* The stage of development of these activities varies between each geographic region.

% of assets ** Investec total £14 959mn	% of NAV ** Investec total £539.9mn	Number of employees Investec total 4 874	COI/ROE **	Global management
 <p>54.9%</p> <p>Assets: £8 213mn</p>	 <p>37.4%</p> <p>NAV: £202.0mn</p>	 <p>60.2%</p> <p>Employees: 2 935</p>	COI: 62.6% ROE: 36.6%	SA Joint MDs: Andy Leith and Glynn Burger SA Deputy Chairman: David Lawrence
 <p>37.4%</p> <p>Assets: £5 601mn</p>	 <p>47.8%</p> <p>NAV: £258.4mn</p>	 <p>30.2%</p> <p>Employees: 1 471</p>	COI: 88.2% ROE: 14.8%	Alan Tapnack and Bradley Fried
 <p>2.0%</p> <p>Assets: £300mn</p>	 <p>4.9%</p> <p>NAV: £26.2mn</p>	 <p>2.1%</p> <p>Employees: 103</p>	COI: 64.5% ROE: 14.2%	Geoff Levy
 <p>5.4%</p> <p>Assets: £813mn</p>	 <p>9.4%</p> <p>NAV: £51.1mn</p>	 <p>4.8%</p> <p>Employees: 234</p>	COI: 76.4% ROE: 6.3%	Alan Tapnack
 <p>0.3%</p> <p>Assets: £32mn</p>	 <p>0.5%</p> <p>NAV: £2.2mn</p>	 <p>2.7%</p> <p>Employees: 131</p>	COI: 79.8% ROE: <(100%) incl. discontinued operations	John Murabito

\*\* Operating profit represents profit before taxation, amortisation of goodwill and exceptional items (excluding discontinued operations). Attributable earnings is shown after taxation and minority interest but before amortisation of goodwill and exceptional items. COI is cost to income ratio. Operating profit, attributable earnings, total assets and COI have been calculated in accordance with UK GAAP. NAV is net tangible shareholders' funds and ROE is return on adjusted average tangible shareholders' funds.

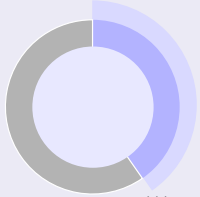
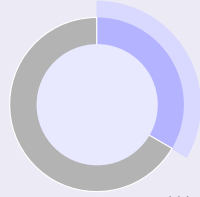
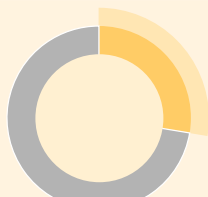
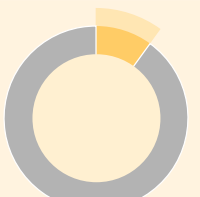
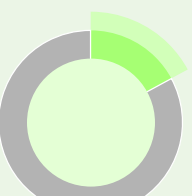
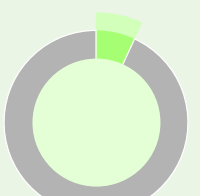
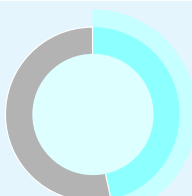
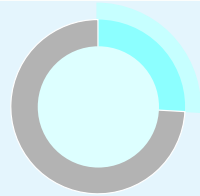
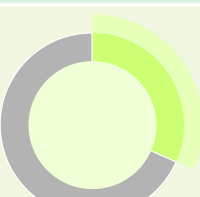
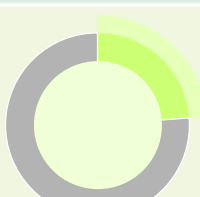
# investec in perspective

## by business

	Scope of activity *	Geographic representation	Core client base
Private Client Activities	Private Banking	<ul style="list-style-type: none"> <li>Principal markets: Australia, South Africa, UK</li> <li>Other: Botswana, the Channel Islands, Israel, Switzerland</li> </ul>	High income and high net worth individuals
	Private Client Portfolio Management and Stockbroking	<ul style="list-style-type: none"> <li>Principal markets: South Africa, UK</li> <li>Other: Australia</li> </ul>	Mainly high net worth individuals (includes charities in the UK)
Treasury and Specialised Finance	<ul style="list-style-type: none"> <li>Deposit taking, lending, advisory services, structuring and proprietary trading</li> </ul>	<ul style="list-style-type: none"> <li>Principal markets: South Africa, UK</li> <li>Other: Australia, Ireland, Israel, Mauritius</li> </ul>	Select corporate clients, public sector bodies, financial institutions, banks, financial brokers
Investment Banking	<ul style="list-style-type: none"> <li>Corporate Finance</li> <li>Institutional Research, Sales and Trading</li> <li>Private Equity</li> <li>Direct Investments</li> </ul>	<ul style="list-style-type: none"> <li>Principal markets: Australia, South Africa, UK</li> <li>Other: Ireland, Israel</li> </ul>	Mid to large capitalisation companies, unlisted corporations, fund managers, government and parastatals
Asset Management	Asset Management: Institutional, Retail	<ul style="list-style-type: none"> <li>Principal markets: Southern Africa, UK</li> <li>Other: Europe, Hong Kong, US</li> </ul>	Retirement savers via pension fund consultants (institutional) and independent financial advisers (retail)
	Assurance Activities: Investec Employee Benefits	<ul style="list-style-type: none"> <li>Principal market: South Africa</li> </ul>	Individuals, corporates and institutions
Group Services and Other Activities	<ul style="list-style-type: none"> <li>Central Costs</li> <li>Central Funding</li> <li>Other Activities: Property Worldwide, International Trade Finance, UK Traded Endowments</li> </ul>	<ul style="list-style-type: none"> <li>Principal markets: South Africa, UK</li> <li>Other: Australia, Israel, US</li> </ul>	

\* The stage of development of these activities varies between each geographic region.

\*\* Operating profit represents profit before taxation, amortisation of goodwill and exceptional items (excluding discontinued operations), as determined in accordance with UK GAAP.

% of operating profit ** Investec total: £101.4mn	Number of employees Investec total: 4 874	Salient features	Global management
 <p>40.3%</p> <p>Profit Pvt Bank: £34.6mn***                      Profit PCSB: £6.3mn***</p>	 <p>33.4%</p> <p>Employees Pvt Bank: 1 085***                      Employees PCSB: 544***</p>	<ul style="list-style-type: none"> <li>SA: Voted as the best private bank (PWC Survey)</li> <li>Global loan portfolio: 1993: £0.6bn → 2003: £2.6bn</li> <li>SA: largest player</li> <li>UK: long standing reputation</li> <li>Total funds under management: 1997: £0.4bn → 2003: £8.4bn</li> </ul>	<p>Sam Hackner and Steven Heilbron</p> <p>SA: Henry Blumenthal                      UK: Fred Carr</p>
 <p>27.6%</p> <p>Profit: £27.9mn</p>	 <p>10.0%</p> <p>Employees: 489</p>	<ul style="list-style-type: none"> <li>Strong position in SA</li> <li>Building international capability</li> </ul>	<p>Richard Forlee</p>
 <p>17.1%</p> <p>Profit: £17.3mn</p>	 <p>6.9%</p> <p>Employees: 336</p>	<ul style="list-style-type: none"> <li>SA: No IM&amp;A house (Dealmakers Survey)</li> <li>UK: recognised market positioning</li> </ul>	<p>Andy Leith and Bradley Fried</p>
 <p>46.6%</p> <p>Profit IAM: £19.5mn                      Profit Assurance: £27.8mn</p>	 <p>25.9%</p> <p>Employees IAM: 771                      Employees Assurance: 490</p>	<ul style="list-style-type: none"> <li>SA: market leading position</li> <li>UK: building recognised platform</li> <li>Total funds under management: 1991: £41.8mn → 2003: £16.8bn</li> <li>Acquired from Fedsure</li> </ul>	<p>Hendrik Du Toit</p> <p>Ciaran Whelan</p>
 <p>-31.6%</p> <p>Loss: (£32.0mn)</p>	 <p>23.8%</p> <p>Employees: 1 159</p>		<p>Geographic</p>

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



## risk management

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

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

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

**The primary objectives of Group Risk Management are:**

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

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. These committees and forums operate together with Group Risk Management.

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.

A detailed analysis of the group's risk management philosophies and processes can be found in its Annual Report for the year ended 31 March 2003.

### Internal Audit

An Internal Audit division is based in each significant jurisdiction in which the group operates. Internal Audit operates independently from executive management, with unrestricted access to the Chairmen of the various Audit Committees. The Audit Committees review the mandate, authority, resources, scope of work and effectiveness of Internal Audit annually. The review also includes an assessment of the work conducted by internal and external audit.

Further details on the group's Internal audit division can be found in its Annual Report for the year ended 31 March 2003.

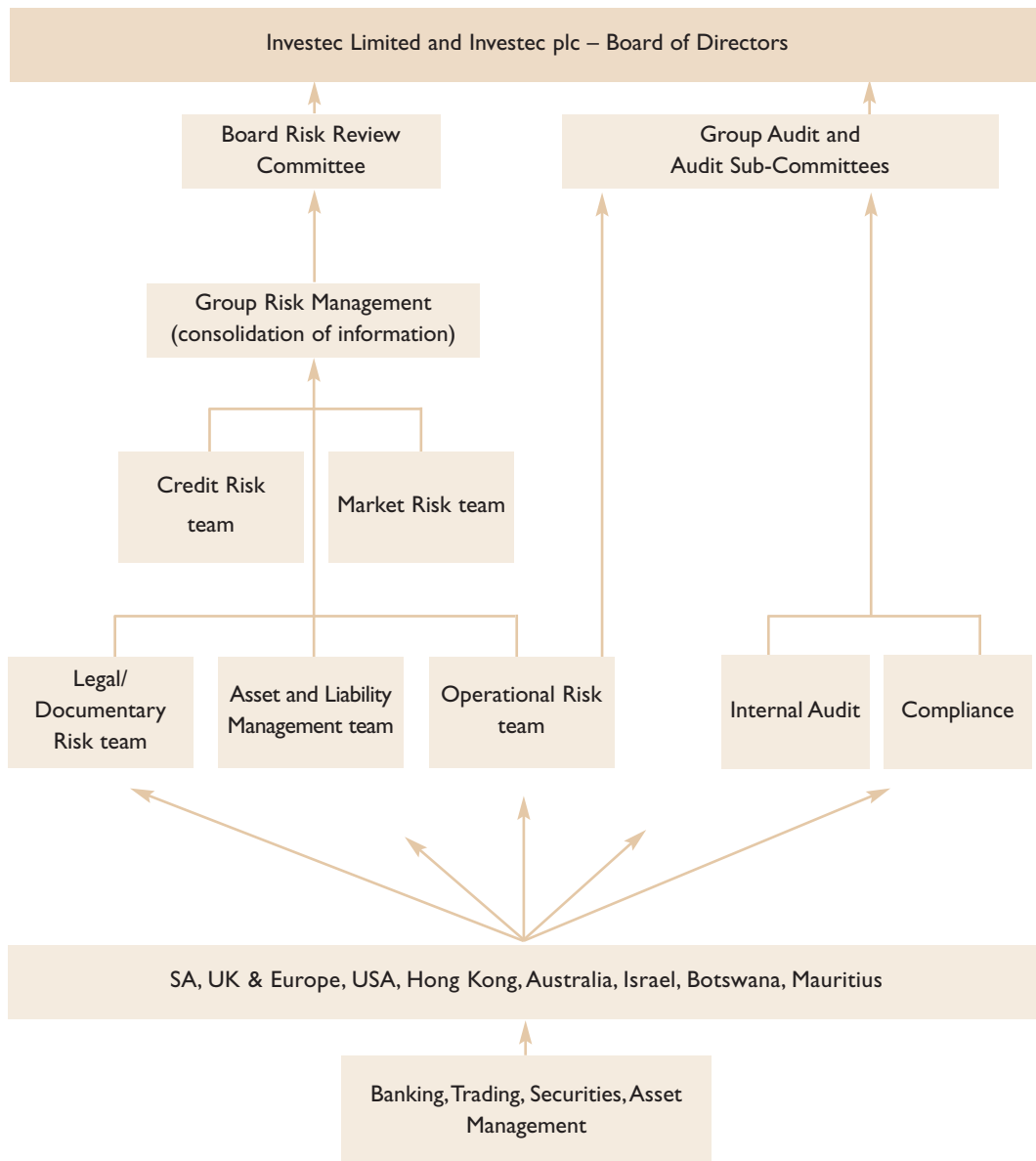
### Compliance

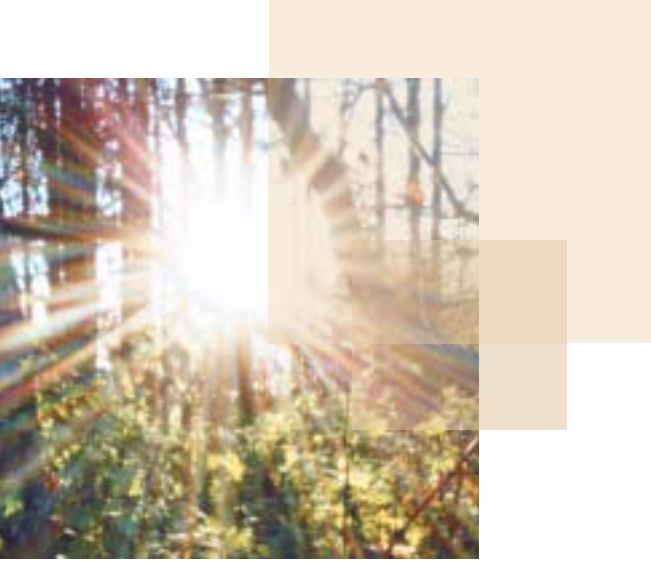
Investec has an independent Group Compliance function within its risk management framework, which is responsible for assisting management in complying with statutory, regulatory, supervisory and policyholder protection rule requirements. The Compliance division has unrestricted access to the Chairmen of the various Audit Committees. The group responds proactively and pragmatically to new regulatory developments in order to promote sound practices and minimise the impact of regulatory risk.

Further details on the group's Compliance division can be found in its Annual Report for the year ended 31 March 2003.



## Risk management framework





## directors' responsibility and corporate governance

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

*- Stephen Koseff, Chief Executive Officer*

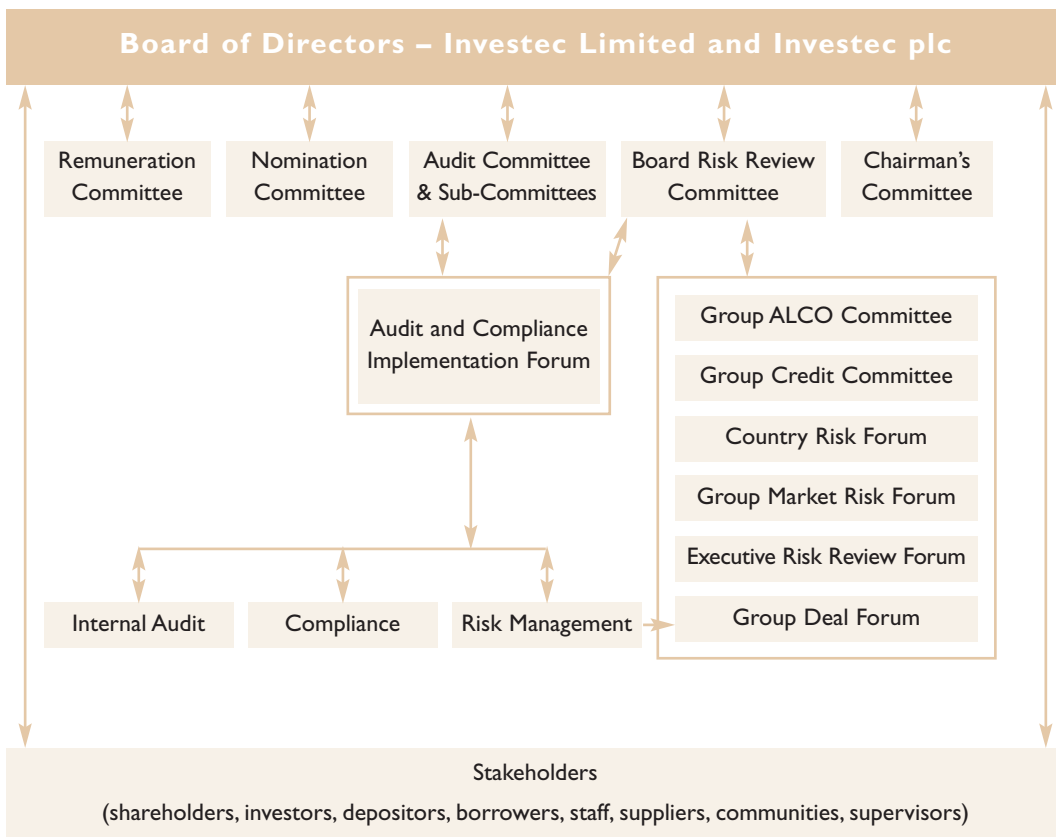
### Corporate governance practices and conduct at Investec

#### Responsibility

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited consolidated financial statements, accounting policies and the information contained in the Annual Report and Annual Review and Summary Financial Statement.

