Investec Bank Limited group and company annual financial statements for the year ended 31 March **2003**

Investec

corporate information

Investec Bank Limited

Secretary and Registered Office

Selwyn Noik
100 Grayston Drive
Sandown, Sandton, 2196
P O Box 785700, Sandton, 2146
Telephone : +27 11 286 7957
Facsimile : +27 11 286 7966

Investor Relations

Ursula Munitich
Tanya dos Santos
Natalie van der Bijl
Telephone : +27 11 286 7070
Facsimile : +27 11 286 7014
e-mail : investorrelations@investec.co.za
Internet address : www.investec.com/investorrelations

Internet Address

www.investec.com

Registration Number

Investec Bank Limited Reg. No. 1969/004763/06

Auditors

Ernst & Young
KPMG Inc.

contents

A brief overview of Investec Bank Limited

Introduction

Investec Bank Limited (the bank) is a wholly owned subsidiary of Investec Limited (Investec or the group), which is listed on the JSE Securities Exchange South Africa.

Investec Bank Limited is a specialist banking group that provides a diverse range of financial products and services to a niche client base in South Africa, Botswana and Mauritius. The bank is organised as a network comprising three principal business divisions: Private Banking, Treasury and Specialised Finance and Investment Banking.

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 its principal business areas.

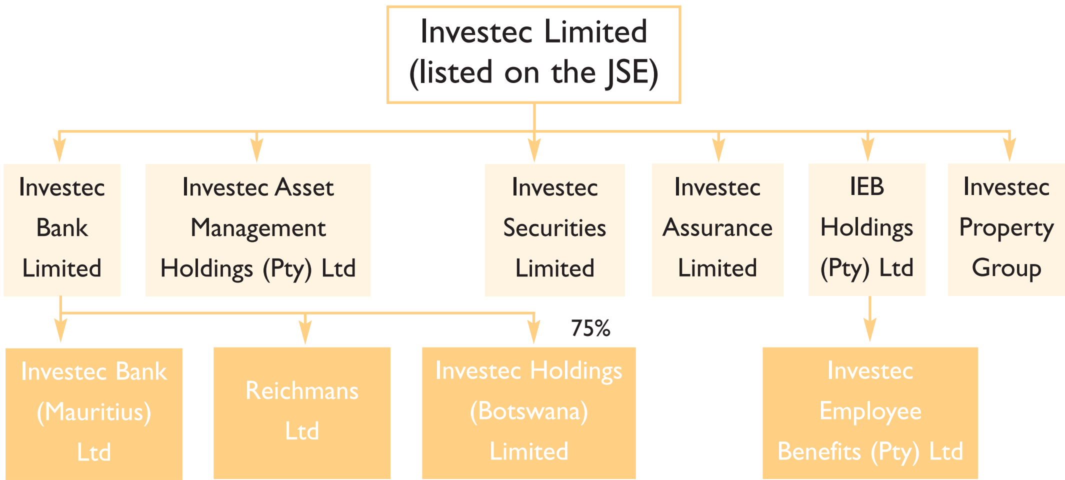
Organisational structure

During the 2001 financial year, with the consent of the South African Reserve Bank, Investec Bank Limited was restructured. This resulted in the sale of its major subsidiaries (including the majority of its international subsidiaries) to its holding company, Investec Group Limited (now Investec Limited) and to other fellow subsidiaries. Investec Bank Limited remained the holding company of, among others, the group's South African banking operations (including Private Banking, Treasury and Specialised Finance, and Investment Banking activities), Reichmans Ltd, Investec Bank (Mauritius) Ltd and Investec Holdings (Botswana) Ltd.

Reflected in the earnings of Investec Bank Limited during the 2001 financial year is a once off adjustment relating to the restructure. The earnings capability of the bank however, was not diluted due to the restructure as none of the activities and operations of the business units were affected. As a result of the restructure, the regulatory capital of the bank as reported to the South African Reserve Bank was substantially strengthened.

Furthermore, in July 2002, Investec implemented a Dual Listed Companies (DLC) Structure with linked companies listed in London and Johannesburg. The implementation of the DLC structure has not affected the activities or operations of Investec Bank Limited, which has remained a wholly owned subsidiary of Investec Limited. For further information on the group's DLC structure please refer to the Investec 2003 Annual Report.

The current structure under which Investec Bank Limited operates is set out below



Note: All shareholdings are 100%, unless otherwise stated. Only major operating subsidiaries are shown.

Financial highlights

	31 March 2003	% change	31 March 2002
Net income before headline adjustments (R millions)	704	(36.9)	1 116
Headline earnings (R millions)	393	(40.3)	658
Total capital resources (R millions)	12 628	0.4	12 573
Total shareholders' funds (R millions)	7 974	(7.8)	8 649
Total assets (R millions)	73 083	(0.3)	73 337
Cost to income ratio (%)	55.8		45.6
Capital adequacy ratio (%)	19.4		19.6

Activities of Investec Bank Limited

Investec Bank Limited's structure comprises three highly focused business units being Private Banking, Treasury and Specialised Finance and Investment Banking. Each division focuses on providing specialised products and services to defined target markets. Furthermore, the bank'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 also has responsibility for the group's central funding as well as other activities, such as trade finance.

Private Banking

Introduction

Investec Bank Limited provides a range of private banking services, targeting select, high income and high net worth individuals. The products and services provided by the Private Banking business principally comprises structured finance and specialised lending activities; trust and fiduciary services; banking services; investment management; and private client investment banking. The bank seeks to position its private banking operations in the low volume, high value advisory market. The bank's directors believe that one of Investec Bank Limited's strengths is its ability to originate new business by leveraging off the strong client relationships it has been able to establish through its lending activities. The bank believes that this operating model positions it more favourably during times of high market volatility compared to private banks that are dependent on the more traditional asset-gathering model.

Investec Bank Limited operates one of South Africa's leading private banks, offering comprehensive wealth management services to its target client base. The bank achieved its current market status primarily by leveraging off its strong residential and commercial lending and deposit taking operations. In 1998, it built upon this platform with the addition of structured finance activities, as well as trust and fiduciary services, investment management services and private client investment banking. The bank targets and offers services and products to three distinct market segments. These comprise individuals with a net asset value of at least R50 million and investable assets of at least R15 million; private clients with a net asset value of at least R5 million and minimum earnings of at least R1 million; and professionals and others with high earnings potential.

Overview of performance

The Private Banking division continued its creditable performance, with operating profit before headline adjustments and taxation increasing 51.6% to R185 million, as a result of its integrated approach to wealth creation and wealth management.

Key business developments over the past year are outlined below.

- Since March 2002, the private client lending book grew by 24.6% to R17.2 billion (2002: R13.8 billion).
- In difficult and volatile investment markets, rigorous investment management processes and comprehensive infrastructure protected client portfolios and maintained assets under administration.
- In transactional banking, critical mass was created, with a substantial increase in the number and usage of account holders.
- The Private Bank continues to focus on product innovation:
  - Launch of Journey card.
  - Significant online banking enhancements.
  - Establishment of "Pinion", a private insurance product aimed at private clients facilitating all personal insurance

requirements into one policy.