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

## Corporate governance structure



## Corporate governance

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

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

The group's values and philosophies form the framework against which behaviour, practices and

activities are measured to assess the characteristics of good governance. Governance at Investec is not about checklist conformance. Rather it is about substance and embedded practices that are challenged regularly for their effectiveness and relevance.

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

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

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

- **Board and board practices** that demonstrate a sound governance environment with appropriate decision-making, oversight and reward structures that promote long-term shareholder value.
- **Management structure and skills** that support and drive the implementation of the strategic objectives for the benefit of stakeholders.
- **Internal control environment** and associated assurance processes to prevent or detect with reasonable assurance errors, fraud, misappropriation and other unacceptable processes.
- **Risk management** processes to identify and regularly assess risks, measure and monitor key risk information, mitigate risks identified and respond to risks that materialise.
- **Corporate social responsibility** programme and disclosure that reflects an understanding of the social, environmental and economic impacts of the group's activities and the management initiatives to maximise opportunities.
- **Stakeholder engagement** that is proactive in managing and communicating developments and expectations in order to promote and support long-term investment.
- **Disclosure** of financial, non-financial and risk issues as appropriate, in accordance with generally accepted practices, to enable a clear understanding of risk and investment profiles.

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

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

Sound governance practices enable the group to anticipate and respond proactively to developing

issues, which in turn enhances Investec's ability to:

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

### **Board opinion**

The board is of the opinion that Investec conforms substantially to King II, except as disclosed in its Annual Report for the year ended 31 March 2003, in particular the independence of the non-executive Chairman, Hugh Herman, and of the Chairman of the Audit Committee, Donn Jowell.

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

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

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

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

Details regarding Investec's practices and conduct, which support the board's opinion, can be found in its Annual Report for the year ended 31 March 2003.



## sustainability review

Corporate reporting is moving continuously towards greater transparency, accountability and integrity, as a foundation for good governance. It is becoming increasingly important for companies to focus on the qualitative measures of corporate reporting, which cover the social, environmental and economic aspects of the business.

Investec recognises the value that arises from meaningful interaction with stakeholders and embarked on a process to entrench sustainable growth and corporate responsibility in the group's culture and business model. As Investec's understanding of corporate social responsibility deepened, its approach evolved from passive philanthropy to a more comprehensive corporate citizenship programme.

Accordingly, the group is establishing a responsible sustainability process, based on a pragmatic approach that emphasises benefits for all stakeholders. These include shareholders, clients, employees, local communities and the wider society. *Investec's Journey to Sustainability 2003* has been produced as a separate report accompanying the Annual Report for 2003. The report shows in detail Investec's commitment to enhanced corporate responsibility, stakeholder accountability and creditable performance reporting.

Should you wish to obtain *Investec's Journey to Sustainability 2003* report, free of charge please contact the Investor Relations division, whose contact details appear at the beginning of this report.

Furthermore, *Investec's Journey to Sustainability 2003* report may be viewed on our website: [www.investec.com](http://www.investec.com)



## directors remuneration report

### Statement from the Chairman of the Board Remuneration Committee

The remuneration report has been prepared by the Remuneration Committee (referred to in this section as the Committee) and has been approved by the Board of Directors.

The board believes that a properly constituted and effective Remuneration Committee is key to improving the linkage between directors' pay and performance, with the ultimate aim of enhancing the group's competitiveness.

The primary purpose of the Committee is to determine the group's policy on the remuneration of executive directors and the specific remuneration packages for each executive director. The Committee is made up exclusively of non-executive directors, and executive directors are not involved in determining their own remuneration packages.

This report describes the group's current remuneration policy and details the directors' remuneration for the 2003 financial year.

The report is intended to comply with the provisions of the London Combined Code, the UK Directors' Remuneration Report Regulations 2002, the UK Financial Services Authority Listing Rules, the South African King II "Code of Corporate Practice and Conduct" and the JSE Securities Exchange South Africa (JSE) Listing Rules. In addition, the board recognises that the proposals made in the Higgs Review on non-executive directors may be incorporated into the revised London Combined Code and, where relevant, changes may be made to comply with the possible new code provisions once they have been finalised.

Furthermore, the auditors are of the opinion that the auditable part of this report on pages 54 to 62. has been properly prepared, in accordance with the Directors' Remuneration Report Regulations 2002.

**John Abell**

Chairman, Board Remuneration Committee

## Composition and role of the Committee

In terms of the implementation of Investec's Dual Listed Companies (DLC) structure, the committees of the board were reconstituted.

The current members of the reconstituted Remuneration Committee are John Abell (Chairman), George Alford, Sir Chips Keswick and Peter Thomas. The Committee members are independent non-executive directors and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Committee's principal responsibilities and objectives are to:

- Make recommendations to the board, within agreed terms of reference, on the group's framework of executive remuneration, and to determine on their behalf specific remuneration packages for executive directors.
- Ensure that executive directors are appropriately and fairly remunerated and incentivised for their contribution to the group's performance, taking into account both qualitative and quantitative factors.
- Review comparable companies' remuneration practices. This is to ensure that competitive reward strategies and programmes are in place, which will attract and retain qualified and experienced management and executives necessary to meet the group's objectives and safeguard shareholder interests.
- Administer and establish performance targets for Investec's employee share schemes.
- Ensure that the comments, recommendations and rules within South Africa and the UK pertaining to director's remuneration are given due regard, in determining the packages and arrangements of executive directors.

The Committee is authorised by the board to seek any information it requires from any employee of the group in order to perform its duties.

The Committee meets at least three times a year and, since July 2002, has met on four occasions. All members attended the meetings. The Company Secretary of Investec plc, Richard Vardy, acted as Secretary to the Committee.

## Advisers to the Committee

Where appropriate, the Committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the Committee Chairman, and the group bears any expenses relating to appointment of external consultants. During the financial year, the Committee engaged the services of Sibson Consulting, which provided comparative remuneration data and recommendations on various components of executive remuneration packages. Sibson Consulting has also advised the group on other human resource issues such as employee rewards and long-term incentivisation.



Group Human Resources also provides advice to the Committee. The Human Resources division is a specialist function within the group and provides supporting information and documentation relating to matters that are presented to the Committee. This includes comparative data and motivations for proposed salary, bonus and share awards. The Head of the group's Human Resources division, Patsy McCue, is not a board director and is not appointed by the Committee.

While the Chief Executive Officer has the right to address any meeting of the Committee, he plays no role in the determination of his remuneration package or any other executive director's remuneration package.

### Policy on executive directors' remuneration

The group's philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation. Investec strives to inspire entrepreneurship within all areas of the group by providing a working environment that stimulates extraordinary performance, so that executive directors may be positive contributors to the group, its clients and their communities.

Investec rewards executive directors as individuals for the value they add through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards, however, are considered secondary in importance to Investec's core values of work content (greater scope of responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to company and unique culture) in the attraction, retention and motivation of employees.

Investec has a strong entrepreneurial, merit and values-based culture, characterised by a high degree of passion, energy and stamina. The ability to live and perpetuate the stated values, culture and philosophies of the group in the pursuit of excellence is considered paramount in determining overall reward levels. These values clearly apply in the case of the executive directors.

Both the type of people the organisation attracts, and the culture and environment within which they work, remain crucial elements in determining the success and long-term progress of Investec.

The key principles of Investec's overall remuneration policy for executive directors, which was applied during the financial year, are as follows:

- Reward programmes are designed and administered to align directors' interests with those of the group's stakeholders.
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, the short- and long-term success of Investec.
- A significant proportion of rewards, including both annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. Investec recognises the performance of the business and the individual. As indicated above, however, both qualitative and quantitative issues form an integral part in the determination of reward levels.
- Reward levels are targeted to be commercially competitive. The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contribution made.
- Appropriate benchmark, industry and comparable organisations remuneration practices are reviewed regularly.

- For executive directors, the FTSE UK Speciality and Other Finance firms provide the most appropriate benchmark.
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal group consistencies. Adjustments may also be made to the competitive positioning of pay components for individuals in cases where a higher level of investment is needed in order to build or grow either a business unit or the group's capability in a geography.
- The Committee determines the overall remuneration package for the executive directors.
- The reward strategy is open to internal as well as external scrutiny and challenge, and reward programmes are communicated to executive directors.

At the time of writing this report, the Committee's intentions were to apply the same philosophies and principles in the determination of the executive directors' reward packages for the 2004 financial year and subsequent financial years. These philosophies and principles however, are subject to appropriate review.

### Policy on non-executive directors' remuneration

The policy on the remuneration packages for non-executive directors is agreed and determined by the board as a whole. During the financial year, the Committee conducted a peer group review in order to determine the appropriate level for non-executive directors' packages.

At the time of implementing the DLC structure, it was agreed that non-executive directors (with the exception of the Chairman) will be paid a basic retainer of £30 000 for their services as directors. Following the peer group review, however, this amount has been increased to £35 000 for the 2004 financial year. Additional fees are payable for chairing or being a member of certain audit or remuneration and nomination committees and subsidiary boards due to additional responsibilities. Fees are also payable for attendance at other sub-committee meetings.

During the 2003 financial year, the Chairman was paid a total package of £186 311 for his services as a director. Based on the information gathered during the peer group review, the Committee has agreed that from the 2004 financial year, the Chairman will receive an overall fee of £250 000 for his services as a director.

### Service contracts and terms of employment

The executive directors of the group have indefinite contracts of employment, terminable by either party giving six months' written notice to the other. Each executive director is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Committee. Furthermore, the executive directors may elect to sacrifice a portion of their annual salary to receive company benefits such as a travel allowance and medical aid. The full costs of these benefits will be deducted from their annual salary. The contracts of employment do not contain provisions for compensation payable on early termination.

Non-executive directors do not have service contracts and letters of appointment confirm the terms and conditions of their service. Unless the non-executive directors resign earlier or are removed from their positions, they will be appointed as directors until the close of the group's annual general meeting

(AGM) in 2005 (subject to re-election as directors at that AGM and in terms of the provisions of the Articles of Association).

### Dates of appointment to the board

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

The directors of Investec plc, and the dates on which they were appointed to the board are set out in the table below:

Name	Date of appointment	Notice period
<b>Executive directors</b>		
S. Koseff (Chief Executive Officer)	26 June 2002	6 months
B. Kantor (Managing Director)	26 June 2002	6 months
G.R. Burger (Group Risk and Finance Director)	3 July 2002	6 months
A. Tapnack	1 July 2002	6 months
<b>Non-executive directors</b>		
H.S. Herman (Chairman)	26 June 2002	
J. Abell	19 March 2002	
S.E. Abrahams	26 June 2002	
G. Alford	26 June 2002	
D.E. Jowell	26 June 2002	
I.R. Kantor	26 June 2002	
Sir C. Keswick	26 June 2002	
P. Malungani	26 June 2002	
P.R.S. Thomas	26 June 2002	

The directors of Investec Limited, and the dates on which they were appointed to the board are set out in the table below:

Name	Date of appointment	Notice period
<b>Executive directors</b>		
S. Koseff (Chief Executive Officer)	6 October 1986	6 months
B. Kantor (Managing Director)	8 June 1987	6 months
G.R. Burger (Group Risk and Finance Director)	3 July 2002	6 months
A. Tapnack	1 July 2002	6 months
<b>Non-executive directors</b>		
H.S. Herman (Chairman)	1 January 1994	
J. Abell	26 June 2002	
S.E. Abrahams	21 October 1996	
G. Alford	26 June 2002	
D.E. Jowell	1 January 1989	
I.R. Kantor	30 July 1980	
Sir C. Keswick	26 June 2002	
P. Malungani	26 June 2002	
P.R.S. Thomas	29 June 1981	

**Note:** The board of Investec Group Limited (now Investec Limited) was reconstituted in terms of the implementation of the group's DLC structure. In terms of providing information on the date that directors have been appointed to the Investec Limited board, it would be misleading, in the case of those directors that had been members of the Investec Group Limited board to indicate that they have only been directors since the date of implementing the group's DLC structure. As a result, for those directors concerned, their dates of appointment reflect the date that they were first appointed to the Investec Group Limited board.

Furthermore, it was announced on 20 June 2003 that Mr. Geoffrey M.T. Howe, previously a Managing Partner of solicitors Clifford Chance LLP and Managing Director of Robert Fleming Holdings Limited and Miss Haruko Fukuda OBE, previously Chief Executive of the World Gold Council, will be appointed as independent non-executive directors to the boards of Investec Limited and Investec plc with effect from 21 July 2003.

## Biographical details of the directors of the board

These details can be found on pages 63 to 65 of this report.

## Policies on the components of remuneration and employment

The reward package for executive directors comprises:

- Base salary and benefits.
- Annual bonuses.
- Long-term share incentive plans.

The Committee reviews the elements of the reward package relative to appropriate benchmarks and other comparable organisations, the value of individuals in perpetuating the values, culture and the possible replacement cost of such individuals.

The elements of the reward package, as listed above, are discussed below and the component parts for each director are detailed in tables accompanying this report.

### Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. Base pay levels are linked to the relevant competitive market at median levels. Benefits provide long-term financial value based on continuous employment and are targeted at competitive levels. These are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices.

### Annual bonus

Annual bonuses are linked to business performance, based on target business unit performance goals. Individual annual incentive levels are allocated, based on individual performance, as determined by the Committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

The total cash element of compensation (base salary plus annual bonus) is targeted at competitive levels for meeting target performance goals.

### **Long-term share incentive plans**

The group has a number of share incentive plans that are designed to link the interests of the directors and employees with shareholders and long-term organisational interests through performance and risk-based equity grants. The share plan vehicles in operation, and in which the directors are eligible to participate, are outlined below. Further details on the directors' shareholdings are provided in tables accompanying this report.

#### **Investec plc share option plan 2002 (approved and unapproved)**

Allocations under this scheme are granted to all new full-time employees and, on a discretionary basis, certain other employees, including directors and executives, in the group in all jurisdictions, excluding South Africa, Botswana, Namibia and Mauritius.

Under this scheme options are granted, over Investec plc shares, at the prevailing market value and each tranche of the options may only be exercised if the Committee is satisfied that the relevant performance conditions have been met. These conditions require growth in headline earnings per share over the relevant option period to equal or exceed the UK Retail Price Index (RPI), plus 3% compounded annually over the same period.

In choosing the performance targets for this plan, the Committee considered the merits of earnings per share (EPS) based targets as against alternative possibilities, such as comparative performance or comparative growth in return on average shareholders' funds (ROE) against a basket of other companies. The Committee determined that EPS was the most appropriate criterion, as the group's mix of businesses and geographical profile made it difficult to establish one suitable basket of comparative businesses, and growth in ROE would be difficult to benchmark against other companies as there is no industry-specific standard on the way in which this return should be calculated, as a result of the treatment of certain balance sheet items such as goodwill. The Committee believes that EPS-based targets are appropriate as they measure the underlying growth of the group. The Committee intends to continue to apply this during 2004, but keeps the whole matter of the suitability of target-linked share-based remuneration under periodic review.

Grants up to the value of £30,000 are made to UK employees on the approved plan. Options exceeding £30,000 and grants in jurisdictions other than the UK are made on the unapproved plan.

Under the approved plan options vest in tranches of 20%, 30% and 50% at the third, sixth and ninth anniversary of the grant respectively. Any portion of the tranches that is not, or cannot, be exercised lapses on expiry of 90 days after each anniversary.

The options in terms of the unapproved plan become exercisable in tranches of 25% each on the second, third, fourth and fifth anniversary of the grant respectively. They similarly lapse 90 days after each anniversary if the options are not, or cannot, be exercised.

#### **Investec plc share appreciation option plan 2002**

Under this scheme options are granted which, when exercised, pay out a cash amount based on the increase in the Investec Limited share price. This scheme is used to achieve the same objectives as the

unapproved plan in circumstances in which the regulatory authorities of the previous plan, or of the country in which the intended participant is resident, or the individual or corporate taxation consequences of such participation, make participation in the previous scheme impossible or inadvisable.

It is thus a scheme which, by duplicating the provisions of the previous scheme, enables the group to place a proposed participant in the same position by way of cash settlement or otherwise, as he would have been had he participated in the unapproved plan.

#### **Investec Group Limited UK share option plan**

Prior to listing on the LSE on 29 July 2002, the group operated this plan in terms of which options over the then listed Investec Group Limited shares were granted to employees, directors and executives in all jurisdictions, excluding South Africa, Botswana, Namibia and Mauritius. The options were exercisable in tranches of 25% each on the second, third, fourth and fifth anniversaries of the grant. Performance conditions were not attached, as at the time this was not deemed appropriate, and the options did not lapse until the 10th anniversary of the grant.