- A strategic enhancement during the financial year was the development of a private client investment banking service, which is aimed at wealthy entrepreneurs and focuses on:
  - Funding through the provision of debt and equity.
  - Business advisory services.
  - The creation of specialist investment opportunities for clients wanting to diversify their investment portfolios.
- The division was rated the number one private bank for the third consecutive year in the *PricewaterhouseCoopers SA Banking Survey (2002).*

Treasury and Specialised Finance

Introduction

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

The division has eight product areas that are divided equally between Banking Activities and Financial Market Activities. The division's Banking Activities comprise Treasury, Financial Products, Structured and Asset Finance, and Project and Resource Finance. The Financial Market Activities comprise Interest Rate Trading, Foreign Exchange Trading, Commodities Trading, and Equity Derivatives. The Banking Activities are characterised by more predictable revenues, while the Financial Market Activities tend to be more volatile. Investec Bank Limited has established itself as a leading player in South Africa in a number of these banking and financial market activities.

Overview of performance

The Treasury and Specialised Finance division posted an operating profit before headline adjustments and taxation of R458 million a decline of 17.9%. The 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 R30 million. The Trading Activities performed well with strong contributions from the Interest Rate, Foreign Exchange Trading and the Equity Derivatives businesses.

Key business developments over the past year are outlined below.

Banking Activities

Treasury

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

Financial Products

- The Debt Origination unit performed particularly well, with a number of high profile corporate debt securities issued.
- The unit successfully undertook a R1 billion securitisation of a portion of the Private Bank's home mortgage loan

book.
- Financial engineering and investment product creation slowed down as a result of difficult market conditions.

Structured and Asset Finance
- The operations experienced lower levels of transaction flow in an environment of great uncertainty.
- Nevertheless, gross lending advances managed to keep slightly ahead of redemptions.

Project and Resource Finance
- The Project Finance unit performed well, concluding several key transactions during the period:
  - The unit was involved in arranging and underwriting debt facilities for the SunCoast Casino.
  - The unit also arranged and underwrote the debt in the refinancing of the Kelvin power station.
- The results of the Resource Finance business were affected by a specific bad debt provision raised of approximately R30 million raised.

Trading Activities

Interest Rates
- The successful integration of Securities Investment Bank Limited (a 100% owned subsidiary of Investec Limited) with the Interest Rate desk led to substantial cost savings without a material reduction in revenues.

Foreign Exchange
- The volatility in domestic and international exchange rates increased opportunities for good client business.

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

Equity Derivatives
- Warrants volumes decreased and institutional hedging activities were subdued.

Investment Banking

Introduction
Investec Bank Limited engages in a range of investment banking activities including corporate finance, direct investments and private equity.

The bank has established itself as one of South Africa's leading domestic corporate finance houses, focusing on the provision of corporate advisory services to mid-capitalisation and larger companies. In addition, as a result of the local knowledge and expertise it has developed, Investec Bank Limited has been well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which it has been involved.

Corporate finance
Since 1999, there has been relatively little domestic capital market activity in South Africa. Accordingly, Investec Bank Limited has focused on the development of its domestic financial advisory business, in particular with respect to

public and private mergers and acquisitions, divestitures, restructurings, spin-offs, joint ventures and share buy-backs, and the provision of innovative and creative deal structures and advice.

Direct investments

As a result of its in-depth market knowledge and local expertise, Investec Bank Limited is well-positioned to evaluate direct investment opportunities that are primarily sourced by the corporate finance department. In the past, when an appropriate investment case has been presented, the bank has made selective, opportunistic investments on an independent basis predominantly in JSE-listed, as well as unlisted, South African companies. These investments have been made primarily on a passive basis, and the bank's risk profile with respect to these investments is conservative.

Private equity

Investec Bank Limited also actively seeks out select, opportunistic investments as principal in unlisted South African companies. The private equity division applies its extensive knowledge of the South African market, together with risk management techniques, to its investment analysis when making its investment decisions.

Overview of performance

The Investment Banking division posted operating profit before headline adjustments and taxation of R76 million (2002: R276 million). The division reported declining results, largely as a result of the lack of realisation opportunities in the direct investment portfolio from which the division had benefited in the previous year. Investec Corporate Finance continued to maintain its strong positioning and deal flow, focusing on corporate restructuring activities, shareholder activism mandates and black economic empowerment (BEE) initiatives. Furthermore, the Private Equity division enjoyed good quality deal flow.

Key business developments over the past year are outlined below.

Corporate Finance

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

Private Equity and Direct Investments

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

Group Services and Other Activities

Introduction

Group Services and Other Activities consists primarily of three components: Central Costs; the Central Funding of Investec; and Other Activities. The division posted a loss of R15 million.

Central Costs

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

Central Costs include Investec's head office, Group Risk Management, internal audit and compliance, Group Information Technology, Group Finance and Investor Relations, Group Marketing, and other group support services, such as legal, human resources, organisational development, company secretarial, tax, information centre, regulatory and facilities.

Central Funding

Investec has a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained. Investec employs various sources of funding, the determination of which depends on the specific financial and strategic requirements it faces at the relevant point in time. The funds raised are applied towards the making of acquisitions, the funding of central services and debt obligations, and the purchase of corporate assets and investments not allocated to the group's principal operating divisions.

Other Activities

Other Activities comprise those operations which are either better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations or that do not fall into one of Investec's principal business divisions yet and have been grown organically by Investec or retained following acquisition due to their profitability and diversifying effect on Investec's income streams.

International Trade Finance

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

Developments

- Reasonable performance from ReichmansCapital with solid growth in the division's book, despite the strengthening of the Rand during the period.
- The division focused on organic growth and exploiting opportunities in existing target markets.

Credit ratings

In general, Investec Bank Limited has been assigned strong ratings for credit quality, capacity for timely repayment and financial strength. The ratings as at 31 March 2003 are set out below.

Capital Intelligence Ratings	
Foreign currency - long-term rating	BBB-*
Foreign currency - short-term rating	A3*
Domestic strength rating	A
Fitch	
Individual rating	B/C
Support rating	4
International short-term	F3*
International long-term	BBB*
Domestic short-term	F1
Domestic long-term	A+
Global Credit Ratings	
Short-term rating	A-1+
Long-term rating	A+
Moody's	
Bank financial strength	C
Long- term bank deposit	Baa2*
Short-term bank deposit	Prime 2*

* constrained by the sovereign rating for South Africa

Investec Bank Limited group and company annual financial statements for the year ended 31 March 2003

Contents

Directorate

Executive Directors
S Koseff (Chief Executive Officer)
B Kantor (Managing Director)
RS Berkowitz (Resigned 18/06/2003)
GR Burger
RPMA Forlee (Resigned 06/05/2003)
S Hackner (Resigned 06/05/2003)
DM Lawrence (Deputy Chairman)
AWJ Leith (Resigned 06/05/2003)
MCL Mason (Irish) (Resigned 06/05/2003)
DM Nurek (Resigned 06/05/2003)
B Tapnack
RJ Wainwright (Appointed 03/11/2002)
(Resigned 06/05/2003)

Non-Executive Directors
HS Herman (Chairman)
SE Abrahams
RS Berkowitz (Appointed 18/06/2002)
(Resigned 06/05/2003)
DE Jowell
IR Kantor (Resigned 24/02/2003)
D Kuper (Resigned 06/05/2003)
MP Malungani
Dr RD Mokate (Resigned 19/03/2003)
DR Motsepe
Dr MZ Nkosi
PRS Thomas
F Titi
RAP Upton

Divisional Directors
M Barr (Resigned 06/05/2003)
PB Hanley (Resigned 06/05/2003)
SJ Heilbron (Resigned 06/05/2003)
PR Jacobson (Canadian) (Resigned 06/05/2003)
SM Shapiro (Resigned 06/05/2003)
JKC Whelan (Irish) (Resigned 06/05/2003)
J Witter (Resigned 06/05/2003)

During the year under review, the South African Reserve Bank initiated an independent review by Advocate Myburgh of the governance practices of the five largest banks (including Investec) in South Africa (the Myburgh Review). The recommendations of the Myburgh Review of governance practices in the South African banking industry as they specifically apply to Investec were accepted and the group addressed and will continue to address the matters raised and recommendations made. The review concluded that South African banks showed high standards of corporate governance. With reference to Investec Bank Limited, the Myburgh Review considered the board of Investec Bank Limited to be oversized. This matter was reviewed and the composition addressed with consideration of the skills, expertise and strategic focus of the bank. As a result a number of the directors resigned and the revised board is set out above.