Participants have ongoing rights in terms of the plan, on which the most recent grant was made on 20 June 2002. No further options will be granted under this plan.

#### **Investec Limited security purchase and option scheme trust 2002**

Allocations under the option scheme of this trust are granted to all new full-time employees and, on a discretionary basis, certain other employees, including directors and executives, in the group in South Africa, Botswana, Namibia and Mauritius. Since listing on the LSE on 29 July 2002, only one grant has been made in terms of the option scheme. This grant was made on 20 December 2002.

As with the UK scheme above, options are granted at the prevailing market value and each tranche may only be exercised if the Committee is satisfied that the performance conditions have been met. These conditions require growth in headline earnings per share over the relevant performance period to equal or exceed the UK RPI, plus 3% compounded annually over the same period. The reasons for adopting and EPS-based target, is the same as those outlined above. Subject to this performance condition being met, options become exercisable in tranches of 25% each on the second, third, fourth and fifth anniversaries of the grant and will lapse 90 days after each such anniversary if the options are not, or cannot, be exercised.

Prior to listing on the LSE, an offer of shares in terms of the purchase scheme was made, for which participants have a liability to the trust for the purchase consideration of the shares. They bear the risk for any potential loss in the market value of the underlying shares but are entitled to any rise in such market value after the offer becomes exercisable.

As with the option scheme, the purchase offers become exercisable in tranches of 25% each on the second, third, fourth and fifth anniversary of the effective date of acceptance of the offer, but none of the tranches lapses until the 10th anniversary of the acceptance of the offer. At this anniversary date, the entire offer lapses. Performance conditions were not applied to these shares as at the time this was not deemed appropriate. Investec Limited security purchase and option scheme trust.

#### **Investec Limited security purchase and option scheme trust**

Prior to listing on the LSE on 29 July 2002, the group operated the scheme in terms of which options

were granted to, and offers of shares under the purchase scheme were accepted by, employees, directors and executives in South Africa, Botswana, Namibia and Mauritius.

The options and purchase allocations were exercisable in tranches of 25% each on the second, third, fourth and fifth anniversaries of the grant. Performance conditions were not attached as at the time this was not deemed appropriate, and neither the options nor the purchase scheme allocations lapse until the 10th anniversary of the grant or effective date of the offer respectively. Participants have ongoing rights in terms of the plan, on which the most recent grant was made on 20 June 2002.

The participants in the purchase scheme bear the risk for any potential loss in the market value of the underlying shares, but are entitled to any rise in such market value after the offer becomes exercisable. No further options or offers of purchase allocations will be made under this plan.

#### **Leveraged equity plans**

A small group of senior and executive management, including certain Investec Limited/ Investec plc directors, who have or can have a significant impact on the business, have been granted participation in leveraged equity plans known as Fintique II and Fintique III. In terms of these plans, participants acquired units that entitled them to the risks and, on maturity of the plans in 2004 and 2008, future benefits of ownership of the underlying Investec shares. Recent downward movements in Investec's share price, coupled with the leveraged structure of the plans, have had a major negative effect on the value of these participations. Participants in the schemes bear the risk of a potential liability on maturity of the schemes. In view of the nature of the participation there are no further performance conditions applicable to these plans.

## **Performance graph**

Investec is an international specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the UK and South Africa, as well as in certain other geographies, including Australia and Israel. The group is not considered to be a purely commercial bank and focuses on the following four core areas of activity: Private Client Activities, Treasury and Specialised Finance, Investment Banking and Asset Management.

The group has implemented a DLC structure in terms of which it has primary listings both in Johannesburg and London (further information on the DLC structure is provided on pages 4 to 6). The listing on the LSE took place on 29 July 2002, although the group has been listed in South Africa since 1986.

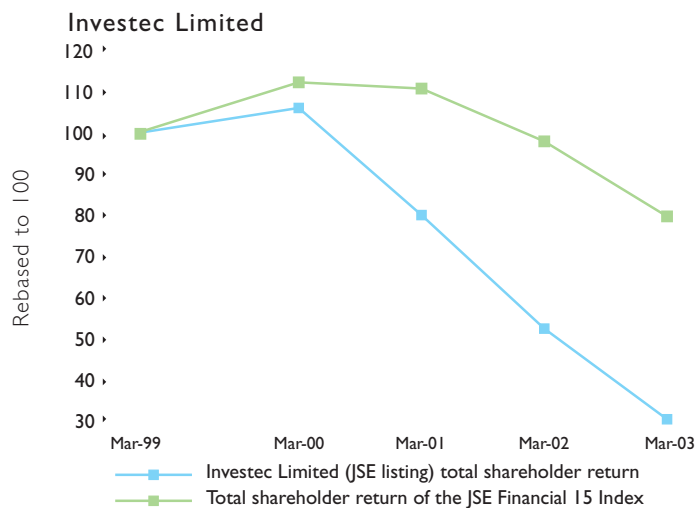
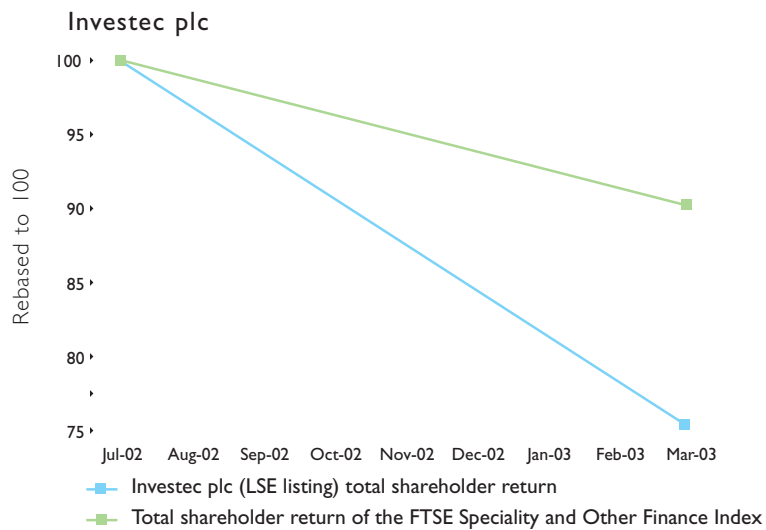
The market price of the group's shares on the JSE was R76.50 at 31 March 2003, ranging from a low of R76.50 to a high of R174.40 during the financial year. Furthermore, the market price of the group's shares on the LSE was £6.15 at 31 March 2003, ranging from a low of £6.07 to a high of £9.60 from July 2002 to the end of the financial year.

Investec has found it difficult to find an appropriate group of companies to benchmark itself against because of its specialist range of activities. A number of companies within the FTSE Speciality and Other Finance Index conduct similar activities to Investec, although they do not necessarily have the same geographical profile, nevertheless the group believes that this is the most appropriate index against which to measure its performance on the LSE. Selection of an appropriate index against which to measure the group's performance on the JSE is more difficult. None of the companies within the

financial sector could be considered direct comparisons as they are generally commercial banks, asset management or insurance companies. The group, however, still considers the JSE Financial 15 Index a more appropriate benchmark than the JSE Top 40 Index.

The graphs below show the cumulative shareholder return for a holding of the group's shares (in blue), firstly in Sterling on the LSE, compared to the average total shareholder return of other members of the FTSE Speciality and Other Finance Index and secondly in Rands on the JSE compared to other members of the JSE Financial 15 Index. The information for Investec plc is only available from the end of July last year, when it was listed on the LSE.

The graph that indicates Investec plc's performance relative to the FTSE Speciality and Other Finance Index is included in terms of the requirements of the UK Directors' Remuneration Report Regulations 2002. However, since there is no five-year history of Investec plc's share price performance, the graph on Investec Limited's performance on the JSE has been included in order to provide stakeholders with a more complete picture.





The group's total shareholder return has underperformed that of the JSE Financial 15 Index and the FTSE Speciality and Other Finance Index. This is largely as a result of the weak global equity markets, which have negatively impacted the performance of investment banks relative to other commercial banks and financial institutions.

## Audited information

### Directors' annual remuneration

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2003:

Name <sup>1</sup>	Salaries, directors fees and other remuneration <sup>2</sup> 2003 £	Annual bonus <sup>4</sup> 2003 £	Total other benefits <sup>5</sup> 2003 £	Total remuneration expense 2003 £	Total remuneration expense 2002 <sup>1/3</sup> £
<b>Executive directors</b>					
S. Koseff (Chief Executive Officer)	248 253	300 000	31 747	580 000	583 434
B. Kantor (Managing Director)	252 434	350 000	27 566	630 000	699 743
G. R. Burger (Group Risk & Finance Director)	143 834	350 000	23 736	517 570	525 502
A. Tapnack	215 000	250 000	22 742	487 742	516 066
<b>Total Pounds Sterling</b>	<b>859 521</b>	<b>1 250 000</b>	<b>105 791</b>	<b>2 215 312</b>	<b>2 324 745</b>
<b>Non-executive directors</b>					
H. S. Herman (Chairman) <sup>6</sup>	169 137	–	17 174	186 311	390 244
J. Abell	43 250	–	–	43 250	–
S. E. Abrahams	59 332	–	–	59 332	45 741
G. Alford	40 000	–	–	40 000	–
Dr H. K. Davies <sup>7</sup>	1 009	–	–	1 009	2 318
G. H. Davin <sup>7</sup>	1 278	–	–	1 278	2 318
D. E. Jowell	127 760	–	–	127 760	106 583
I. R. Kantor	22 500	–	–	22 500	2 318
Sir C. Keswick	40 000	–	–	40 000	–
P. Malungani	23 750	–	–	23 750	–
D. R. Motsepe <sup>7</sup>	1 009	–	–	1 009	2 318
Dr M. Z. Nkosi <sup>7</sup>	2 851	–	–	2 851	6 167
P. R. S. Thomas	57 785	–	–	57 785	44 530
<b>Total Pounds Sterling</b>	<b>589 661</b>	<b>–</b>	<b>17 174</b>	<b>606 835</b>	<b>602 537</b>
<b>Total Pounds Sterling</b>	<b>1 449 182</b>	<b>1 250 000</b>	<b>122 965</b>	<b>2 822 147</b>	<b>2 927 282</b>

**Notes:**

<sup>1</sup> In terms of the implementation of the DLC structure, the board and board committees of Investec Group Limited (now Investec Limited) were reconstituted. As a result, there may not be comparative information for some of the directors.

<sup>2</sup> As discussed elsewhere in this report, the non-executive directors' remuneration comprises a basic retainer and other directors fees. S.E. Abrahams, D.E. Jowell and P.R.S. Thomas received fees for attendance on other board sub-committees of £35 582, £99 010 and £34 035 respectively. The basic retainer and other directors fees paid have been apportioned according to the period served as directors during the financial year.

<sup>2</sup> Following the peer group review undertaken during the course of the year, the Remuneration Committee considered it appropriate to adjust the salaries of the executive directors (where necessary) to reflect the base pay levels of the relevant competitive market at median levels.

<sup>3</sup> A breakdown of the components of the reward packages for the executive directors in the 2002 financial year is as follows:

Name	Salaries, directors fees and other remuneration £	Annual bonus <sup>4</sup> £	Other benefits <sup>5</sup> £	Total remuneration expense £
<b>Executive directors</b>				
S. Koseff (Chief Executive Officer)	175 316	370 925	37 193	583 434
B. Kantor (Managing Director)	254 253	425 018	20 472	699 743
G. R. Burger (Group Risk & Finance Director)	104 709	386 399	34 394	525 502
A. Tapnack	195 455	300 000	20 611	516 066
<b>Total Pounds Sterling</b>	<b>729 733</b>	<b>1 482 342</b>	<b>112 670</b>	<b>2 324 745</b>

<sup>4</sup> As discussed elsewhere in this report, annual bonuses are determined with reference to a range of qualitative and quantitative factors. The past year has been an extremely challenging one for the group, and generally for all investment banks and the investment management industry world-wide. Notwithstanding, the group made significant strategic advances, the most important of which are as follows:

- The implementation of the group's DLC structure - a process that lasted approximately four years.
- The group successfully adjusted its cost base to compensate for the decline in revenues and streamlined and rationalised many of its operations, particularly in the US and UK.
- The group continued to restructure and rationalise the life assurance activities acquired from Fedsure Holdings Limited, including implementation of two further transactions. The group is satisfied that the Fedsure acquisition has now been completed.
- The Australian business was successfully turned around from successive years of losses and showed a pre-tax profit of £6.0 million.
- A significant step was made in the group's empowerment strategy in South Africa.

The executive directors played an integral role in the achievement of these initiatives. Furthermore, from a qualitative point of view, the directors continue to play an important role in entrenching the culture, values and philosophies of the group.

**Notes (continued):**

<sup>5</sup> The Chairman and the executive directors receive other benefits which may include pension schemes; life, disability and personal accident insurance; and medical cover, on similar terms to other senior executives.

<sup>6</sup> In line with recommended market practice, it was decided not to pay the Chairman an annual incentive payment during the 2003 financial year. The Chairman's annual fee was accordingly adjusted, although his overall package is substantially less than the previous year. As indicated in this report, the Committee has agreed that the Chairman will receive an overall fee of £250 000 during the 2004 financial year for his services as director.

<sup>7</sup> Resigned with effect from 26 June 2002. In terms of the implementation of the DLC structure, the board and board committees of Investec Group Limited (now Investec Limited) were reconstituted.

**Retirement benefits**

None of the executive directors belong to a defined benefit pension scheme and all are members of one of the group's defined contribution schemes. The total contribution to these schemes, payable by the company, included in the total salary of the director or included in benefits paid as highlighted in the table above, is as follows:

Name	£
<b>Executive directors</b>	
S. Koseff (Chief Executive Officer)	22 697
B. Kantor (Managing Director)	23 261
G.R. Burger (Group Risk and Finance Director)	18 157
A. Tapnack	22 742
<b>Total Pounds Sterling</b>	<b>86 857</b>
<b>Non-executive directors</b>	
H. S. Herman (Chairman)	11 348

## Directors' shareholdings and options

The company's register of directors' interests contains full details of directors' shareholdings and options.

The tables that follow provide information on the directors' shareholdings and options.

### Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2003

Name	Beneficial and non-beneficial interest <sup>1</sup> - Investec plc	Beneficial and non-beneficial interest Investec Limited	Indirect beneficial and non-beneficial interest in Investec plc call options at a strike price of R145 per share	Indirect beneficial and non-beneficial interest in Investec Limited call options at a strike price of R145 per share
<b>Executive directors</b>				
S. Koseff	782 401	341 987	315 000	185 000
B. Kantor	370 267 <sup>2</sup>	792 795 <sup>3</sup>	315 000	185 000
G. R. Burger	404 275	143 465	126 000	74 000
A. Tapnack	–	–	–	–
<b>Non-executive directors</b>				
H. S. Herman	214 833	67 442	–	–
J. Abell	283	166	–	–
S. E. Abrahams	–	–	–	–
G. Alford	–	–	–	–
D. E. Jowell	73 732	43 302	–	–
I. R. Kantor	250 867	450	693 000 <sup>4</sup>	407 000 <sup>5</sup>
Sir C. Keswick	3 150	1 850	–	–
P. Malungani	–	–	–	–
P. R. S. Thomas	137 064	51 133	–	–
<b>Total number</b>	<b>2 236 872</b>	<b>1 442 590</b>	<b>1 449 000</b>	<b>851 000</b>

#### Notes:

<sup>1</sup> Certain of the directors acquired shares through equity purchase vehicles towards the end of the financial year. These acquisitions were announced on JSE and LSE news services on 31 March 2003 and have been included in the amounts reflected under beneficial interests.

<sup>2</sup> A put and call option agreement was entered into with Investec Securities Limited on 30 November 2001 (expiring on 28 November 2003) pursuant to which Investec Securities Limited is entitled to a put option on 126 000 Investec plc shares to B. Kantor at a strike price of R225 per share and B. Kantor is entitled to a call option at a strike price of R300 per share.

<sup>3</sup> A put and call option agreement was entered into with Investec Securities Limited on 30 November 2001 (expiring on 28 November 2003) pursuant to which Investec Securities Limited is entitled to a put

option on 74 000 Investec Limited shares to B. Kantor at a strike price of R225 per share and B. Kantor is entitled to a call option at a strike price of R300 per share.

<sup>4</sup> 315 000 of these call options have a strike price of R142 per share.