Declaration by company secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge, 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
Company Secretary
27 June 2003

Directors' report

Investec Bank Limited is a 100% held subsidiary of Investec Limited. Investec Limited is a company incorporated in South Africa for which consolidated financial statements are produced, which incorporate Investec Bank Limited. Taking the above into consideration, a directors' report is not produced for Investec Bank Limited.
The financial statements for Investec Limited can be viewed on our website: www.investec.com

Directors' approval

The annual financial statements set out on pages 13 to 46 were approved by the Board of Directors' on June 27 2003 and are signed on its behalf by:

Hugh Herman
Chairman
27 June 2003

Stephen Koseff
Chief Ececutive officer
27 June 2003

Report of the independent auditors

To the members of Investec Bank Limited

We have audited the annual financial statements and group annual financial statements of Investec Bank Limited set out on pages 13 to 46 for the year ended 31 March 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

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

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

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 31 March 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
27 June 2003

Ernst + Young

Ernst & Young
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
27 June 2003

Balance sheets

At 31 March (R millions)	Notes	Group 2003	Group 2002	Company 2003	Company 2002
Assets					
Cash and short-term funds	2	10 429	9 116	10 213	8 857
Short-term negotiable securities	3	8 199	7 354	7 950	7 095
Investment and trading securities	4	9 531	11 394	10 127	11 894
Other assets	5	5 675	5 177	5 578	4 972
Advances	6	28 158	27 888	22 479	20 241
Subsidiary companies		–	–	2 500	5 731
Loans to group companies	7	10 274	11 523	8 116	5 780
Associated companies	8	–	15	–	–
Property and equipment	9	816	860	791	838
Intangible assets	10	1	10	–	–
		73 083	73 337	67 754	65 408
Equity and liabilities					
Capital and reserves					
Ordinary share capital	11	16	16	16	16
Compulsorily convertible debentures	12	1 938	1 938	1 938	1 938
Redeemable cumulative preference shares	13	–	–	–	–
Reserves	14	6 020	6 695	6 020	6 592
		7 974	8 649	7 974	8 546
Interest of minority shareholders in subsidiaries		33	31	–	–
Total shareholders' funds		8 007	8 680	7 974	8 546
Subordinated debt	15	2 801	2 245	2 801	2 245
Redeemable preference shares		1 820	1 648	–	–
		12 628	12 573	10 775	10 791
Liabilities					
Deposits and other accounts	16	60 398	60 716	56 941	54 580
Taxation	17	57	48	38	37
		60 455	60 764	56 979	54 617
		73 083	73 337	67 754	65 408

Income statements

For the year ended 31 March		Group		Company	
(R millions)	Notes	2003	2002	2003	2002
Interest received	18.1	7 226	5 031	6 725	4 199
Interest paid	18.2	(5 970)	(3 652)	(5 819)	(3 541)
Net interest income		1 256	1 379	906	658
Provision for bad and doubtful debts	6	(281)	(178)	(107)	(116)
		975	1 201	799	542
Other income	19	976	1 001	986	1 515
Total income		1 951	2 202	1 785	2 057
Operating expenses	19	(1 247)	(1 086)	(1 129)	(1 035)
Income before headline adjustments		704	1 116	656	1 022
Headline adjustments	19	(256)	9	(246)	39
Income before taxation		448	1 125	410	1 061
Taxation	20	(42)	(191)	(6)	(128)
Income after taxation		406	934	404	933
Earnings attributable to minority shareholders		(2)	(1)	–	–
		404	933	404	933
Compulsorily convertible debenture interest		(267)	(266)	(267)	(266)
Earnings attributable to ordinary shareholders		137	667	137	667
Headline earnings attributable to ordinary shareholders					
Calculation of headline earnings					
Earnings attributable to ordinary shareholders		137	667		
Headline adjustments		256	(9)		
Goodwill amortised		10	13		
Loss on disposal of subsidiaries and fixed assets		(17)	(22)		
Loss on the impairment of non-trading loans		263	–		
Headline earnings		393	658		

Cash flow statements

For the year ended 31 March (R millions)	Notes	Group 2003	Group 2002	Company 2003	Company 2002
Cash (utilised)/retained from operating activities					
Cash generated by operating activities	22.1	1 028	1 346	1 150	805
Taxation paid	22.2	(33)	(205)	(5)	(149)
Cash available from operating activities		995	1 141	1 145	656
Dividends paid	22.3	(800)	(47)	(800)	(47)
Compulsorily convertible debenture interest paid		(267)	(266)	(267)	(266)
Net cash (outflow)/inflow from operating activities		(72)	828	78	343
Cash (utilised)/generated in investing activities					
Net asset acquired/(disposed) on acquisition/disposal of subsidiaries	22.4	2	469	–	(3 353)
Net proceeds on disposal of associated companies		15	–	–	3
Net disposal/(investment) in fixed assets		1	(735)	6	(735)
Net cash inflow/(outflow) from investing activities		18	(266)	6	(4 085)
Cash flows from banking activities					
Movement in deposits and other accounts		(176)	14 222	2 323	11 130
Movement in income earning assets	22.5	10	(12 836)	467	(10 577)
Net cash (outflow)/inflow from banking activities		(166)	1 386	2 790	553
Cash flows from financing activities					
Issue of bonds		556	300	556	300
Net decrease/(increase) in subsidiaries and loans to group companies		977	(2 693)	(2 074)	2 869
Net cash inflow/(outflow) from financing activities		1 533	(2 393)	(1 518)	3 169
Net increase/(decrease) in cash and short-term funds		1 313	(445)	1 356	(20)
Cash and short-term funds at beginning of year		9 116	9 561	8 857	8 877
Cash and short-term funds at end of year		10 429	9 116	10 213	8 857

Statement of changes in shareholders' funds

For the year ended 31 March (R millions)	Notes	Group 2003	Group 2002	Company 2003	Company 2002
Ordinary share capital					
Balance at beginning of year		16	16	16	16
Cancellation of shares during the year		–	–	–	–
Issue of shares		–	–	–	–
Balance at the end of year	11	16	16	16	16
Compulsorily convertible debentures					
Balance at beginning of year		1 938	1 938	1 938	1 938
Issues of debentures		–	–	–	–
Conversion to ordinary shares		–	–	–	–
Balance at end of year	12	1 938	1 938	1 938	1 938
Share premium					
Balance at beginning of year		4 732	4 732	4 732	4 732
Issue of shares - net of issue expenses		–	–	–	–
Repurchase and cancellation of shares		–	–	–	–
Conversion from debentures		–	–	–	–
Balance at end of year	14	4 732	4 732	4 732	4 732
General reserves					
Balance at beginning of year		1 933	1 313	1 778	1 158
Earnings attributable to ordinary shareholders		137	667	137	667
Dividends	21	(800)	(47)	(800)	(47)
Correction to equity accounted NAV of subsidiaries		–	–	155	–
Balance at end of year	14	1 270	1 933	1 270	1 778
Other reserves					
Balance at beginning of year		30	57	82	(78)
Movement in foreign currency translation reserve		(53)	41	(2)	160
Movement in equity revaluations		41	(68)	3	–
Correction to equity accounted NAV of subsidiaries *		–	–	(52)	–
Equity accounted other reserves of subsidiaries		–	–	(13)	–
Balance at end of year	14	18	30	18	82
Total		7 974	8 649	7 974	8 546

* In the current year

Accounting policies

Basis of preparation
The annual financial statements have been prepared on the historical cost basis, unless otherwise indicated, in conformity with South African Statements of Generally Accepted Accounting Practice and the South African Companies Act of 1973. In preparation of the consolidated financial statements, uniform accounting policies have been applied throughout the group. The following are the principal accounting policies, which are consistent with those of the previous year. The presentation currency is in Rand millions, unless otherwise indicated.