<sup>5</sup> 185 000 of these call options have a strike price of R142 per share

**The directors, together with all other employees of the Investec Limited group, are beneficiaries of the Investec Limited Security Purchase and Option Scheme and are therefore interested in:**

- call options in respect of 630 000 Investec plc shares at a strike price of R170 per shares
- call options in respect of 370 000 Investec Limited shares at a strike price of R170 per share
- 125 785 Investec Limited shares
- 3 738 753 Investec plc shares

**The directors, together with all other employees of the Investec plc group, are beneficiaries of the Investec plc Jersey Trust Number 1 and are therefore interested in:**

- call options in respect of 1 398 236 Investec plc shares at £7.93
- call options in respect of 449 693 Investec plc shares at £10.52

**The directors, together with all other employees of the Investec plc group, are beneficiaries of the Investec Guernsey Trust Number 1 and are therefore interested in:**

- call options in respect of 6 600 Investec plc shares at £7.95
- call options in respect of 6 221 Investec plc shares at £10.52

### Directors' interest in the Investec Limited security purchase and option scheme trust as at 31 March 2003

Name	Investec plc shares	Investec Limited shares	Period exercisable
<b>Executive directors</b>			
G.R. Burger	20 046	11 774	1 April 2003 to 1 May 2005
A. Tapnack	2 277	1 337	1 April 2003 to 1 July 2004
<b>Non-executive directors</b>			
H.S. Herman	13 714	8 054	1 April 2003 to 1 May 2005
<b>Total number</b>	<b>36 037</b>	<b>21 165</b>	

**Note:** The shares are held in terms of the Investec Limited share purchase scheme, for which the directors have a liability for any related scheme debt. No shares were granted in terms of this scheme during the year. As at 31 March 2003, all the shares were fully vested.

### Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2003

Name	Entitlement to Investec plc shares	Entitlement to Investec Limited shares	Period exercisable
<b>Executive directors</b>			
S. Koseff	78 145	45 895	1 April 2003 to 31 July 2008
B. Kantor	78 145	45 895	1 April 2003 to 31 July 2008
G.R. Burger	67 680	39 748	1 April 2003 to 31 July 2008
A. Tapnack	33 491	19 669	1 April 2003 to 31 July 2008
<b>Non-executive directors</b>			
H.S. Herman	78 145	45 895	1 April 2003 to 31 July 2008
I.R. Kantor	50 236	29 504	1 April 2003 to 31 July 2008
<b>Total number</b>	<b>385 842</b>	<b>226 606</b>	

**Note:** There were no grants in Fintique II during the year. All the shares the directors are entitled to in terms of the Fintique II scheme are fully vested (the final tranche of 25% having vested on 15 July 2002) and can be taken up at a price of R74.63, based on the valuation of the sinking fund as at 31 March 2003. The directors are at risk for any shortfall on maturity of the scheme.

**Directors' attributable interest in Investec plc shares through a leveraged equity plan called Fintique III as at 31 March 2003**

Name	Investec plc shares	Indirect beneficial and non-beneficial interest in call options at a strike price of R145 per share	Indirect beneficial and non-beneficial interest in call options at a strike price of R170 per share	Indirect beneficial and non-beneficial interest in call options sold at a strike price of R300 per share
<b>Executive directors</b>				
S. Koseff <sup>1</sup>	193 310	55 705	48 410	16 943
B. Kantor <sup>2</sup>	193 310	55 705	48 410	16 943
G. R. Burger <sup>3</sup>	144 254	41 696	36 142	12 650
A. Tapack	67 023	17 740	16 578	5 802
<b>Non-executive directors</b>				
H. S. Herman <sup>4</sup>	147 166	42 028	36 805	12 882
S.E. Abrahams	11 651	1 326	2 653	929
D. E. Jowell	17 477	1 990	3 979	1 393
P.R.S. Thomas	14 564	1 658	3 316	1 160
<b>Total number</b>	<b>788 755</b>	<b>217 848</b>	<b>196 293</b>	<b>68 702</b>

**Directors' attributable interest in Investec Limited shares through a leveraged equity plan called Fintique III as at 31 March 2003**

Name	Investec Limited shares	Indirect beneficial and non-beneficial interest in call options at a strike price of R145 per share	Indirect beneficial and non-beneficial interest in call options at a strike price of R170 per share	Indirect beneficial and non-beneficial interest in call options sold at a strike price of R300 per share
<b>Executive directors</b>				
S. Koseff <sup>1</sup>	113 531	32 716	28 432	9 951
B. Kantor <sup>2</sup>	113 531	32 716	28 432	9 951
G. R. Burger <sup>3</sup>	84 721	24 488	21 226	7 429
A. Tapack	39 362	10 418	9 737	3 408
<b>Non-executive directors</b>				
H. S. Herman <sup>4</sup>	86 432	24 683	21 616	7 565
S.E. Abrahams	6 843	779	1 558	545
D. E. Jowell	10 264	1 168	2 337	818
P.R.S. Thomas	8 554	974	1 947	682
<b>Total number</b>	<b>463 238</b>	<b>127 942</b>	<b>115 285</b>	<b>40 349</b>

**Notes:**

In terms of the scheme structure, 45% (of which 20% of the entitlement having vested on 15 December 2002) of the shares are free or vested with a further 25% becoming vested on 15 December 2003 and the remaining 30% vesting on 15 December 2004. The shares through the Fintique III scheme can be

taken up on maturity (15 December 2004) of the scheme for a consideration of R96 to R102.38 per share for Rand denominated units and £5.45 for pound denominated units based on the current leverage position of the scheme. The directors are at risk for any shortfalls on maturity of the scheme. All of the options mature on 15 December 2004. The interest in Investec plc shares were only acquired post 29 July 2002 (the date of listing of Investec plc on the LSE).

<sup>1</sup> During the year, entitlement to 37 867 Investec plc shares and 22 239 Investec limited shares together with the related interest in call options of 4 310, 8 621 and 3 017 Investec plc shares and 2 532, 5 063 and 1 772 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by S. Koseff.

<sup>2</sup> During the year, entitlement to 37 867 Investec plc shares and 22 239 Investec limited shares together with the related interest in call options of 4 310, 8 621 and 3 017 Investec plc shares and 2 532, 5 063 and 1 772 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by B. Kantor.

<sup>3</sup> During the year, entitlement to 20 390 Investec plc shares and 11 975 Investec limited shares together with the related interest in call options of 2 321, 4 642 and 1 625 Investec plc shares and 1 363, 2 726 and 954 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by G.R. Burger.

<sup>4</sup> During the year, entitlement to 23 302 Investec plc shares and 13 686 Investec limited shares together with the related interest in call options of 2 653, 5 305 and 1 857 Investec plc shares and 1 558, 3 116 and 1 090 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by H.S. Herman.

#### Directors' interest in options - Investec plc shares as at 31 March 2003 (Investec plc share option plan 2002)

Name	Date of grant	Exercise price	Number of Investec plc	Balance at 31 March 2003	Period exercisable
<b>Executive directors</b>					
S. Koseff	20 Dec 2002	R111.96	33 000	33 000	20 Dec 2004 to 20 Mar 2008
B. Kantor	20 Dec 2002	£7.93	50 000	50 000	20 Dec 2004 to 20 Mar 2008
G.R. Burger	28 Aug 2002	R164.50	63 000		20 Jun 2004 to
	20 Dec 2002	R111.96	33 000	96 000	20 Mar 2008
A. Tapnack	28 Aug 2002	£10.52	47 250		20 Jun 2004 to
	20 Dec 2002	£7.93	50 000	97 250	20 Mar 2008

The interest in Investec plc shares were only acquired post 29 July 2002 (the date of listing of Investec plc on the LSE).

#### Directors' interest in options - Investec Limited shares as at 31 March 2003

Name	Date of grant	Exercise price	Number of Investec Limited	Balance at 31 March 2003	Period exercisable
<b>Executive directors</b>					
S. Koseff	20 Dec 2002	R111.32	17 000	17 000	20 Dec 2004 to 20 Mar 2008
G.R. Burger	20 June 2002	R164.50	37 000		20 Jun 2004 to
	20 Dec 2002	R111.32	17 000	54 000	20 Mar 2008
A. Tapnack	20 June 2002	R164.50	27 750	27 750	20 Jun 2004 to 20 Mar 2008

#### Notes:

- S. Koseff and G.R. Burger were granted options in terms of the Investec Limited share option and purchase scheme trust 2002.
- B. Kantor and A. Tapnack were granted options in terms of the Investec plc share option plan 2002.



- Options granted on 20 December 2002 were based on the weighted average market value of the preceding five days.
- The options granted on 20 June 2002 and 20 December 2002 were made for no consideration.
- The options granted on 20 December 2002 had certain performance conditions attached (as discussed on page 50 and 51) which to summarise required growth in headline earnings per share over the relevant option period to equal or exceed the UK RPI plus 3%, (compounded annually over the same period) and there were no performance conditions attached to the options granted on 20 June 2002.
- Options granted on 20 December 2002 included grants to certain senior executives (other than directors), which awards were greater than 100% of their annual remuneration. The allocations were deemed to be exceptional, but were approved by the Remuneration Committee, as they believed the allocations were necessary in order to retain the skills and contributions of these individuals.

#### Directors' interest in derivatives covering Investec plc shares

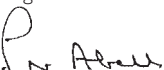
Two BVI incorporated companies in which certain directors have a beneficial and non-beneficial interest have sold certain call options over Investec plc shares to the Investec Limited Employee Share Scheme. The effective proportions relating to each director are set out below. All these calls are covered by existing shares held by the BVI companies. The aggregate percentage economic interest held by these directors in each of the BVI companies amounts to 30.75% and 12.01% respectively. The directors acquired rights to the above options on 31 March 2003.

Name	Call options at a strike price of £7.93 maturing on 20/12/04	Call options at a strike price of £7.93 maturing on 20/12/05	Call options at a strike price of £7.93 maturing on 20/12/06	Call options at a strike price of £7.93 maturing on 20/12/07	Call options at a strike price of £10.52 maturing on 20/06/07
<b>Executive directors</b>					
S. Koseff	7 493	29 444	24 008	23 991	27 564
B. Kantor	7 493	29 444	24 008	23 991	27 564
G.R. Burger	5 994	23 555	19 206	19 193	22 051
<b>Non-executive directors</b>					
H.S. Herman	2 997	11 778	9 603	9 596	11 026
I.R. Kantor	7 493	29 444	24 008	23 991	27 564
P.R.S Thomas	1 499	5 889	4 802	4 798	5 513
<b>Total number</b>	<b>32 969</b>	<b>129 554</b>	<b>105 635</b>	<b>105 560</b>	<b>121 282</b>

#### Conclusion

The Committee will continue to ensure that Investec's reward packages remain competitive, provide appropriate incentive for performance and take due regard of the culture, values and philosophies of the group. The Committee will keep the existing remuneration arrangements, as discussed in this report, under review during the 2004 financial year.

Signed on behalf of the board



John Abell

Chairman, Board Remuneration Committee



## Contents to the Investec plc (incorporating the results of Investec Limited) summary financial statements

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# Summary director's report

## Nature of business

Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the UK and South Africa, as well as certain other geographies including Australia and Israel. Investec is organised into four principal divisions, namely Investment Banking, Treasury and Specialised Finance, Private Client Activities and Asset Management. In addition, Investec's head office provides certain group wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as the group's property business, trade finance and traded endowment operations. A review of the operations for the year can be found on pages 17 to 30.

This report deals with the requirements for the legal entity Investec plc. The summary directors' report for the legal entity Investec Limited can be found on page 92.

## Group restructure

In July 2002, in preparation for the Company's listing on the London Stock Exchange as part of a Dual-Listed Companies (DLC) structure, the Investec group's businesses in the UK, the US, Israel and Australia were transferred to the Company which acquired the whole of the issued share capital (not already owned) of the following companies:

- Investec SA for a consideration of £582.1 million, satisfied by the issue of 50 334 493 shares and the assumption of £281.8 million of indebtedness.
- Investec Israel BV for a consideration of £60.1 million satisfied by the issue of 9 737 282 shares.
- The 54.4% of Investec Holdings Australia Limited not already owned by the Company's subsidiary, Investec Holding Company Limited, for a consideration of £56.6 million satisfied by the issue of 9 493 928 shares.
- GRS Overseas Establishment for a consideration of £4.2 million satisfied by the issue of 701 346 shares.
- Various other International subsidiaries for a consideration of £0.2 million satisfied by the issue of 36 697 shares.

These holdings, with the exception of the holdings in Investec Holdings Australia Limited, were then transferred to the Company's wholly owned subsidiary, Investec Holding Company Limited (IHC) for an aggregate consideration of £646.6 million satisfied by the issue of shares and the transfer of indebtedness of £281.8 million.

On 17 January 2003 Investec plc's 54.4% holding in Investec Holdings Australia Limited was transferred to IHC for an aggregate consideration of £56.6 million on loan account, such that IHC then owned 100% of Investec Holdings Australia Limited. On 20 February 2003, the intercompany loan to IHC was capitalised by the issue to Investec plc of 139 £1 ordinary shares in IHC at £407 494.05 each.

The unconditional primary listing of Investec plc on the London Stock Exchange commenced on 29 July 2002 and its secondary listing on the JSE Securities Exchange South Africa commenced on 29 July 2002.

## Authorised and issued share capital

On 19 June 2002, Investec Limited subscribed for 3 299 ordinary shares of £0.10 each and Investec Bank (Nominees) Limited subscribed for 1 ordinary share.

On 5 July 2002 each ordinary share of £0.10 was sub-divided into 100 ordinary shares of £0.001, the rights attaching to all but 330 000 of the then issued ordinary shares were amended such that they became deferred shares and 999 838 000 000 unissued ordinary shares were cancelled.

On 18 July 2002, as set out above, 70 303 746 ordinary shares of £0.001 each were issued to Investec Limited in consideration for the transfer of the Investec group's international businesses to the Company.

On 18 July 2002, the Company repurchased and cancelled 50 000 000 of the deferred shares of £0.001 each in issue.

On 19 July 2002, 38 399 028 PLC Special Converting Shares of £0.001 each, 1 PLC Special Voting Share of £0.001 each, 1 UK Dividend Access Share (Non South African) of £0.001 and 1 UK Dividend Access Share

## Summary director's report

(South African) of £0.001 were issued by way of bonus issue from reserves.

On 22 July 2002, 4 000 000 ordinary shares of £0.001 were issued at £8.30 per share to strengthen the Company's capital base, support organic growth and for general corporate purposes.

On 15 October 2002, 499 PLC Special Converting Shares of £0.001 each were issued by way of bonus issue from reserves.

### Dividends

An interim dividend of 26 pence per share was declared to shareholders registered on 13 December 2002 and paid on 24 December 2002.

The directors have proposed a final dividend of 28 pence per share to shareholders registered on 18 July 2003 to be paid on 11 August 2003. The directors have also recommended the payment of dividends on the UK DAN Share and UK DAS Share of an aggregate amount equal to R3.56 per ordinary share in Investec Limited, as provided by the DLC Structure Sharing Agreement.

The holder of 3 515 000 Investec Limited and 5 985 000 Investec plc shares has agreed to waive its right to the proposed final dividends.

### Directors and secretary

Details of the directors and the secretary are reflected on page 63 and at the beginning of this report, respectively.

Mr. J. N. Abell was appointed as director of Investec plc on 19 March 2002. Messrs G. O. F. Alford, S.E. Abrahams, H.S. Herman, D.E. Jowell, I.R. Kantor, S. Koseff, P.R.S. Thomas, P.M. Malungani and Sir Chips Keswick were appointed to the board of Investec plc on 26 June 2002. Mr. A. Tapnack was appointed to the board on 1 July 2002 and Mr. G. R. Burger was appointed as a director on 3 July 2002.

Miss H. Fukuda and Mr. G. Howe will be appointed to the board with effect from 21 July 2003.

### Directors and their interests

Directors' shareholdings and options to subscribe are set out on pages 57 to 62.

The company's register of directors' interests contains full details of directors' shareholdings and options to subscribe.

### Share incentive trusts

Details regarding options granted during the year are set out below:

#### For the year ended 31 March

	Instrument	2003			2002		
		Expiry date	Exercise price	Number of options issued/exercised	Expiry date	Exercise price	Number of options issued/exercised
Granted during the year	Investec Group Ltd	13 Sep 2007	R 164.50	6 736 260	1 Mar 2012	R174.72	2 715 853
	Investec Group Ltd	13 Sep 2007	R 170.00	770 612			
	Investec plc	19 Mar 2007	R 111.96	1 117 845			
	Investec Limited	19 Mar 2007	R 111.32	833 586			
	Investec plc	19 Mar 2007	£7.93	775 401			
	Investec plc	19 Mar 2012	£7.93	434 123			
Exercised during the year	Investec Group Ltd		R 78.93	5 940	2002-2009	R134.86	42 009
	Investec Holdings Limited		R 67.43	6 893			

## Summary director's report

### Terms of share options

	SA Schemes			UK Schemes			
	Average exercise price	Number of Investec Limited shares	Number of Investec plc shares	Average exercise price	Number of Investec Limited shares	Average exercise price	Number of Investec plc shares
31 March 04	R 169.76	116 779	198 839	R 246.00	229 516	£15.73	390 798
31 March 05	R 169.51	30 821	52 478	R 235.45	104 180	£15.06	177 388
31 March 06	R 163.56	16 334	27 812	R 169.80	131 431	£10.86	223 789
31 March 07	R 157.06	6 824	11 618	R 151.06	1 507 217	£9.86	2 650 110
31 March 08	R 148.05	1 948 484	3 455 015	R 246.00	237 902	£15.73	405 076
31 March 09	R 205.59	46 368	78 950				
31 March 10	R 240.21	141 640	241 170	R 236.03	44 300	£15.09	75 430
31 March 11	R 241.39	132 460	225 540	R 130.28	224 673	£8.88	417 750
31 March 12	R 174.52	591 915	1 007 855				
31 March 13	R 168.00	2 220	3 780				

### 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.

### Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors. A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the next Annual General Meeting.

### Contracts

Refer to page 47 for details of contracts with directors.

### Special resolutions

At the Special General Meeting held on 20 November 2002, special resolutions were passed in terms of which:

- Article 85 and 86 of the Articles of Association were amended to provide for the selection of directors who retire by rotation.
- Certain amendments to the Articles of Association of Investec Limited were approved.
- A renewable authority was granted to the Company to acquire its own shares in terms of Sections 166 of the Companies Act, 1985.

### Major shareholders

At 31 March 2003 the following were the beneficial owners of 3% or more of the issued ordinary shares of the Company:

Public Investment Commissioner	10.1%
Fintique III (BVI)	8.5%
Old Mutual Life Assurance	4.8%
Deutsche Bank AG	3.3%

### Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and International Accounting Standards, as well as complying with applicable United Kingdom law and accounting standards.

## Summary director's report

### Subsequent events

On 15 May 2003, it was announced that agreement had been reached in terms of which Peu Investment Group and Tiso Group, together with a broad-based Entrepreneurship Development Trust and a new Investec employee share trust, will acquire in separate transactions a total interest of 25.1% in the issued share capital of Investec Limited. This will include the issue of 5 600 000 new shares by Investec Limited for R90 per share. The Public Investment Commissioners has agreed to provide funding to facilitate the proposed transactions.

### Creditor payment policy

The group's standard practice is to agree the terms of payment with suppliers at the time of contract and make payments within the agreed credit terms subject to satisfactory performance.

### Employees

The group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment. The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and motivating staff involvement of the group's performance by means of Employee Share Schemes.

### Donations

During the year, the company made donations for charitable purposes, totalling £229 255.

### Environment

The group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates. *Investec's Journey to Sustainability 2003* was produced as a separate report accompanying the Annual Report for 2003.

By order of the Board



Richard Vardy  
Secretary

27 June 2003

## Statement of the independent auditors

We have examined the group's summary financial statement for the year ended 31 March 2003, on pages 72 to 85, which comprise the Summary Consolidated Profit and Loss Account, Summary Consolidated Statement of Total Recognised Gains and Losses, Summary Consolidated Balance Sheet, Company Balance Sheet, Summary Consolidated Statement of Shareholders' Funds, Summary Consolidated Cash Flow Statement and the related notes 1 to 2.

This report is made solely to the company's members, as a body, in accordance with Section 251 of the Companies Act 1985. To the fullest extent required by the law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Review and Summary Financial Statement in accordance with applicable law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review and Summary Financial Statement with the full annual accounts, Director's Report and Directors' Remuneration Report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

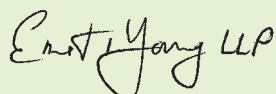
We also read the other information contained in the Annual Review and Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

### Basis of opinion

We conducted our examination in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

### Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, Directors' Report and Directors' Remuneration Report of Investec for the year ended 31 March 2003 and complies with the applicable requirements of section 251 of the Companies Act 1985, and regulations made thereunder.



Ernst & Young LLP  
Registered Auditor  
London

27 June 2003

## Summary financial statements

### Consolidated profit and loss account

For the year ended 31 March

(£'000)	2003			2002		
	Before goodwill and exceptional items	Goodwill and exceptional items	Total	Before goodwill and exceptional items	Goodwill and exceptional items	Total
Interest receivable - interest income arising from debt securities	171 066	–	171 066	205 398	–	205 398
Interest receivable - other interest income	697 805	–	697 805	666 802	–	666 802
Interest payable	(737 405)	–	(737 405)	(708 370)	–	(708 370)
<b>Net interest income</b>	<b>131 466</b>	<b>–</b>	<b>131 466</b>	<b>163 830</b>	<b>–</b>	<b>163 830</b>
Dividend income	3 597	–	3 597	2 081	–	2 081
Fees and commissions receivable	331 375	–	331 375	415 918	–	415 918
– annuity	286 782	–	286 782	335 845	–	335 845
– deal	44 593	–	44 593	80 073	–	80 073
Fees and commission payable	(54 768)	–	(54 768)	(74 671)	–	(74 671)
Dealing profits	45 231	–	45 231	49 485	–	49 485
Income from long-term assurance business	27 779	–	27 779	31 079	–	31 079
Other operating income	25 269	–	25 269	30 949	–	30 949
<b>Other income</b>	<b>378 483</b>	<b>–</b>	<b>378 483</b>	<b>454 841</b>	<b>–</b>	<b>454 841</b>
<b>Total operating income</b>	<b>509 949</b>	<b>–</b>	<b>509 949</b>	<b>618 671</b>	<b>–</b>	<b>618 671</b>
Administrative expenses	(392 466)	–	(392 466)	(428 510)	–	(428 510)
Depreciation and amortisation	(14 417)	(122 302)	(136 719)	(16 926)	(98 435)	(115 361)
– tangible fixed assets	(14 417)	–	(14 417)	(16 926)	–	(16 926)
– amortisation and impairment of goodwill	–	(122 302)	(122 302)	–	(98 435)	(98 435)
Provision for bad and doubtful debts	(18 308)	–	(18 308)	(14 668)	–	(14 668)
<b>Operating profit/(loss)</b>	<b>84 758</b>	<b>(122 302)</b>	<b>(37 544)</b>	<b>158 567</b>	<b>(98 435)</b>	<b>60 132</b>
Operating profit/(loss) from continuing operations	101 427	(116 599)	(15 172)	158 862	(92 654)	66 208
Operating loss from discontinued operations	(16 669)	(5 703)	(22 372)	(295)	(5 781)	(6 076)



## Summary financial statements

### Consolidated profit and loss account (continued)

For the year ended 31 March

(£'000)	2003			2002		
	Before goodwill and exceptional items	Goodwill and exceptional items	Total	Before goodwill and exceptional items	Goodwill and exceptional items	Total
<b>Operating profit/(loss)</b>	<b>84 758</b>	<b>(122 302)</b>	<b>(37 544)</b>	<b>158 567</b>	<b>(98 435)</b>	<b>60 132</b>
Share of income of associated companies	11 350	(1 644)	9 706	3 904	(821)	3 083
Exceptional items	–	(28 757)	(28 757)	–	(17 529)	(17 529)
Provision for losses on termination and disposal of group operations–discontinued	–	(9 437)	(9 437)	–	(7 056)	(7 056)
Impairment of goodwill on discontinued operations	–	(19 047)	(19 047)	–	–	–
Profit on termination and disposal of group operations–continuing	–	5 800	5 800	–	1 363	1 363
Fundamental reorganisation and restructuring costs–continuing	–	(6 073)	(6 073)	–	(11 836)	(11 836)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>96 108</b>	<b>(152 703)</b>	<b>(56 595)</b>	<b>162 471</b>	<b>(116 785)</b>	<b>45 686</b>
Tax on profit on ordinary activities	(5 357)	–	(5 357)	(31 257)	2 717	(28 540)
Tax on profit on ordinary continuing activities	858	–	858	(32 200)	–	(32 200)
Tax on loss on ordinary discontinued activities	(6 215)	–	(6 215)	943	–	943
Tax on provision for losses on termination and disposal of group operations–discontinued	–	–	–	–	2 717	2 717
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>90 751</b>	<b>(152 703)</b>	<b>(61 952)</b>	<b>131 214</b>	<b>(114 068)</b>	<b>17 146</b>
Minority interests–equity	(1 646)	–	(1 646)	(1 586)	–	(1 586)
<b>Profit/(loss) attributable to shareholders</b>	<b>89 105</b>	<b>(152 703)</b>	<b>(63 598)</b>	<b>129 628</b>	<b>(114 068)</b>	<b>15 560</b>
Dividends—including non-equity	(53 428)	–	(53 428)	(57 874)	–	(57 874)
<b>Retained profit/ (loss) for the year</b>	<b>35 677</b>	<b>(152 703)</b>	<b>(117 026)</b>	<b>71 754</b>	<b>(114 068)</b>	<b>(42 314)</b>
<b>(Loss)/profit attributable to shareholders</b>			<b>(63 598)</b>			<b>15 560</b>
Amortisation and impairments of goodwill			122 302			98 435
Profit on termination and disposal of group operations			(5 800)			(1 363)
Provision for losses on termination and disposal of group operations (net of deferred tax)			28 484			4 339
Amortisation of goodwill of associates			1 644			821
Fundamental reorganisation and restructuring costs			6 073			11 836
Preference dividends			(421)			(2 015)
<b>Earnings before goodwill and exceptional items</b>			<b>88 684</b>			<b>127 613</b>

## Summary financial statements

### Consolidated profit and loss account (continued)

For the year ended 31 March

(£'000)	2003	2002
<b>Earnings per share (pence)</b>		
– Basic	(70.4)	14.8
– Diluted	(70.4)	13.9
<b>Excluding goodwill and exceptional items</b>		
– Basic	97.6	139.8
Headline earnings–basic	90.9	126.8
<b>Dividends per share (pence)</b>	54.0	53.8

## Summary financial statements

### Consolidated statement of recognised gains and losses

For the year ended 31 March

(£'000)	2003	2002
(Loss)/profit for the year attributable to shareholders	(63 598)	15 560
Currency translation differences on foreign currency net investments	(13 870)	(69 737)
Unrealised surplus on revaluation of investment properties	18 265	10 254
<b>Total recognised gains and losses for the year</b>	<b>(59 203)</b>	<b>(43 923)</b>

There was no material difference between the results as reported and the results that would have been reported on an unmodified historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

## Summary financial statements

### Consolidated balance sheet

At 31 March

(£'000)	2003	2002
<b>Assets</b>		
Cash and balances at central banks	348 343	457 222
Treasury bills and other eligible bills	243 019	197 767
Loans and advances to banks	2 758 797	2 583 205
Loans and advances to customers	4 898 226	4 780 480
Debt securities	1 931 265	4 377 877
Equity shares	147 638	204 352
Interests in associated undertakings	62 422	45 026
Intangible fixed assets	299 773	384 900
Tangible fixed assets	205 982	186 761
Own shares	82 922	42 130
Other assets	1 211 441	1 177 727
Prepayments and accrued income	124 390	97 968
Long-term assurance business attributable to the shareholder	108 528	67 116
	12 422 746	14 602 531
Long-term assurance assets attributable to policyholders	2 536 319	2 354 401
	<b>14 959 065</b>	<b>16 956 932</b>
<b>Liabilities</b>		
Deposits by banks	2 129 292	3 645 308
Customer accounts	6 354 867	7 068 220
Debt securities in issue	1 089 756	606 246
Other liabilities	1 580 881	2 106 191
Accruals and deferred Income	255 281	218 132
	11 410 077	13 644 097
Long-term assurance liabilities attributable to policyholders	2 536 319	2 354 401
	13 946 396	15 998 498
<b>Capital resources</b>		
Subordinated liabilities (including convertible debt)	276 897	190 659
Minority interests - equity	38 804	33 473
Called up share capital	158	7 530
Share premium account	994 108	814 089
Shares to be issued	2 428	41 148
Revaluation reserves	29 160	11 202
Other reserves	(173 877)	(176 833)
Profit and loss account	(155 009)	37 166
Shareholders' funds	696 968	734 302
- equity	696 968	691 201
- non equity	-	43 101
	1 012 669	958 434
	<b>14 959 065</b>	<b>16 956 932</b>
<b>Memorandum items</b>		
Commitments	496 638	506 330
Contingent liabilities	348 906	299 316
	845 544	805 646

The directors' approved the accounts on 27 June 2003.

**S. Koseff**

Chief Executive Officer

## Summary financial statements

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

For the year ended 31 March

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

## Summary financial statements

### Consolidated cashflow statement

For the year ended 31 March

(£'000)	2003	2002
Net cash inflow from operating activities	79 262	680 542
Dividends received from associated undertakings	2 286	–
Net cash outflow from return on investments and servicing of finance	(25 511)	(39 315)
Taxation	(21 151)	(19 380)
Net cash outflow from capital expenditure and financial investment	(136 590)	(461 662)
Net cash outflow from acquisitions and disposals	(9 629)	(95 655)
Ordinary share dividends paid	(54 335)	(58 606)
Net cash inflow/(outflow) from financing	34 395	(22 510)
Decrease in cash	(131 273)	(16 586)
Cash and demand bank balances at beginning of the year	1 165 175	1 181 761
<b>Cash and demand bank balances at end of the year</b>	<b>1 033 902</b>	<b>1 165 175</b>

# Summary financial statements

## Accounting policies

The summary financial statements have been prepared on the basis of accounting policies set out in the group's Annual Report for the year ended 31 March 2003. The financial information shown is a summary of and/or has been directly taken from those accounts.

### Basis of presentation

The group comprises Investec plc, Investec Limited and their subsidiary undertakings.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

These financial statements have been prepared having regard to Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 in accordance with applicable UK accounting standards, and with the Statements of Recommended Practice issued by the British Bankers' Association, except where noted in the financial statements below.

An outline of the creation of the Dual Listed Company structure is explained in the section headed 'an overview of Investec's dual listed companies structure' as set out on pages 4 to 6.

Under UK GAAP the accounts of Investec plc and Investec Limited have been combined in accordance with S227 (5) of the Companies Act 1985 on the grounds that they form a single economic entity. The merger method of accounting has been used to account for the combination in accordance with the provisions of FRS 6 applying to group reconstructions, since the Dual Listed Company structure was brought into effect by de-merging the existing Investec group into two sub-groups headed by Investec plc and Investec Limited by virtue of share for share transfers which did not alter the rights of existing shareholders or the interest of any minority. The nature of the DLC merger has resulted in the inclusion of amounts attributable to the shareholders of both Investec plc and Investec Limited in capital and reserves on the balance sheet, and in attributable profit.

The effect of the DLC merger is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role. This is demonstrated by the following key features of the arrangements:

- The shareholders of Investec plc and Investec Limited have a common economic interest in both groups;
- The shareholders of Investec plc and Investec Limited take key decisions, including the election of directors, through a joint electoral procedure under which the shareholders of the two companies effectively vote on a joint basis;
- Investec plc and Investec Limited have a common Board of Directors, a unified management structure and joint objectives; and
- Dividends and capital distributions made by the two companies are equalised.

If either Investec plc or Investec Limited proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then Investec plc or Investec Limited will, so far as it is practicable to do so, enter into such transactions with each other as Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

### Comparatives

The information reflected for the prior year relates to Investec Limited (formerly Investec Group Limited) and its subsidiaries because prior to the implementation of the DLC structure, Investec Limited and its subsidiaries constituted the group. The prior year figures have been extracted from the Accountants' report included in the Preliminary Offering Circular, and have been adjusted for the following changes:

- The group changed its policy for the translation of intangible assets in respect of foreign entities. These

# Summary financial statements

## Basis of presentation

Intangible assets are now translated at the closing exchange rate instead of the exchange rate at the date of acquisition. The effect in UK GAAP of this change in policy is a decrease in goodwill as at 31 March 2002 by £66.3 million. The difference in each case has been taken directly to foreign currency translation reserves, resulting in a decrease in ordinary shareholders funds as at 31 March 2002. There is no effect on the tangible net asset value of the group.

- During the year the group conducted a thorough evaluation of the funding costs of trading desks as a result of which interest charges were reallocated between trading and funding desks within the Treasury division. Comparative figures have been restated to be consistent with this.