Basis of consolidation
The annual financial statements incorporate the consolidated financial results of Investec Bank Limited and its subsidiaries. All entities in which the group holds more than one half of the voting rights or over which the group has the ability to control are consolidated from the effective dates of acquisition and up to the effective dates of disposal.

All intercompany transactions, balances and unrealised surpluses and deficits are eliminated on consolidation, except to the extent that unrealised losses represent an impairment of an asset.

The results of operating subsidiaries and associates have been equity accounted in the company's financial statements. The carrying amounts of these investments are reviewed annually for impairment.

Accounting for associates
Entities other than subsidiary undertakings, in which the group, exercises a significant influence over their operating and financial policies, are treated as associates. In the statutory and group accounts, associates are accounted for using the equity method.

Equity accounting involves recognising the attributable share of the results and reserves of associated undertakings, based on accounts made up to dates not earlier than six months prior to 31 March. The group's interests in associated undertakings are included in the consolidated balance sheet as the group's share of net assets. Goodwill relating to associates is included in goodwill on the balance sheet and amortised as detailed below.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the subsidiary or associate at the date of acquisition.

Goodwill is carried at cost less accumulated amortisation and impairments. The carrying amount is reviewed annually for impairment.

Goodwill arising on the acquisition of subsidiaries and associates is amortised to the income statement over its useful economic life, not exceeding 20 years.

Foreign entities
Foreign entities are subsidiaries, the activities of which are not an integral part of those of the reporting entity.

The assets and liabilities of foreign entities are translated at rates of exchange ruling at the balance sheet date. The translation differences arising are taken to reserves. The results of foreign entities are translated at weighted average rates of exchange for the relevant period. The difference between the profit and loss translated at an average rate and the closing rate is recorded as a movement in reserves. Any exchange differences for foreign currency loans which are used to hedge the net investment in foreign subsidiaries are also taken to reserves.

Foreign operations
Foreign operations are subsidiaries, the activities of which are an integral part of those of the reporting entity.

The monetary assets and liabilities of foreign operations are translated at rates of exchange ruling at balance sheet date. The results of foreign operations are translated at weighted average rates of exchange for the relevant period. The translation differences arising are included in income for the period.

Accounting policies

Foreign currency transactions
All foreign currency transactions are translated at the exchange rates ruling at the time of the transactions. Any profit or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange profit or loss in the income statement.

Interest bearing securities
Except for instruments held to maturity, interest bearing securities are marked to market and profits and losses recognised in the income statement. Interest bearing securities held to maturity are carried at amortised cost, net of any impairment.

Securities sold subject to repurchase agreements are recorded as assets. Obligations for the repurchase of these securities are included under deposits and other accounts.

Securities purchased under an agreement to resell the securities at a future date are reflected in the balance sheet as cash and short-term funds.

Stock borrowing and lending transactions that are not cash collateralised are not included in the balance sheet, but are disclosed as assets under administration.

Derivatives
Derivatives entered into for trading purposes are measured at fair value. Profits and losses arising on the mark to market of trading derivatives are recognised in the income statement in the period in which they arise, whereas income and expenses on hedging instruments are amortised over the life of the instrument, with adjustments made to reflect changes in estimated premiums and discounts. Where the group has entered into legally binding netting agreements, related positive and negative values of derivatives are offset within the balance sheet totals.

Exposures to market risks are limited through the use of hedging instruments. The criteria used for a derivative instrument to be classified as a designated hedge include the following:

- The transaction must effectively reduce the price or interest rate risk of the asset, liability or cashflow to which it is linked.
- Adequate evidence of the intention to link with the underlying risk inherent in the asset, liability or cashflow.
- The instrument must be designated as a hedge at the inception of the derivative contract.

Hedging instruments are accounted for on the same basis as the underlying asset, liability or cash flow being hedged. Hedging transactions that are superceded, cease to be effective or are terminated prior to maturity of the asset, liability or cashflow being hedged, are measured at fair value. Any profit or loss arising from re-measurement is deferred and amortised to income over the remaining life of the item previously hedged. When the underlying asset, liability or cashflow is terminated prior to the hedging transaction, the hedging instrument is re-measured at fair value. The resulting profit or loss is included in the category of income or expense relating to the previously hedged transaction.

Equity investments
Equity investments are held either for trading or long-term investment purposes.

Trading investments
Listed equity investments are stated at market value. Unlisted equity investments are stated at fair value. Where there is no reliable basis to determine fair value, unlisted equity investments are stated at the lower of cost or directors' valuation.

Profits and losses arising from the revaluation of trading investments are included in income.

Accounting policies

Long-term investments
The excess of market value of long-term investments over cost, determined on a portfolio basis, is taken to reserves, while any deficit arising is reflected in the income statement. On disposal of such investments, the revaluation is reversed and the full difference between cost and the amount realised is shown in the income statement.

Other investments
Other investments are valued at market value where a formal market exists or, in the case of investments such as insurance policies or equity funds, at the value of the underlying investments. Where no formal market exists, investments are valued at the lower of cost or directors' valuation.

Instalment credit, lease and rental agreements
Instalment credit, lease and rental agreements are regarded as financing transactions.

Amounts outstanding on these contracts, net of unearned finance charges, are included in advances. Finance charges on instalment sale transactions are credited to income in proportion to the capital balances outstanding. Finance lease income is credited to interest income according to the effective interest method.

Specific and general provisions for bad and doubtful debts
Advances are stated after the deduction of specific and general provisions for bad and doubtful debts.

Specific provisions represent the quantification of actual and expected losses from identified accounts and are deducted from advances in the balance sheet. The amount of specific provision raised is the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, taking into account the financial status of the customer and any security for the loan. Included in the specific provisions are amounts in respect of interest that is not serviced. The charge for provision for bad and doubtful debts in the income statement includes the unserviced interest which has been transferred to specific provisions.

General provisions augment specific provisions and provide cover for loans that are impaired at the balance sheet date but which will not be identified as such until some time in the future. The group's general provision has been determined taking into account the structure and risk characteristics of the group's loan portfolio, and meets the minimum requirements of the banking regulations in the jurisdictions in which it operates. General provisions are deducted from advances in the balance sheet but, unlike specific provisions, are included in tier 2 capital when calculating the group's capital base for regulatory purposes.

Property and equipment
Property and equipment are stated at amortised cost, less impairments. Depreciation is provided on a straight-line basis over their anticipated useful lives. Leasehold improvements are amortised over the remaining period of the leases.