## Select notes to financial statements

For the year ended 31 March (£000)	Continuing		Discontinued	
	2003	2002	2003	2002
<b>I. Discontinued Operations</b>				
Interest receivable - interest income arising from debt securities	170 839	216 311	227	(10 913)
Interest receivable - other interest income	688 738	637 446	9 067	29 356
Interest payable	(732 170)	(702 728)	(5 235)	(5 642)
<b>Net interest income</b>	<b>127 407</b>	<b>151 029</b>	<b>4 059</b>	<b>12 801</b>
Dividend income	3 597	2 081	–	–
Fees and commissions receivable	298 323	338 100	33 052	77 818
annuity	256 167	262 587	30 615	73 258
deal	42 156	75 513	2 437	4 560
Fees and commission payable	(48 199)	(49 279)	(6 569)	(25 392)
Dealing profits	46 192	56 666	(961)	(7 181)
Income from long-term assurance business	27 779	31 079	–	–
Other operating income	26 263	31 089	(994)	(140)
<b>Other income</b>	<b>353 955</b>	<b>409 736</b>	<b>24 528</b>	<b>45 105</b>
<b>Total operating income</b>	<b>481 362</b>	<b>560 765</b>	<b>28 587</b>	<b>57 906</b>
Administrative expenses	(348 154)	(370 885)	(44 312)	(57 625)
Depreciation and amortisation	(130 072)	(109 004)	(6 647)	(6 357)
Provision for bad and doubtful debts	(18 308)	(14 668)	–	–
<b>Operating (loss)/profit</b>	<b>(15 172)</b>	<b>66 208</b>	<b>(22 372)</b>	<b>(6 076)</b>
Share of income of associated companies	9 706	3 083	–	–
Provision for losses on termination and disposal of group operations - discontinued	–	–	(9 437)	(7 056)
Impairment of goodwill on discontinued operations	–	–	(19 047)	–
Profits on termination and disposal of group operations - continuing	5 800	1 363	–	–
Fundamental reorganisation and restructuring costs - continuing	(6 073)	(11 836)	–	–
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(5 739)</b>	<b>58 818</b>	<b>(50 856)</b>	<b>(13 132)</b>



## Select notes to financial statements

For the year ended 31 March

(£'000)	2003	2002
<b>2. Dividends and earnings per share</b>		
<b>Ordinary dividends - pence per share</b>		
Interim	26.0	25.9
Final	28.0	27.9
	<u>54.0</u>	<u>53.8</u>
<b>Ordinary dividends</b>		
Other (*)	–	5 848
Interim	27 539	24 232
Final	25 468	25 779
	<u>53 007</u>	<u>55 859</u>
* This relates to dividends paid in respect of shares issued cum dividend after 31 March 2001		
<b>Preference dividends</b>		
Dividends	421	2 015
<b>Total dividends</b>	<u>53 428</u>	<u>57 874</u>
<b>Earnings per share - pence per share</b>		
Basic earnings per share (pence per share) is calculated by dividing the (loss)/profit attributable to the ordinary shareholders in Investec plc by the weighted average number of ordinary shares in issue during the period.	(70.4)	14.8
Group (loss)/profit attributable to the shareholders per profit and loss account	(63 598)	15 560
Preference dividends	421	(2 015)
Group (loss)/profit attributable to ordinary shareholders	<u>(64 019)</u>	<u>13 545</u>
<b>Diluted earnings per share - pence per share</b>		
Group (loss)/profit attributable to ordinary shareholders	<u>(64 019)</u>	<u>13 545</u>

## Select notes to financial statements

For the year ended 31 March

(£'000)	2003	2002
<b>2. Dividends and earnings per share (continued)</b>		
Diluted earnings per share is calculated by dividing the profit/(loss) attributable to the ordinary shareholders of Investec plc, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares (being share options outstanding not yet exercised) during the year:	(70.4)	13.9
Weighted average number of shares in issue during the year	100 076 316	91 519 045
Weighted average number of own shares	(9 197 610)	(237 582)
	90 878 706	91 281 463
Weighted average number of shares in issue resulting from future dilutive potential shares	–	200 000
Weighted average number of shares resulting from future dilutive convertible instruments	–	6 154 291
Adjusted weighted number of shares potentially in issue	90 878 706	97 635 754
<b>Excluding goodwill and exceptional items - pence per share</b>		
Basic earnings per share excluding goodwill and exceptional items (pence per share) are calculated by dividing the profit before deducting goodwill amortisation and impairment and exceptional items attributable to the ordinary shareholders in Investec plc by the weighted average number of ordinary shares in issue during the year:	97.6	139.8
(Loss)/profit attributable to ordinary shareholders	(64 019)	13 545
Amortisation and impairment of goodwill	122 302	98 435
Profit on termination and disposal of group operations - continuing	(5 800)	(1 363)
Provision for losses on termination and disposal of Group operations (net of deferred tax)	9 437	4 339
Impairment of goodwill on discontinued operations	19 047	–
Amortisation of goodwill of associates	1 644	821
Fundamental reorganisation and restructuring costs- continuing	6 073	11 836
Earnings attributable to ordinary shareholders excluding goodwill and exceptional items	88 684	127 613

## Select notes to financial statements

For the year ended 31 March

(£'000)	2003	2002
<b>2. Dividends and earnings per share (continued)</b>		
<b>Headline earnings per share</b>		
Headline earnings per share (pence per share) has been calculated in accordance with the definition in the Institute of Investment Management Research ("IIMR") Statement of Investment Practice No. 1 "The Definition of Headline Earnings."	90.9	126.8
(Loss)/profit attributable to ordinary shareholders	(64 019)	13 545
Amortisation and impairment of goodwill	122 302	98 435
Profit on termination and disposal of group operations - continuing	(5 800)	(1 363)
Provision for losses on termination and disposal of Group operations (net of deferred tax)	9 437	4 339
Impairment of goodwill on discontinued operations	19 047	–
Amortisation of goodwill of associates	1 644	821
Headline earnings attributable to ordinary shareholders	82 611	115 777

In terms of the DLC sharing agreements, Investec plc and Investec Limited shareholders share equally in the profits of the group. Accordingly, in the earnings per share calculations, the weighted average number of shares in issue includes both the Investec plc and Investec Limited shares in issue.

## Investec plc parent company accounts - balance sheet

At 31 March

(£'000)	Notes	2003	2002
<b>Fixed assets</b>			
Investments	a	421 503	62
<b>Current assets</b>			
Other debtors		35 203	50
<b>Creditors falling due within one year</b>		(61 475)	(62)
<b>Net current liabilities</b>		(26 272)	(12)
<b>Total assets less current liabilities</b>		395 231	50
<b>Capital and reserves</b>			
Called up equity share capital		113	50
Share premium account	b	393 823	–
Capital redemption reserve	b	50	–
Profit and loss account	b	1 245	–
		395 231	50

The directors' approved the accounts on 27 June 2003.

**S. Koseff**

Chief Executive Officer

### Notes:

For the year ended 31 March

(£'000)	Subsidiaries	Other	Total
<b>a. Investments</b>			
At 1 April 2002	62	–	62
Additions	703 224	5	703 229
Disposals	(281 789)	–	(281 789)
Exchange movements	1	–	1
At 31 March 2003	421 498	5	421 503

As explained on page 67 under the heading "Group restructure".

## Notes to Investec plc parent company accounts

### b. Reserves

	Share premium	Capital Redemption Reserves	Profit and loss account	Total Reserves
At 1 April 2002	–	–	–	–
Transfer	–	50	(50)	–
Issue of new shares	421 334	–	–	421 334
Bonus issue of shares	(38)	–	–	(38)
Share issue expenses	(27 473)	–	–	(27 473)
Retained profit	–	–	1 295	1 295
At 31 March 2003	393 823	50	1 245	395 118

### Parent company profit and loss account

The Company has taken advantage of the exemption in s 230 of the Companies Act 1985 not to present its own profit and loss account. The Company's profit for the year, determined in accordance with the Act, was £1 295 237 (2002 : Nil).

### c. Reconciliation of shareholders' equity

	2003	2002
Issue of shares	421 358	50
Share issue expenses	(27 472)	–
Retained profit for the year	1 295	–
Opening shareholders' equity	50	–
Closing shareholders' equity	395 231	50

## Definitions UK GAAP

**Annuity income as a percentage of operating income:** Net interest income and annuity commissions receivable less commissions payable expressed as a percentage of operating income.

**Assets under administration:** Includes third party assets under administration and on-balance sheet assets.

**Capital resources:** Includes shareholders' funds, subordinated liabilities and minority interests.

**Cost to income ratio:** Administrative expenses and depreciation divided by operating income.

**Dividend cover:** Earnings per ordinary share pre exceptional items and amortisation of goodwill divided by dividends per ordinary share.

**Dividend yield (%):** Dividends per ordinary share divided by the closing share price on the London Stock Exchange.

**Earnings before exceptional items and goodwill amortisation:** As per calculation on page 82.

**Earnings yield (%):** Earnings per ordinary share pre exceptional items and amortisation of goodwill divided by the closing share price on the London Stock Exchange.

**Headline earnings:** As per calculation on page 83.

**Effective tax rate:** Tax charge expressed as a percentage of operating profit.

**Market capitalisation:** Number of shares in issue, multiplied by the closing share price of Investec plc on the London Stock Exchange.

**Net interest income:** Interest receivable less interest payable.

**Non-performing loans (NPL):** An exposure is classified as an NPL when there is prospect of non-recovery of interest or it is deemed imprudent to bring interest to account.

**Number of shares in issue on a fully converted basis:** Based on the number of shares in issue assuming conversion of all debentures and convertible preference shares.

**Operating income:** All income less interest payable and fees and commissions payable.

**Operating profit:** Operating income less administrative expenses, provisions for bad and doubtful debts and depreciation of tangible fixed assets before goodwill amortisation and exceptional items.

**Operating profit - Southern Africa & Other:** Operating profit earned in South Africa, Mauritius and Botswana.

**Operating profit - Non-Southern Africa & Other:** Operating profit earned in UK and Europe, Australia, Israel and the US.

**Price earnings ratio:** The closing share price on the London Stock Exchange divided by the earnings per share pre exceptional items and amortisation of goodwill.

**Return on average net asset value:** Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average shareholders' funds.

**Return on average tangible shareholders' funds:** Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average tangible shareholders' funds i.e. excluding goodwill.

**Staff compensation to operating income ratio:** Fixed and variable staff costs expressed as a percentage of operating income.

**Total core loans and advances:** Loans and advances to customers less cash and short-term funds included therein.

**Weighted number of shares in issue:** The number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group.



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## Directors' responsibility

### Summary financial Statements for Investec Limited (incorporating the results of Investec plc)

The summary 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 Summary Financial Statements are only a summary of information in *Investec's Annual Report 2003* (Annual Report). It is not the group's statutory accounts and does not contain sufficient information to allow as full an understanding of the results and state of affairs of the group as would be provided by the full Annual Report. For further information, the full annual financial statements, the auditors' report on those financial statements and the Directors' Report should be consulted. The summary financial statements appearing on pages 98 to 104 were approved by the Board of Directors on 27 June 2003 and are signed on its behalf by



Hugh Herman  
Chairman



Stephen Koseff  
Chief Executive officer



## Declaration by the 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 2003, 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  
27 June 2003

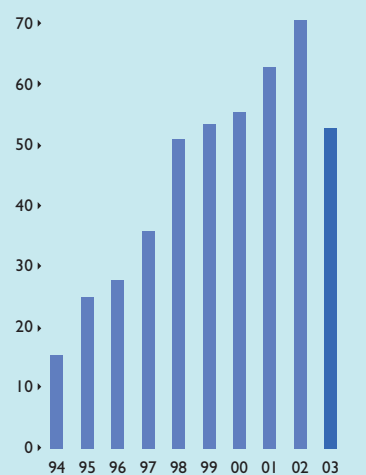
## Ten year review

for the year ended 31 March	10 year compound growth	2003	2002	2001	2000
<b>Income statement and selected returns</b>					
Headline earnings attributable to ordinary shareholders (R million)	39.1%	1 461	1 506	1 314	1 047
Headline net income before tax (NIBT) (R million)	44.1%	2 196	2 372	1 825	1 553
Headline NIBT: Southern Africa and other (% of earnings)		78	57	39	30
Headline NIBT: Non-Southern Africa and other (% of earnings)		22	43	61	70
Headline return on average tangible shareholders' funds (%)		24.2	24.7	25.8	24.3
Return on average risk - weighted assets (%)		2.3	2.7	3.0	2.8
<b>Balance sheet</b>					
Total assets (R billion)	42.4%	206	309	195	174
Total capital resources (R million)	39.2%	13 468	17 498	11 240	7 895
Cash and short-term funds as a percentage of, total assets (%)		43.9	57.0	63.3	64.4
Assets under management (R billion)	48.7%	527	749	514	486
<b>Salient financial features and key statistics</b>					
Headline earnings per share (cents)	23.8%	1 499	1 646	1 628.2	1 300.9
Dividends declared per share (cents)	23.6%	751	825	750	620
Dividend cover (times)		1.98	2.0	2.2	2.1
Tangible net asset value per share (Rands)	16.2%	52.9	70.9	63.1	55.7
Share price (cents)	10.6%	7 650	13 000	19 700	26 020
Number of shares in issue on a fully-converted basis (R million)		115.1	109.2	97.9	92.6
Weighted number of ordinary shares in issue (R million)		97.5	91.5	80.7	80.5
Market capitalisation (R million)	22.9%	8 805	14 196	19 286	24 095
Year end \$/ZAR exchange rate		7.9300	11.3515	8.0039	6.5570
Year end £/ZAR exchange rate		12.5127	16.1577	11.3956	10.4617
<b>Personnel</b>					
Number of employees in the group		4 874	5 529	4 836	4 441
Net contribution per employee (R'000)	13.7%	282	272	339	320

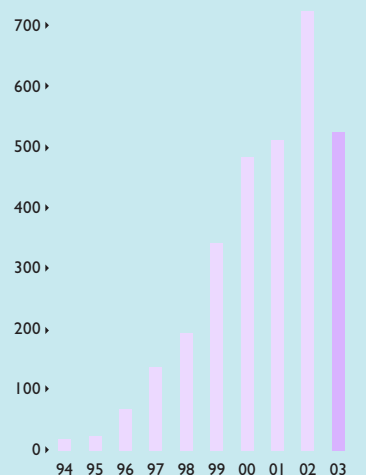
Refer to definitions on page 112

<sup>a</sup> The group's net income before tax was predominantly earned in Southern Africa.

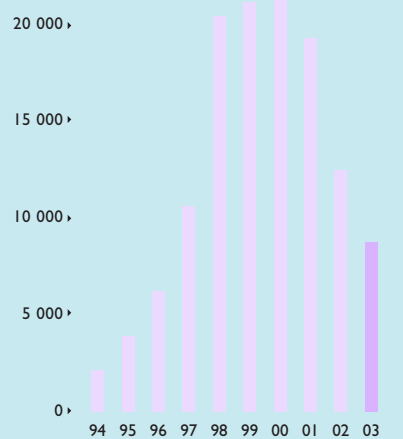
	1999	1998	1997	1996	1995	1994
	787	487	341	235	148	80
	1 016	562	419	265	181	88
	33	63	67	71	74	— <sup>a</sup>
	67	37	33	29	26	— <sup>a</sup>
	19.0	15.2	16.0	15.5	15.0	17.2
	2.5	2.5	2.5	2.5	2.3	2.0
	118	86	62	47	15	11
	7 667	5 219	3 500	2 289	1 829	909
	62.2	62.5	69.5	74.6	44.8	47.6
	344	195	138	69	24	19
	989.6	672.9	523.8	419.8	310.7	2 24.2
	475	350	260	200	150	115
	2.1	1.9	2.0	2.1	2.1	1.9
	53.6	51.2	36.0	27.8	25.1	15.5
	22 900	25 600	13 800	9 000	6 500	4 500
	92.5	79.9	77.0	68.9	60.0	47.4
	79.5	77.7	72.4	63.4	53.3	41.7
	21 178	20 451	10 619	6 205	3 900	2 132
	6.1925	5.0340	4.4225	3.9918	3.5930	3.4785
	9.9935	8.4707	7.2020	6.0882	5.8027	5.1621
	3 721	2 706	2 238	1 659	1 345	1 067
	307	270	240	178	139	108



Tangible net asset value per share (R million)



Assets under administration (R billions)



Market capitalisation (R million)

## Summary director's report

### Nature of business

Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the UK and South Africa, as well as certain other geographies including Australia and Israel. Investec is organised into four principal divisions, namely Investment Banking, Treasury and Specialised Finance, Private Client Activities and Asset Management. In addition, Investec's head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as the group's property business, trade finance and traded endowment operations.

This report deals with the requirements for the legal entity, Investec Limited. The directors report for the legal entity Investec plc can be found on page 67.

### Group restructure

At a members' meeting held on 12 July 2002, resolutions were passed approving inter alia, a capital restructure, the change in name of Investec Group Limited to Investec Limited, the transfer of the majority of Investec Limited's operations outside continental South Africa and Mauritius to Investec plc or its subsidiaries, the Dual Listed Companies (DLC) structure and the unbundling by Investec Limited of its entire shareholding in Investec plc to members, in the ratio of 63 Investec plc ordinary shares for every 100 Investec Limited ordinary shares held before the capital restructure, by way of a dividend in specie and reduction of share capital and share premium.

As a consequence, for every 100 Investec Group Limited ordinary shares held, members received 63 Investec plc ordinary shares and 37 Investec Limited ordinary shares.

The unconditional primary listing of Investec plc on the London Stock Exchange commenced on 29 July 2002 and its secondary listing on the JSE Securities Exchange South Africa commenced on 29 July 2002.

### Authorised and issued share capital

On 23 April 2002, 1 405 150 ordinary shares were cancelled at R226.00 per share and 1 524 207 ordinary shares at R142.00 per share.

On 28 May 2002, 762 358 ordinary shares were cancelled at R226.00 per share and 220 304 ordinary shares at R166.00 per share.

On 18 June 2002, 6 000 000 ordinary shares were issued at R160.00 per share and 3 500 000 ordinary shares at R200.00 per share as consideration for the acquisition of 9 500 000 convertible debentures issued by Investec Bank Limited.

On 15 July 2002, the 2 000 000 class A variable rate compulsorily convertible non-cumulative preference shares converted into a like number of ordinary shares at R230.00 per share, bringing the total number of ordinary shares in issue to 103 781 158.

At a members' meeting held on 12 July 2002, special resolutions were passed in terms of which:

- The authorised share capital of 152 000 000 (after the abovementioned conversion), and issued share capital of 103 781 158 ordinary shares of 60 cents each respectively, were subdivided by a factor of 600 to 1 into 91 200 000 000 and 62 268 694 800 ordinary shares respectively of R0.001 each.
- The share capital was reduced by the cancellation of 62 230 295 772 issued ordinary shares of R0.001 each without a distribution of capital and the cancellation of 91 144 500 000 authorised ordinary shares of R0.001 each, resulting in authorised share capital of 55 500 000 ordinary shares of R0.001 each and issued share capital of 38 399 028 ordinary shares of R0.001 each.
- One Dividend Access (South African Resident) Redeemable Preference Share with a par value of R1.00 and one Dividend Access (Non-South African Resident) Redeemable Preference share with a par value of R1.00 were created. These shares were issued at par on 29 July 2002.
- 112 000 000 Special Convertible Redeemable Preference shares with a par value of R0.001 were created and 70 633 746 were issued at par on 29 July 2002.

## Summary director's report

On 29 July 2002, 499 ordinary shares of R0.001 were issued at par, being the net rounding up differential arising from the group restructure.

At the Annual General Meeting held on 20 November 2002, a special resolution was passed in terms of which the 8 000 000 class A variable rate compulsorily convertible non-cumulative preference shares of 60 cents each were subdivided by a factor of 600 to 1 into 4 800 000 000 shares of R0.001 cents each and 4 792 000 000 authorised but unissued shares were cancelled, reducing the par value of these shares to R0.001 each.

On 28 November 2002, 1 750 variable rate redeemable cumulative preference shares of 60 cents each were issued at R100 000.00 per share.

On 20 March 2003, 600 variable rate redeemable cumulative preference shares of 60 cents each were issued at R1 000 000.00 per share.

### Dividends

(R'mn)	2003	2002
<b>Ordinary dividends</b>		
The following ordinary dividends were declared:		
Interim dividend of 395 cents per share (2002 - 375) to shareholders registered on 13 December 2002 - paid on 24 December 2002.	392	350
The directors have proposed a final dividend of 356 cents per share (2002 - 450 cents) to shareholders registered on 18 July 2003, to be paid on 11 August 2003. The dividend will be satisfied by the payment of a dividend by Investec plc, in terms of the DLC equalisation principles, and is subject to the approval of the members of Investec plc at the Annual General Meeting scheduled for 7 August 2003.	–	415
The holder of 3 515 000 Investec Limited shares has agreed to waive its right to the proposed final dividend.		
<b>Preference dividends</b>		
The following preference dividends were paid or accrued:		
Redeemable preference shares	9	310

### Directors and secretary

Details of the directors and secretary are reflected on page 63 and at the beginning of the report, respectively.

Pursuant to the group restructure 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 and on the same date Messrs J. N. Abell, G. O. F. Alford, P. M. Malungani and Sir Chips Keswick were appointed to the board. 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.

On 20 June 2003, Miss. H Fukuda and Mr. G. Howe will be appointed to the board with effect from 21 July 2003.

### Directors and their interests

Directors' shareholdings and options to subscribe are set out on pages 57 to 62.

The company's register of directors' interests contains full details of directors' shareholdings and options to subscribe.

### Share incentive trusts

Details regarding options granted during the year are set out below:

## Summary director's report

### Details of share options:

Instrument	Expiry date	2003		2002		
		Exercise price	Number of options issued/ exercised	Expiry date	Expiry price	Number of options issued/ exercised
<b>Granted during the year</b>						
Investec Group Limited	13 Sept 2007	R164.50	6 736 260	1 March 2012	174.72	2 715 853
Investec Group Limited	13 Sept 2007	R170.00	770 612			
Investec plc	19 Mar 2007	R111.96	1 117 845			
Investec Limited	19 Mar 2007	R111.32	833 586			
Investec plc	19 Mar 2007	£7.93	775 401			
Investec plc	19 Mar 2012	£7.93	434 123			
			10 667 827			2 715 853
<b>Exercised during the year</b>						
Investec Group Limited		R78.93	5 940	2002-2009	134.86	42 009
Investec Holdings Limited		R67.43	6 893			

### Terms of options at 31 March 2003

	SA Schemes			UK Schemes			
	Average exercise price	Number of Investec Ltd shares	Number of Investec plc shares	Average exercise price	Number of Investec Ltd shares	Average exercise price	Number of Investec plc shares
31 March 04	R 169.76	116 779	198 839	R 246.00	229 516	£15.73	390 798
31 March 05	R 169.51	30 821	52 478	R 235.45	104 180	£15.06	177 388
31 March 06	R 163.56	16 334	27 812	R 169.80	131 431	£10.86	223 789
31 March 07	R 157.06	6 824	11 618	R 151.06	1 507 217	£9.86	2 650 110
31 March 08	R 148.05	1 948 484	3 455 015	R 246.00	237 902	£15.73	405 076
31 March 09	R 205.59	46 368	78 950				
31 March 10	R 240.21	141 640	241 170	R 236.03	44 300	£15.09	75 430
31 March 11	R 241.39	132 460	225 540	R 130.28	224 673	£8.88	417 750
31 March 12	R 174.52	591 915	1 007 855				
31 March 13	R 168.00	2 220	3 781				
		3 033 845	5 303 058		2 479 219		4 340 341
<b>Total options at 31 March 2003</b>			<b>15 156 463</b>				

Note: SA Scheme participants are granted options over Investec Limited shares and Investec plc shares with an exercise price in Rands. UK scheme participants are granted options over Investec Limited shares with an exercise price in Rands and over Investec plc shares with an exercise price in Sterling.

# Summary director's report

## Terms of options at 31 March 2002

### Options of Investec Group Limited shares

Expiry date	Average Exercise Price	Number
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

### 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.

### Subsidiary and associated companies

The interest of the company in the aggregate profits after tax of its subsidiary companies for the year is R1 617 million (2002 - R6 470 million) and its share in aggregate losses is R2 107 million (2002 - R189 million).

### Special resolutions

At a members' meeting held on 12 July 2002, special resolutions were passed in terms of which:

- The share capital was restructured, the details of which are set out above under "share capital".
- A new Memorandum and Articles of Association were adopted.
- The name of Investec Group Limited was changed to Investec Limited.
- A dividend was declared out of distributable and non-distributable reserves and share premium was reduced, such dividend and capital reduction being settled in specie by the distribution of 63 Investec plc ordinary shares of £0.001 each for every 100 Investec Group Limited ordinary shares.

At the Annual General Meeting held on 20 November 2002, special resolutions were passed in terms of which:

- The par value of the class A variable rate compulsorily convertible non-cumulative preference shares was reduced to R0.001 each as set out above under Share Capital and the Memorandum of Association was amended accordingly.
- Articles 85 and 86 of the Articles of Association were amended to provide for the selection of directors who retire by rotation.
- Certain amendments to the Articles of Association of Investec plc were approved.
- A renewable authority was granted to the company to acquire its own shares and for its subsidiaries to acquire shares in Investec Limited in terms of Sections 85 and 86 of the Companies Act, 1973.

### Major shareholders

At 31 March 2003 the following were the beneficial owners of 5% or more of the issued ordinary shares of the Company:

Public Investment Commissioner	13.8%
Fintique III (BVI)	9.7%
Old Mutual Life Assurance	7.3%

## Summary director's 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.

### Subsequent events

On 15 May 2003, it was announced that agreement had been reached in terms of which Peu Investment Group and Tiso Group, together with a broad-based Entrepreneurship Development Trust and a new Investec employee share trust, will acquire in separate transactions a total interest of 25.1% interest in the issued share capital of Investec Limited. This will include the issue of 5 600 000 new shares by Investec Limited at R90 per share. The Public Investment Commissioner has agreed to provide funding to facilitate the proposed transaction.

By order of the Board



Selwyn Noik  
Secretary

27 June 2003



# Report of the independent auditors

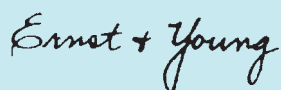
## To the Members of Investec Limited

The summarised financial statements of Investec Limited (incorporating the results of Investec plc) set out in pages 98 to 104 have been derived from the annual financial statements of the group for the year ended 31 March 2003. We have audited the annual financial statements in accordance with statements of South African Auditing Standards. In our report dated 27 June 2003, we expressed an unqualified opinion on the financial statements from which the summarised annual financial statements were derived.

### Audit opinion

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the annual financial statements from which they were derived.

For a better understanding of the scope of our audit and the group's financial position, the results of its operations and cash flows for the period, the summarised financial statements should be read in conjunction with our audit report and the annual financial statements from which the summarised financial statements were derived.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Ernst & Young  
Registered Accountants and Auditors  
Chartered Accountants (SA)  
Johannesburg

27 June 2003

## Summary income statement

For the year ended 31 March

(R millions)	2003			2002		
	Before goodwill and headline adjustments	Goodwill and headline adjustments	Total	Before goodwill and headline adjustments	Goodwill and headline adjustments	Total
<b>Continuing operations</b>						
Interest received	13 071	–	13 071	11 028	–	11 028
Interest paid	(11 042)	–	(11 042)	(8 967)	–	(8 967)
<b>Net interest income</b>	<b>2 029</b>	<b>–</b>	<b>2 029</b>	<b>2 061</b>	<b>–</b>	<b>2 061</b>
Provision for bad and doubtful debts	(305)	–	(305)	(202)	–	(202)
<b>Total interest related income</b>	<b>1 724</b>	<b>–</b>	<b>1 724</b>	<b>1 859</b>	<b>–</b>	<b>1 859</b>
Other income	5 811	–	5 811	5 475	–	5 475
<b>Total income</b>	<b>7 535</b>	<b>–</b>	<b>7 535</b>	<b>7 334</b>	<b>–</b>	<b>7 334</b>
Total operating expenses	(5 262)	–	(5 262)	(4 962)	–	(4 962)
Reorganisation and restructuring costs	(77)	–	(77)	–	–	–
<b>Operating profit before headline adjustments and taxation</b>	<b>2 196</b>	<b>–</b>	<b>2 196</b>	<b>2 372</b>	<b>–</b>	<b>2 372</b>
Goodwill impairment and amortisation	–	(1 970)	(1 970)	–	(1 315)	(1 315)
Profit on disposal of subsidiaries and fixed assets	–	–	–	–	19	19
Loss on impairment of non-trading loans	–	(263)	(263)	–	–	–
Profit on disposal of non-trading loans	–	–	–	–	267	267
<b>Operating profit/(loss)</b>	<b>2 196</b>	<b>(2 233)</b>	<b>(37)</b>	<b>2 372</b>	<b>(1 029)</b>	<b>1 343</b>
Share of income of associated companies	160	–	160	62	(45)	17
<b>Operating profit from continuing operations</b>	<b>2 356</b>	<b>(2 233)</b>	<b>123</b>	<b>2 434</b>	<b>(1 074)</b>	<b>1 360</b>
Taxation	(11)	–	(11)	(432)	–	(432)
<b>Income after taxation from continuing operations</b>	<b>2 345</b>	<b>(2 233)</b>	<b>112</b>	<b>2 002</b>	<b>(1 074)</b>	<b>928</b>
<b>Discontinued operations</b>						
Interest received	146	–	146	408	–	408
Interest paid	(81)	–	(81)	(230)	–	(230)
<b>Net interest income</b>	<b>65</b>	<b>–</b>	<b>65</b>	<b>178</b>	<b>–</b>	<b>178</b>
Provision for bad and doubtful debts	–	–	–	–	–	–
<b>Total interest related income</b>	<b>65</b>	<b>–</b>	<b>65</b>	<b>178</b>	<b>–</b>	<b>178</b>
Other income	391	–	391	577	–	577
<b>Total income</b>	<b>456</b>	<b>–</b>	<b>456</b>	<b>755</b>	<b>–</b>	<b>755</b>
Total operating expenses	(707)	–	(707)	(757)	–	(757)
<b>Operating loss before headline adjustments and taxation</b>	<b>(251)</b>	<b>–</b>	<b>(251)</b>	<b>(2)</b>	<b>–</b>	<b>(2)</b>
Goodwill impairment and amortisation	–	(334)	(334)	–	(60)	(60)
Loss on disposal of subsidiaries and fixed assets	–	(152)	(152)	–	(79)	(79)
<b>Operating loss from discontinued operations</b>	<b>(251)</b>	<b>(486)</b>	<b>(737)</b>	<b>(2)</b>	<b>(139)</b>	<b>(141)</b>
Taxation	(67)	–	(67)	12	39	51
<b>Loss after taxation from discontinued operations</b>	<b>(318)</b>	<b>(486)</b>	<b>(804)</b>	<b>10</b>	<b>(100)</b>	<b>(90)</b>

## Summary income statement

For the year ended 31 March

(R millions)	2003		Total	2002		Total
	Before goodwill and headline adjustments	Goodwill and headline adjustments		Before goodwill and headline adjustments	Goodwill and headline adjustments	
<b>Total profit/(loss) after taxation</b>	<b>2 027</b>	<b>(2 719)</b>	<b>(692)</b>	<b>2 012</b>	<b>(1 174)</b>	<b>838</b>
Earnings attributable to minority shareholders	(23)	–	(23)	(22)	–	(22)
Compulsorily convertible debenture interest	(304)	–	(304)	(305)	–	(305)
<b>Earnings/(loss) attributable to ordinary shareholders</b>	<b>1 700</b>	<b>(2 719)</b>	<b>(1 019)</b>	<b>1 685</b>	<b>(1 174)</b>	<b>511</b>
<b>(Loss)/earnings attributable to ordinary shareholders</b>			<b>(1 019)</b>			<b>511</b>
Goodwill amortisation and impairment			2 304			1 375
Revaluation of investment properties			(239)			(179)
Loss on disposal of subsidiaries and fixed assets			152			21
Loss on impairment of non-trading loans			263			–
Profit on disposal of non-trading loans			–			(267)
Share of associates exceptional items			–			45
<b>Headline earnings attributable to ordinary shareholders</b>			<b>1 461</b>			<b>1 506</b>
(Loss)/earnings per share (cents)			(1 045)			558
Headline earnings per share (cents)			1 499			1 646
Diluted (loss)/earnings per share (cents)			(1 045)			548
Dividends paid per share (cents)			845			815
Weighted average number of ordinary shares in issue (millions)			97			92

**Note:**

It is the group's policy, under SA GAAP, to fair value all investment property assets to the income statement. In line with the interpretation contained in circular 07/02, issued in December 2002 by the South African Institute of Chartered Accountants, all gains and losses recognised on investment properties in a reporting period have been deducted in arriving at headline earnings. Prior year results have been restated accordingly.