The annual rates used to depreciate assets are as follows:

Computer equipment	33%
Infrastructure	20%
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	10%
Operating properties	2%

Accounting policies

Certain of the group's properties are held for long-term investment purposes. Investment properties are properties held to earn rental income or for capital appreciation. These properties are revalued to their open market value and the aggregate surplus or deficit on revaluation is recognised in the profit and loss account for the year.

Trading properties
Trading properties are included in investment and trading securities and are stated at the lower of cost and net realisable value.

Deferred taxation
Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Impairments
At each balance sheet date, the group reviews the carrying value of assets for indication of impairment. The recoverable amount is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that it was charged to the income statement.

Trust and fiduciary activities
The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

Income
Income is derived primarily from the business of banking and related activities and comprises interest income and other income.

Interest income
Interest income is recognised in the income statement as it accrues, based on the effective rates of interest.

Included in interest income is the accrual of unserviced interest, which is fully provided for in the charge for bad and doubtful debts in the income statement. Net interest margin is determined after taking into account the bad and doubtful debts charge. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Other income
Other income includes trading profits, commissions and fees, and investment income.

Trading profits are shown net of the funding cost of the underlying positions and include the unrealised profits on trading portfolios, which are marked to market daily.

Accounting policies

Fees and commissions include fees earned from providing advisory services, portfolio management and the arranging of financing for clients. All commissions and fees are recognised as income when the related services are performed. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly.

Investment income includes realised profits and losses on disposal of investments and dividends received.

Retirement benefits
In South Africa, the group provides a defined contribution pension fund, governed by the Pension Fund Act, 1956 and a disability fund for the benefit of employees. The group pension fund is structured as a money purchase scheme and, accordingly, can have no funding deficit. The scheme provides that at all times an employee will receive from the fund the amount that has been contributed, together with the group's contribution plus interest and capital appreciation. Life cover is incorporated in the fund.

The group also offers the optional benefits of a defined contribution provident fund and a deferred compensation fund. The funds are administered by Alexander Forbes Consultants and Actuaries (Tvl) (Pty) Limited and are registered in South Africa. The group has no liabilities for other post retirement benefits.

Membership of the disability fund and either the defined contribution pension fund or the defined contribution provident is compulsory for all employees.

All employer contributions are charged to income, in terms of services rendered by employees in accordance with the rules of the scheme, and included under staff costs.

Segmental reporting
A segment is a distinguishable component of the group, engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments.

The group's primary segmental reporting is presented in the form of a business analysis (primary segment)

The business analysis is presented in terms of the group's four principal business divisions and Group Services and Other Activities.

No geographical segmental analysis is disclosed as the majority of the business of Investec Bank Limited and its subsidiaries is performed in South Africa and Mauritius.

Comparative figures
Where necessary, comparative figures have been restated to conform with changes in presentation and enhance comparability (refer to note 26).

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
2. Cash and short-term funds				
Balances with central banks	1 055	1 070	1 043	1 061
Balances with other banks	4 482	3 467	4 288	3 221
Other short-term funds	4 892	4 579	4 882	4 575
	10 429	9 116	10 213	8 857
3. Short-term negotiable securities				
Balances with central bank	527	1 954	527	1 954
Bills	1 659	568	1 518	332
Commercial paper	3 471	2 525	3 384	2 525
Promissory notes	2 542	2 307	2 521	2 284
	8 199	7 354	7 950	7 095
4. Investment and trading securities				
Category analysis				
Government and government guaranteed	1 622	2 131	1 128	1 407
Listed securities	419	1 373	340	1 280
Unlisted securities and investments*	2 536	2 670	3 705	4 050
Positive fair value of trading derivatives	4 954	5 220	4 954	5 157
	9 531	11 394	10 127	11 894
Analysis by portfolio				
Trading*	7 352	8 275	9 371	10 423
Investment	2 179	3 119	756	1 471
	9 531	11 394	10 127	11 894

The directors' valuation of the unlisted securities and investments at 31 March 2003 is R2 536 million for the group and R3 705 million for the company.

* Unlisted securities and investments includes the following deposits placed with group companies relating to trading activities:
- Group R272 million (2002 - nil)
- Company R2 713 million (2002 - R2 810 million)

	Group 2003	Group 2002	Company 2003	Company 2002
5. Other assets				
Settlement debtors	3 994	3 315	3 994	3 315
Staff share scheme loan	991	1 067	991	1 067
Deferred tax asset	3	–	–	–
Other debtors and prepayments	687	795	593	590
	5 675	5 177	5 578	4 972

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
6. Advances				
Category analysis				
Commercial property loans	5 734	4 883	5 569	4 754
Residential mortgages	5 896	4 581	4 789	4 500
Leases and instalment debtors	1 882	1 808	1 609	1 586
Corporate and public sector loans and advances	10 643	13 117	7 186	6 848
Other private bank lending	3 775	2 751	3 629	2 568
Other loans and advances	955	1 258	222	478
	28 885	28 398	23 004	20 734
Specific provision against doubtful debts	(352)	(253)	(214)	(237)
General provision against doubtful debts	(375)	(257)	(311)	(256)
	28 158	27 888	22 479	20 241
Specific and general provisions				
Reconciliation of movements in group specific and general provisions for bad and doubtful debts.				
Specific provision				
Balance at beginning of year	253	347	237	324
Income statement charge	98	63	10	56
Bad debts written off against provisions	(35)	(229)	(37)	(217)
Provisions purchased on acquisitions	–	–	–	43
Transfer to general provision	41	72	4	31
Arising on exchange adjustments	(5)	–	–	–
Balance at end of year	352	253	214	237
General provision				
Balance at beginning of year	257	241	256	251
Income statement charge	183	115	97	60
Bad debts written off against provisions	(33)	(1)	(38)	(1)
Provisions purchased on acquisitions	–	(22)	–	(23)
Transfer to specific provision	(41)	(72)	(4)	(31)
Arising on exchange adjustments	9	(4)	–	–
Balance at end of year	375	257	311	256

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
6. Advances (continued)				
Maturity analysis				
On demand to one month	2 654	2 156	2 426	1 970
One month to six months	1 797	4 027	1 246	1 030
Six months to one year	1 928	1 499	1 190	1 116
One year to five years	10 348	11 450	7 619	4 465
Greater than five years	12 158	9 266	10 523	12 153
	28 885	28 398	23 004	20 734
Geographical analysis				
Southern Africa and Other	28 885	28 398	23 004	20 734
	28 885	28 398	23 004	20 734
* See also page 45				
7. Loans to group companies				
Loans to holding company - Investec Limited	3 728	6 763	1 158	3 357
Loans to fellow subsidiaries	6 546	4 760	6 958	2 423
	10 274	11 523	8 116	5 780
8. Associated companies				
Shares at cost	–	15	–	–
Less: goodwill	–	–	–	–
	–	15	–	–
Equity accounted share of retained earnings	–	–	–	–
Book value at end of year	–	15	–	–

Notes to the financial statements

For the year ended 31 March (R millions)	Cost or valuation	Accumulated depreciation	Carrying amount
9. Property and equipment			
2003			
Equipment	232	(153)	79
Furniture and vehicles	121	(59)	62
Investment properties	656	–	656
Leasehold improvements	3	(1)	2
Operational properties	17	–	17
	1 029	(213)	816
2002			
Equipment	238	(163)	75
Furniture and vehicles	121	(50)	71
Investment properties	697	–	697
Leasehold improvements	–	–	–
Operational properties	17	–	17
	1 073	(213)	860