## Summary balance sheet

At 31 March

(R millions)	2003	2002
<b>Assets</b>		
Cash and short-term funds	69 524	111 224
Short-term negotiable securities	20 748	64 738
Investment and trading securities	15 460	18 083
Other assets	10 625	12 440
Advances	49 371	53 347
Associated companies	621	503
Property and equipment	2 124	2 499
Goodwill	4 097	6 967
Long-term assurance assets attributable to the shareholder	1 536	960
	174 106	270 761
Long-term assurance assets attributable to policyholders	31 736	38 042
	<b>205 842</b>	<b>308 803</b>
<b>Equity and Liabilities</b>		
<b>Capital and Reserves</b>		
Ordinary share capital	2	58
Compulsorily convertible debentures	661	2 317
Convertible preference shares	–	385
Reserves	9 518	11 952
	10 181	14 712
Interest of minority shareholders in subsidiaries	486	541
Total shareholders' funds	10 667	15 253
Subordinated debt	2 801	2 245
	13 468	17 498
<b>Liabilities</b>		
Deposits and other accounts	160 114	252 750
Taxation	524	513
	160 638	253 263
Long-term assurance liabilities attributable to policyholders	31 736	38 042
	<b>205 842</b>	<b>308 803</b>

## Summary consolidated statements of reconciliations for shareholders' funds and movements on reserves

For the year ended 31 March

(R millions)	2003	2002
Balance at the beginning of year	14 712	9 392
As previously reported	13 230	9 028
Prior year adjustment	1 482	364
Net issue of shares and debentures	618	4 339
Own shares acquired	(521)	(1 584)
Earnings attributable to ordinary shareholders	(1 019)	511
Dividend paid	(807)	(791)
Movement in foreign currency translation reserves	(2 820)	3 096
Movement in investment revaluation reserves	18	(251)
	<b>10 181</b>	<b>14 712</b>

## Summary abridged cash flow statements

For the year ended 31 March

(R millions)	2003	2002
Cash retained from operating activities	1 277	1 225
Cash (utilised) in investing activities	(35)	(1 649)
Cash flows from banking activities	(24 902)	24 667
Cash flows from assurance activities	(1 225)	161
Cash inflows/(outflows) from financing activities	647	(395)
Net increase/(decrease) in cash and short-term funds	(24 238)	24 009
Cash and short-term funds at beginning of period	111 224	69 176
Effect of exchange rates on opening balance of cash and short-term funds	(17 462)	18 039
<b>Cash and short-term funds at end of period</b>	<b>69 524</b>	<b>111 224</b>

## Accounting policies

### **Basis of presentation**

The summary financial statements presented are for Investec Limited, incorporating the results of Investec plc. In these summary financial statements Investec plc and its subsidiaries are consolidated as foreign subsidiaries into the results of Investec Limited. The equity of Investec plc has been shown in equity to reflect the economic interests of these external parties. This approach has been adopted because a shareholder in Investec Limited participates in the economic results of both Investec Limited and Investec plc in terms of the DLC sharing arrangements.

The prior year figures presented are those of Investec Limited, previously Investec Group Limited, as the DLC sharing arrangements did not exist in the prior year. As Investec plc and Investec Limited were formed out of Investec Group Limited, the comparative figures represent the activities of the group prior to the implementation of the DLC structure.

### **Basis of preparation**

The summary 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 summary financial statements uniform accounting policies have been applied throughout the group. The summary financial statements have been prepared on the basis of accounting policies set out in the group's annual report for the year ended 31 March 2003. The presentation currency is in Rand millions, unless otherwise indicated. The functional currency of the Investec Limited group is Rands.

## Select notes to financial statements

### I. Segmental information

Geographic and business analysis of operating profits before headline adjustments, taxation and discontinued operations

For the year ended 31 March 2003

(R millions)	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Private Client Activities	214	356	25	21	–	616
Treasury and Specialised Finance	467	(68)	(11)	2	–	390
Investment Banking	83	43	41	26	–	193
Asset Management and Assurance Activities	997	26	–	2	–	1 025
- Asset Management	262	26	–	2	–	290
- Assurance Activities	735	–	–	–	–	735
Group Services and Other Activities	(54)	(37)	33	–	30	(28)
<b>Operating profits before headline adjustments and taxation</b>	<b>1 707</b>	<b>320</b>	<b>88</b>	<b>51</b>	<b>30</b>	<b>2 196</b>

For the year ended 31 March 2002

(R millions)	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Private Client Activities	166	367	(33)	46	–	546
Treasury and Specialised Finance	552	154	17	4	–	727
Investment Banking	249	297	34	52	–	632
Asset Management and Assurance Activities	466	29	–	4	–	499
- Asset Management	246	29	–	4	–	279
- Assurance Activities	220	–	–	–	–	220
Group Services and Other Activities	(71)	28	(3)	(2)	16	(32)
<b>Operating profits before headline adjustments and taxation</b>	<b>1 362</b>	<b>875</b>	<b>15</b>	<b>104</b>	<b>16</b>	<b>2 372</b>

## Select notes to financial statements

For the year ended 31 March

(R millions)	2003	2002
<b>2. Earnings per share</b>		
<b>Headline earnings attributable to ordinary shareholders</b>		
<b>Calculation of headline earnings</b>		
(Loss)/earnings attributable to ordinary shareholders	(1 019)	511
Headline adjustments	2 480	995
Goodwill amortisation and impairment	2 304	1 375
Revaluation of investment properties	(239)	(179)
Loss on disposal of subsidiaries and fixed assets	152	21
Loss on impairment of non-trading loans	263	–
Profit on disposal of non-trading loans	–	(267)
Share of associates' exceptional items	–	45
Headline earnings	1 461	1 506
(Loss)/earnings per share (cents)	(1 045)	558
Headline earnings per share (cents)	1 499	1 646
Weighted average number of ordinary shares in issue (millions)	97	92
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.		
(Loss)/earnings attributable to ordinary shareholders	(1 019)	511
Increase in after tax earnings as a result of conversion of convertible debentures which have a dilutive effect on earnings per share	–	2
Diluted (loss)/earnings attributable to ordinary shareholders	(1 019)	513
Diluted (loss)/earnings per share (cents)	(1 045)	548
Fully diluted weighted average number of ordinary shares in issue (millions)	97	92

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.



## Reconciliation of principal differences between UK GAAP and SA GAAP

The results as presented on pages 72 to 83 have been prepared in accordance with accounting principles generally accepted in the United Kingdom. Such principles vary in significant respects from those generally accepted in South Africa as presented in the results on pages 98 to 104. Preparing the financial statements requires management to make estimates and assumptions that affect the reported results and disclosures. Actual results could be different from those estimates. The significant differences applicable to Investec's accounts during the period under review are summarised below.

At 31 March £'000	Notes	2003	2002
<b>Headline earnings under SA GAAP</b>	1	<b>100 650</b>	<b>109 540</b>
UK GAAP adjustments			
Acquisition accounting	2	(4 300)	(17 851)
Employee share option plans	3	8 627	6 667
Accrual adjustments	4	2 581	(870)
Embedded value earnings	5	(23 935)	15 563
Other adjustments		(1 012)	2 728
<b>Headline earnings under UK GAAP</b>		<b>82 611</b>	<b>115 777</b>

### Notes:

- The exchange rate used in the above reconciliation was based on the actual rates ruling on the date of the transactions.
- The UK rules on acquisition accounting differ from the equivalent SA/IAS rules. The more material adjustments in this respect, in the current reporting period, relate to the following:
  - Reorganisation costs relating to the acquisition of the financial and insurance businesses of Fedsure: under certain circumstances SA GAAP permits the acquirer upon making an acquisition to include a provision for restructuring the acquiree's business as part of the fair value exercise. Fair value provisions may be recognised even though the restructuring was not planned by the acquiree itself, when the acquirer has developed plans that relate to the acquiree's business and an obligation comes into existence as a direct consequence of the acquisition. UK GAAP does not permit provisions to be recognised at the date of acquisition if they result from the acquirer's intentions or actions.
  - Acquisition of SIB Holdings Limited and the private equity assets of Global Capital Limited: these adjustments related to different rules with respect to the effective date of acquisition of the transactions and the fair value attributed to certain of the assets acquired.
- Investec has issued Compulsorily Convertible Debentures, which under SA GAAP have been classified as shareholders' equity. UK GAAP requires capital instruments (other than shares) should be classified as liabilities if they contain an obligation or contingent obligation to transfer an economic benefit. At the time that they were issued, certain of these instruments were split into their debt and equity components. Under UK GAAP, the debt component has been recorded as a liability in the balance sheet and the equity component accounted for as "shares to be issued" within shareholders funds. Accordingly, the interest payable on the debt portion has been split between interest and repayments of the principal. This has the effect of reducing the interest charge on convertible debt under UK GAAP compared to SA GAAP.
- Differences arising in accrual of certain income items e.g. income on certain trading related interest swaps was recognised up front under SA GAAP but is phased in over a period of time under UK GAAP.
- Under UK GAAP the shareholders' interest in the in-force life assurance and fund pensions policies of the long-term assurance fund are valued at the net present value of the profits inherent in such policies (embedded value). Under SA GAAP the value of these profits is not recognised.

## Capital adequacy statement

For the year ended 31 March

(R millions)	2003	2002
<b>Primary capital</b>		
Share capital and premium	9 932	6 816
Convertible preference shares	–	460
General reserves	(1 338)	1 650
Foreign currency translation reserve	1 226	4 070
Equity accounted earnings	176	53
Minority shareholders' interest	486	541
Less: Goodwill and impairments	(4 224)	(7 026)
	<u>6 258</u>	<u>6 564</u>
<b>Secondary capital</b>		
Compulsory convertible debentures	661	2 317
General debt provision	653	597
Subordinated debt	2 801	2 245
Revaluation reserves	(238)	(290)
	<u>3 877</u>	<u>4 869</u>
<b>Capital available for banking activities</b>		
Total capital	10 135	11 433
Less: Capital required for trading activities	(1 937)	(3 017)
	<u>8 198</u>	<u>8 416</u>
<b>Banking assets</b>		
Total tangible assets per balance sheet	201 745	301 836
Assets subject to trading capital requirements	(104 219)	(186 258)
	<u>97 526</u>	<u>115 578</u>
<b>Banking risk-weighted assets</b>		
On-balance sheet assets	57 405	59 406
Off-balance sheet assets	7 868	4 799
	<u>65 273</u>	<u>64 205</u>
Capital available for banking activities to banking risk-weighted assets (%)	<u>12.6</u>	<u>13.1</u>

The above calculation is determined on a pure accounting consolidated capital adequacy basis using the group's accounts (prepared in accordance with SA GAAP) as the source, given that the South African Reserve Bank (SARB) is the lead supervisor.

In terms of the consolidated regulatory regulations as stipulated by the group's lead supervisor, the SARB, the capital adequacy of Investec Limited was 12.2% and of Investec plc was 14.8% as at 31 March 2003.

## Capital adequacy statement

	2003			2002		
	Primary Capital	Secondary Capital	Total Capital	Primary Capital	Secondary Capital	Total Capital
<b>Capital adequacy of banking subsidiaries</b>						
<b>Investec Limited</b>						
Investec Bank Limited	10.49%	10.49%	20.98%	11.17%	8.96%	20.13%
Investec Bank (Mauritius) Limited	12.36%	4.63%	16.99%	11.50%	2.05%	13.55%
Investec Bank (Botswana) Limited	23.89%	3.49%	27.38%	30.15%	0.58%	30.73%
Securities Investment Bank Limited	–	–	–	28.50%	0.47%	28.97%
<b>Investec plc</b>						
Investec Bank (UK) Limited	18.94%	3.25%	22.19%	16.14%	2.74%	18.88%
Investec Bank (Australia) Limited	53.22%	1.25%	54.47%	–	–	–
Investec Bank (Israel) Limited	20.95%	0.36%	21.31%	18.39%	0.31%	18.70%
Investec Bank (Channel Islands) Limited	16.62%	0.45%	17.07%	17.55%	0.41%	17.96%
Investec Bank (Switzerland) A.G.	71.24%	6.07%	77.31%	70.32%	6.09%	76.41%
Investec Bank (Jersey) Limited	–	–	–	31.48%	19.78%	51.26%

This schedule details the capital to risk-weighted asset ratios of principal banking subsidiaries as at 31 March. These have been determined in accordance with host country regulatory requirements.

## Investec Limited company accounts - Balance sheet

At 31 March

(R millions)	2003	2002
<b>Assets</b>		
Investment and trading securities	3	74
Other assets	43	25
Advances	–	2
Intergroup with Investec plc entities	918	–
Subsidiary companies	3 567	11 296
	<u>4 531</u>	<u>11 397</u>
<b>Equity and Liabilities</b>		
<b>Capital and Reserves</b>		
Ordinary share capital	1	58
Compulsorily convertible debentures	379	379
Convertible preference shares	–	385
Reserves	3 270	10 485
Total shareholders' funds	<u>3 650</u>	<u>11 307</u>
Redeemable preference shares	775	–
	<u>4 425</u>	<u>11 307</u>
<b>Liabilities</b>		
Deposits and other accounts	50	63
Taxation	56	27
	<u>106</u>	<u>90</u>
	<u>4 531</u>	<u>11 397</u>

For further information on the company accounts, please refer to the group's Annual Report for the year ended 31 March 2003.

# Investec Limited company accounts - Income statement

For the year ended 31 March

(R millions)	2003	2002
Interest received	498	108
Interest paid	(409)	(276)
<b>Net interest income</b>	<b>89</b>	<b>(168)</b>
Provision for bad and doubtful debts	–	–
<b>Total interest related income</b>	<b>89</b>	<b>(168)</b>
Other income	(796)	362
<b>Total income</b>	<b>(707)</b>	<b>194</b>
Operating expenses	(11)	(2)
<b>Operating (loss)/profit before goodwill, headline adjustments and taxation</b>	<b>(718)</b>	<b>192</b>
Restructuring and reorganisation income	–	451
Loss on disposal of subsidiaries and fixed assets	(559)	–
<b>Operating (loss)/profit</b>	<b>(1 277)</b>	<b>643</b>
Share of loss of associated companies	–	(16)
<b>Operating (loss)/profit before taxation</b>	<b>(1 277)</b>	<b>627</b>
Taxation	(39)	36
<b>Operating (loss)/profit after taxation</b>	<b>(1 316)</b>	<b>663</b>
Compulsorily convertible debenture interest	(37)	(37)
<b>(Loss)/earnings attributable to ordinary shareholders</b>	<b>(1 353)</b>	<b>626</b>

## Investec Limited company accounts - Statement of changes in shareholders' funds

For the year ended 31 March

(R millions)	2003	2002
<b>Ordinary share capital</b>		
Balance at beginning of year	58	49
Issue of shares	6	11
Repurchase and cancellation of shares during the year	(2)	(2)
Conversion of preference shares	1	–
Transfer to capital reserve on change of par value	(62)	–
Balance at end of year	1	58
<b>Share premium</b>		
Balance at beginning of year	7 584	4 036
Issue of shares-net of issue expenses	1 650	4 328
Repurchase and cancellation of shares	(751)	(784)
Unbundling of PLC	(4 555)	–
Preference share conversion	390	–
Debenture conversions	–	4
Balance at end of year	4 318	7 584
<b>Capital reserve</b>		
Balance at beginning of year	–	–
Reduction of Investec Limited's share par value	62	–
Balance at end of year	62	–
<b>Compulsorily convertible debentures</b>		
Balance at beginning of year	379	383
Conversion to ordinary shares	–	(4)
Balance at end of year	379	379
<b>Convertible preference shares</b>		
Balance at beginning of year	385	385
Conversion to ordinary shares	(385)	–
Balance at end of year	–	385
<b>Treasury Shares</b>		
Balance at beginning of year	(670)	–
Acquired and held during the year	–	(670)
Cancelled during the year	670	–
Balance at end of year	–	(670)
<b>General reserves</b>		
Balance at beginning of year	1 778	1 921
(Loss)/earnings attributable to ordinary shareholders	(1 353)	626
Dividends	(1 593)	(803)
Transfer to equity accounted reserves	–	34
Balance at end of year	(1 168)	1 778
<b>Other reserves</b>		
Balance at beginning of year	1 793	(256)
Movement in foreign currency translation reserve	(2 002)	2 060
Movement in equity revaluations	267	(11)
Balance at end of year	58	1 793
<b>Equity accounted reserves of associated companies</b>		
Balance at beginning of year	–	34
Transfer from retained income	–	(34)
Balance at end of year	–	–
<b>Total</b>	<b>3 650</b>	<b>11 307</b>

# Investec Limited company accounts - Cash flow statement

For the year ended 31 March

(R millions)	2003	2002
<b>Cash retained from operating activities</b>		
Cash generated by operating activities	1 122	27
Taxation paid	(10)	15
Cash available from operating activities	1 112	42
Dividends paid	(1 593)	(803)
Compulsorily convertible debenture interest paid	(37)	(37)
Net cash outflow from operating activities	(518)	(798)
<b>Cash utilised in investing activities</b>		
Net cash inflow from investing activities	–	1 590
<b>Cash flows from banking activities</b>		
Movement in deposits and other accounts	(13)	(68)
Movement in income earning assets	(167)	(29)
Net cash outflow from banking activities	(180)	(97)
<b>Cash flows from financing activities</b>		
Proceeds on issue of ordinary shares and conversion of debentures	7	12
Cashflow on cancellation of shares	(84)	(707)
Issue of bonds	775	–
Net cash inflow/(outflow) from financing activities	698	(695)
<b>Net (decrease)/increase in cash and short-term funds</b>	–	–
Cash and short-term funds at beginning of year	–	–
Effect of exchange rates on opening balance of cash and short term funds	–	–
Cash and short-term funds at end of year	–	–

## Definitions SA GAAP

**Annuity income as a percentage of total income:** Net interest income, commission and fees (annuity), 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.

**Headline earnings:** As per calculations on page 104.

**Headline net income before tax:** Income before taxation, prior to headline adjustments e.g. goodwill amortisation.

**Headline net income before tax: South Africa and Other:** Headline net income before tax earned in South Africa, Mauritius, Botswana.

**Headline net income before tax: Non-South Africa and Other:** Headline net income before tax earned in UK and Europe, USA and Israel.

**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.

**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.

**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.