	Operational properties	Leasehold improvements	Investment properties	Furniture and vehicles	Equipment	Total
2003						
Carrying amount at beginning of year	17	–	697	71	75	860
Reclassifications	–	–	–	–	–	–
Additions	–	3	–	18	36	57
Disposals	–	–	(41)	(16)	(1)	(58)
Depreciation	–	(1)	–	(11)	(31)	(43)
Carrying amount at end of year	17	2	656	62	79	816
2002						
Carrying amount at beginning of year	451	–	3	85	78	617
Reclassifications	(434)	–	434	–	–	–
Additions	–	–	260	27	36	323
Disposals	–	–	–	(25)	(2)	(27)
Business combinations	–	–	–	–	(1)	(1)
Depreciation	–	–	–	(16)	(36)	(52)
Carrying amount at end of year	17	–	697	71	75	860

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002
10. Intangible assets		
10.1 Goodwill reconciliation		
Balance at beginning of year	10	23
Net amount on acquisitions/(disposals)	1	–
Goodwill amortised	(10)	(13)
Balance at end of year	1	10

Goodwill arising on the acquisition of subsidiaries is amortised over periods of between three and twenty years, reflecting its expected useful life. For the majority of acquisitions, the goodwill is amortised over three to ten years.

	Group 2003	Group 2002	Company 2003	Company 2002
11. Ordinary share capital				
Authorised				
105 000 000 (2002: 105 000 000) ordinary shares of 50 cents each.	53	53	53	53
Issued				
31 700 000 (2002: 31 700 000) ordinary shares of 50 cents each.	16	16	16	16

The unissued shares are under the control of the directors until the next annual general meeting.

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
12. Compulsorily convertible debentures				
Issued				
3 573 994 (2002 - 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R78.50 each.	282	282	282	282
Interest is payable six monthly in arrears on 31 January and 31 July each year at a rate of 15.25%.				
The compulsorily convertible debentures will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company, at its discretion, may at the request, of the holder convert at an earlier date, but not before 31 July 2002.				
The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 3 573 994 Investec Limited ordinary shares.				
5 000 000 (2002 - 5 000 000) Class A unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each, net of issue expenses.	797	797	797	797
1 000 000 (2002 - 1 000 000) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each, net of issue expenses.	160	160	160	160
1 500 000 (2002 - 1 500 000) Class B unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199.50 each, net of issue expenses.	300	300	300	300
Interest is payable six monthly in arrears on 15 June and 15 December each year at a rate of 15% per annum for Class A and Class A Series II and 12% per annum for Class B debentures.				
The Class A and Class A Series II debentures will convert into Investec Bank ordinary shares at a 3,5 for one basis on 15 December 2004. Class B debentures will convert on a 2,8 for one basis on the same day, resulting in the issue of 2 250 714 Investec Bank shares.				

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
12. Compulsorily convertible debentures (continued)				
The 2 250 714 Investec Bank shares arising out of the conversion have been sold forward by the holders thereof to Investec in exchange for Investec ordinary shares.				
2 000 000 (2002 - 2 000 000) Class C unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199.50 each, net of issue expenses	399	399	399	399
Interest is payable six monthly in arrears on 30 September and 31 March each year at a rate of 11% per annum, for Class C debentures.				
The Class C debentures will convert into Investec Bank Limited ordinary shares on a 2.3 for one basis on 31 March 2008.				
All the convertible debentures are issued as part of the group's employee share ownership initiatives and are exempt from the requirements of AC125.				
Total compulsorily convertible debentures	1 938	1 938	1 938	1 938
13. Redeemable cumulative preference shares				
4 000 000 (2002 - 4 000 000) authorised and unissued preference shares of R1 each.	–	–	–	–
14. Reserves				
Share premium	4 732	4 732	4 732	4 732
General reserves	1 270	1 933	1 270	1 778
Other reserves	18	30	18	82
Equity accounted reserves of associated companies	–	–	–	–
	6 020	6 695	6 020	6 592
Other reserves comprise:				
Revaluation of investments	109	68	85	82
Foreign currency revaluation	78	131	(2)	–
Goodwill written off	(169)	(169)	–	–
Equity accounted reserves of subsidiaries	–	–	(65)	–
	18	30	18	82

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
15. Subordinated debt				
R1 961 million (2002 - R1 961 million) Investec Bank Limited 16% local registered unsecured subordinated bonds due 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.	1 961	1 961	1 961	1 961
R284 million (2002 - R284 million) Investec Bank Limited Class "E" 15% unsecured redeemable debentures due 2014. From the date of issue to the period ended 31 March 2007, interest is paid six monthly in arrears on 31 March and 30 September at a rate of 15% (nominal annual compounded). Thereafter to 31 March 2014, the interest is the floating rate of ZAR - JIBAR - SAFEX plus 250 basis points, payable quarterly on 31 March, 30 June, 30 September and 31 December.	284	284	284	284
R556 million (2002 - nil) Investec Bank Limited IV02 subordinated 12.55% unsecured callable bonds. The bonds' redemption date is 31 March 2013 but the company has the option to call the bond on 31 March 2008. If not called, the bonds will switch to a floating rate of the three month JIBAR plus 300 basis points payable quarterly in arrears until maturity.	556	–	556	–
	2 801	2 245	2 801	2 245

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up, no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
16. Deposits and other accounts				
Category analysis				
Deposits and loans from banks	4 505	4 754	4 119	4 099
Demand and savings deposits	10 382	10 417	9 842	9 912
Fixed and notice deposits	32 260	29 077	31 226	24 685
Negotiable certificates of deposit	1 623	2 018	1 623	2 018
Client savings accounts	793	619	793	619
Liabilities in terms of repurchase agreements	1 917	–	994	–
Negative fair value of derivatives	3 954	7 076	3 954	7 076
Settlement liabilities	3 505	3 480	3 505	3 480
Creditors and other accounts	1 459	3 275	885	2 691
	60 398	60 716	56 941	54 580
Maturity analysis				
On demand to one month	30 894	36 153	29 651	34 509
One month to six months	19 546	14 882	19 486	10 414
Six months to one year	5142	4 055	4 655	3 454
Greater than one year	4 816	5 626	3 149	6 203
	60 398	60 716	56 941	54 580
17. Taxation				
Taxation payable	17	9	–	–
Deferred taxation liability	40	39	38	37
	57	48	38	37

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
18. Interest				
18.1 Interest received				
Cash and short-term funds	858	773	847	734
Short-term negotiable securities	550	337	544	320
Investment and trading securities	154	115	87	38
Advances	4 136	2 716	3 570	2 170
Intergroup/intercompany loans	1 531	654	1 738	803
	7 229	4 595	6 786	4 065
Foreign currency gains	261	445	166	373
Foreign currency losses	(264)	(9)	(227)	(239)
	7 226	5 031	6 725	4 199
18.2 Interest paid				
Demand and savings deposits	1 197	672	1 153	619
Fixed and notice deposits	3 814	2 090	3 748	2 012
Negotiable certificates of deposit	154	380	154	376
Repurchase agreements	3	1	3	1
Other deposits and loan accounts	747	494	432	285
Loans to group companies	55	15	329	248
	5 970	3 652	5 819	3 541

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	2002	Company 2003	2002
19. Other income, operating expenses and headline adjustments				
Other income comprises				
Commissions and fees - annuity	350	263	334	248
Principle transactions and trading income	385	408	373	154
Commissions and fees - deal	208	288	182	324
Dividends received	33	42	35	49
	–	–	62	740
Equity accounted loss/(income) of subsidiaries	–	–	(346)	379
Dividends received from subsidiaries	–	–	408	361
	976	1 001	986	1 515
Operating expenses comprise:				
Personnel remuneration	648	546	591	515
Pension and provident fund contributions ^	53	44	50	43
Audit fees	17	10	15	8
Directors' emoluments paid by subsidiary	35	29	35	29
Executive directors' remuneration:	33	26	33	26
Non-executive directors' remuneration:	2	3	2	3
Depreciation	43	52	41	46
Premises	101	65	94	82
Equipment	70	57	63	52
Business expenses	202	221	162	199
Marketing expenses	78	62	78	61
	1 247	1 086	1 129	1 035
Headline adjustments comprise:				
Disposal of subsidiaries	(17)	(22)	(17)	(39)
Goodwill amortised	10	13	–	–
Loss on the impairment of non-trading loans	263	–	263	–
	256	(9)	246	(39)

^ Refer to note 25.

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	2002	Company 2003	2002
20. Taxation				
Taxation on income	31	189	6	128
South Africa	16	186	6	128
- current tax	15	186	5	128
- deferred	1	–	1	–
Foreign taxation	15	3	–	–
- Mauritius	11	–	–	–
- Botswana	4	3	–	–
Secondary taxation on companies	11	2	–	–
Total tax charge for the period	42	191	6	128
Tax rate reconciliation				
Income before taxation as per income statement	448	1 125	410	1 061
Less: debenture and bond interest	(267)	(266)	(267)	(266)
	181	859	143	795
Total taxation charge in income statement	42	191	6	128
Less: secondary taxation on companies	(11)	(2)	–	–
Total taxation on income	31	189	6	128
Effective rate of taxation	17.1%	22.0%	4.2%	16.0%
The standard rate of South African normal taxation has been affected by:				
- Exceptional items - goodwill	(1.7%)	1.0%	–	1.0%
- Dividend income	(5.5%)	1.0%	(7.3%)	1.0%
- Foreign earnings*	31.7%	22.0%	–	–
- Other permanent differences	(11.6%)	(16%)	33.1%	12.0%
	30%	30%	30%	30%

* Includes the effect of cumulative tax losses and other permanent differences.

	Group 2003	2002	Company 2003	2002
21. Ordinary dividends				
on fully paid ordinary shares				
Declared and paid	800	47	800	47

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	2002	Company 2003	2002
22. Cash flow information				
22.1 Cash generated by operations				
Net income before taxation	448	1 125	410	1 061
Depreciation	43	52	41	46
Provision for bad and doubtful debts	281	178	107	116
Headline adjustments (see note 19)	256	(9)	246	(39)
Equity accounted loss/(income) of subsidiaries	–	–	346	(379)
	1 028	1 346	1 150	805
22.2 Taxation paid				
Taxation balances at beginning of year	(48)	(62)	(37)	(58)
Amounts charged to income statement	(42)	(191)	(6)	(128)
Taxation balances at end of year	57	48	38	37
	(33)	(205)	(5)	(149)
22.3 Dividends paid				
Current year dividend paid	(800)	(47)	(800)	(47)
22.4 Net funds arising/(utilised) on acquisitions				
Advances and other assets	–	–	–	–
Associated companies	–	–	–	–
Deferred tax asset	–	–	–	–
Deposits and other accounts	3	–	–	–
Property and equipment	–	440	–	–
Intangible assets	(1)	–	–	–
Investment and trading securities	–	–	–	–
Subsidiary companies	–	–	–	(3 392)
Minority shareholders on acquisitions	–	7	–	–
Income statement charge on disposal of subsidiaries	–	–	–	–
Taxation	–	22	–	39
	2	469	–	(3 353)
Net issue of shares	–	–	–	–
Net cash inflow/(outflow)	2	469	–	(3 353)
22.5 Movement in income earning assets				
Short-term negotiable securities	(845)	(2 237)	(855)	(2 064)
Investment and trading securities	2 178	(1 062)	4 519	(3 461)
Advances	(825)	(8 711)	(2 591)	(4 186)
Other assets	(498)	(826)	(606)	(866)
	10	(12 836)	467	(10 577)

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
23. Contingent liabilities and commitments				
Guarantees and letters of credit	1 636	1 807	1 382	521
Acceptances on behalf of clients	1 509	2 227	1 643	2 388
Other	3	–	3	–
	3 148	4 034	3 028	2 909
Operating lease commitments				
Annual commitments in respect of non-cancellable operating leases				
Leasehold properties				
Within one year	1	–	1	–
Between one and five years	3	–	1	–
	4	–	2	–

24. Related party transactions

Transactions, arrangements and agreements involving directors and others:

Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them and with officers of the company.

At year end, 5 directors had outstanding loans from Investec Bank Limited.

For loans to related parties, normal credit parameters are applied.

	Group 2003	Group 2002	Company 2003	Company 2002
Loans - Investec Bank Limited	73	39	73	39

H Herman has a 17% and 13.25% holding in Picbel Parkade Shareblock (Pty) Ltd and Taaibos Square (Pty) Ltd respectively. Loans were provided to these entities by Investec Bank Limited on an arm's length, fully secured basis as follows:

	Group 2003	Group 2002	Company 2003	Company 2002
Picbel Parkade Shareblock (Pty) Ltd	–	22	–	22
Taaibos Square (Pty) Ltd	77	83	77	83

The loan provided for Picbel Parkade Shareblock (Pty) Ltd was settled on 3 February 2003.

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	Group 2002	Company 2003	Company 2002
24. Related party transactions (continued)				
S Koseff, G Burger, B Kantor, H Herman, P Thomas, D Lawrence, R Forlee, S Hackner, A Leith, R Wainwright, B Tapnack and D Jowell have an interest in Spurwing P Investments Limited and Spurwing L Investments Limited, which jointly amount to a holding of 47.05% and 22.95% respectively. Loans were provided to these entities by Investec Bank (Mauritius) on an arm's length, fully secured basis as follows:				
Spurwing P Investments Limited	96	0	96	–
Spurwing L Investments Limited	27	0	27	–
All of the above are included in loans and advances to customers.				
The group's personal account trading policy requires all employees who participate in securities transactions to deal on an arm's length basis through Investec Securities Limited. This has no material effect on either Investec Securities Limited or the group's earnings. Directors' portfolios are subject to management fees on an arm's length basis. Particulars of directors' dealings in Investec shares are recorded in a register held at the registered office of the company, which is available for inspection.				
Transactions with other related parties of the group				
Any dealings with regards to investments in unit trusts or the asset management division occur at arm's length.				
On 30 September 2001, Investec Bank Limited sold certain property loans to the policyholder assets of Investec Employee Benefits for a total consideration of:	–	547	–	547
The balance was settled at 31 March 2002.				
25. Employee benefits - group				
25.1 Pension costs				
Defined contributions	53	44	50	44
Pension and provident fund contributions	53	44	50	44

Notes to the financial statements

For the year ended 31 March (R millions)	Group 2003	2002	2001
26. Changes in accounting policies and other prior year adjustments			
26.1 Accounting for debt instruments			
The group changed its accounting policy in relation to debt instruments from settlement date accounting to trade date accounting. The adoption of trade date was made to align the SA and UK Gaap treatment of these instruments, as trade date accounting is permitted under both standards.			
The effect of the change at 31 March 2002 and 2001 is as follows:			
- Increase in bond assets (investment and trading securities)	–	166	4 363
- Increase in settlement debtors (other assets)	–	3 314	2 032
- Increase in short bond positions (deposits and other accounts)	–	1 276	–
- Increase in settlement creditors (deposits and other accounts)	–	2 204	6 395

There is no effect on the income statement or reserves.

Restatements

- Classification of the loan to the staff share scheme
The loan to the staff share scheme has been reclassified from advances to other assets and is separately disclosed under the other asset note (see note 5). There is no effect on income.

- Trading income disclosure
Investec's accounting policy is to disclose trading profits net of the funding costs of the underlying positions. During the year, the group conducted a thorough evaluation of the funding costs of trading desks, as a result of which interest charges were reallocated between trading and funding desks within the Treasury. Comparative figures have been restated to be consistent with this. There is no effect on net income or reserves.

- EVA
In prior years, payments made to employees as a result of contractual obligations relating directly to income generation were directly allocated against income. This policy has been changed to include these costs in personnel remuneration.

Capital adequacy statement

For the year ended 31 March	Group	
(R millions)	2003	2002
The regulatory capital of the bank, as reported to the South African Reserve Bank, is detailed below:		
Primary capital (Tier 1)	5 925	6 332
Secondary capital (Tier 2)	5 048	4 525
Total	10 973	10 857
Less: impairments	1 360	753
Net qualifying capital	9 613	10 104
Risk weighted assets (banking and trading assets)	49 463	51 551
Capital adequacy ratio	19.43%	19.60%

Group derivative instruments

Financial instruments, including derivatives and risk disclosure

Fair values
The fair value of a financial instrument represents the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out by the group in an orderly market transaction at year end. The group's trading book comprises treasury bills, settlement accounts, debt securities, equity shares, short positions in securities and derivatives, as well as secured customer loans and deposits. All amounts are included in the balance sheet at fair value.

The fair values of listed and publicly traded securities held for investment purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values of other non-trading securities approximate to their carrying value are in the balance sheet.

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

Notional principal
The notional principal gives an indication of the group's activity in the derivatives market and represents the aggregate size of the total outstanding contracts at year end. This figure cannot be used to assess the market risk associated with the position.

Group derivative instruments

For the year ended 31 March (R millions)	2003 Notional principal	2003 Positive fair value	2003 Negative fair value	2002 Notional principal	2002 Positive fair value	2002 Negative fair value
Trading derivatives						
Foreign exchange derivatives						
Forward foreign exchange	53 738	3 419	3 557	193 362	13 369	13 107
Currency swaps	7 071	889	534	9 527	832	2 643
OTC options bought and sold	7 404	844	351	8 445	135	478
OTC derivatives	68 213	5 152	4 442	211 334	14 336	16 228
Exchange traded futures	–	–	–	118 808	21	34
Total	68 213	5 152	4 442	330,142	14 357	16 262
Interest rate contracts						
Caps and floors	15 489	47	59	53 993	71	87
Swaps	389 627	5 717	5 264	280 095	3 986	3 970
Forward rate agreements	1 335 697	713	723	364 114	802	752
OTC options bought and sold	20 752	97	105	23 362	268	384
Other interest rate contracts	595	–	3	–	–	–
OTC derivatives	1 762 160	6 574	6 154	721 564	5 127	5 193
Exchange traded futures	225 414	29	7	322	1	–
Exchange traded options	8 014	–	5	1 300	1	1
Total	1 995 588	6 603	6 166	723 186	5 129	5194
Equity and stock index derivatives						
OTC options bought and sold	2 381	639	329	10 889	723	698
Equity swaps and forwards	3 986	333	781	–	–	–
OTC derivatives	6 367	972	1 110	10 889	723	698
Exchange traded futures	56	6	11	29	–	2
Exchange traded options	3 220	22	22	2 102	42	40
Warrants	–	–	–	776	112	49
Total	9 643	1 000	1 143	13 796	877	789

Group derivative instruments

For the year ended 31 March (R millions)	2003 Notional principal	2003 Positive fair value	2003 Negative fair value	2002 Notional principal	2002 Positive fair value	2002 Negative fair value
Commodity derivatives						
OTC options bought and sold	11 452	546	546	17 133	674	674
Commodity swaps and forwards	1 627	41	45	1 055	55	29
Total	13 079	587	591	18 188	729	703
Total trading derivatives	2 086 523	13 342	12 342	1 085 312	21 092	22 948
Effect of netting	–	(8 388)	(8 388)	–	(15 872)	(15 872)
Trading derivatives included in assets/liabilities	2 086 523	4 954	3 954	1 085 312	5 220	7 076

The positive and negative fair values for the group and company are the same, except in 2002 when the group had an additional R63 million positive fair value. This mainly related to interest rate contracts (forward rate agreements) held by group entities.

Principal subsidiary companies

For the year ended 31 March (R millions)	Nature of business	Issued ordinary capital	Holding %	Shares at book value 2003 R' million	Shares at book value 2002 R' million	Net indebtedness 2003 R' million	Net indebtedness 2002 R' million
Direct subsidiaries of Investec Bank Limited							
Investec Bank (Mauritius) Limited *	Banking institution	R281 630 447	100	976	934	540	1 957
Grayinvest Limited (formerly Investec Limited)	Investment holding	R14 150 000	100	131	541	331	1 256
Reichmans Limited	Trade financing	R23 439 668	100	43	87	215	235
Investec Holdings (Botswana) Ltd*	Investment holding	Pula55 000 000	75	104	79	20	(5)
Sibvest Limited (Formerly SIB Investments Limited)	Investment holding	R592 923 543	100	562	585	(260)	(226)
Secfin Finance Ltd	Investment holding	R20 600 000	100	22	36	–	(22)
Securities Equities (Pty) Ltd	Investment holding	R200 000 000	100	164	136	(164)	(179)
Sechold Finance Services (Pty) Ltd	Investment holding	R1 000	100	29	142	(210)	(78)
KWJ Investments (Pty) Ltd	Investment holding	R1 000	100	3	47	–	(210)
AEL Investment Holdings (Pty) Ltd	Investment holding	R1 000	100	9	71	(82)	345
Investpref Ltd	Investment holding	R1 000	100	8	8	(27)	(11)
Intelligence at Work	Information technology	R100	100	1	–	–	–
Vesque Limited	Finance and investment	R2 236 200	100	237	236	(233)	(233)
Other				81	–	–	–
				2 370	2 902	130	2 829

Details of subsidiary and associated companies which are not material to the financial position of the group are not stated above.

* Mauritius and Botswana

Group currency profile

For the year ended 31 March

(R millions)	ZAR	GBP	USD	NIS	Euro	Other	Total
Assets							
Cash and short-term funds	6 908	79	3 375	–	9	58	10 429
Short-term negotiable securities	7 973	–	40	–	46	140	8 199
Investment in trading securities	12 645	(128)	(2 412)	–	100	(674)	9 531
Other assets	5 465	–	204	–	3	3	5 675
Advances	25 703	130	1 975	–	6	344	28 158
Loans to group companies	8 680	(176)	1 775	(3)	(9)	7	10 274
Fixed assets	814	–	–	–	–	2	816
Goodwill	1	–	–	–	–	–	1
	68 189	(95)	4 957	(3)	155	(120)	73 083
Equity and liabilities							
Share capital and reserves	6 492	(262)	335	(3)	7	(533)	6 036
Compulsorily convertible debentures	1 938	–	–	–	–	–	1 938
Redeemable preference shares	1 820						1 820
Subordinated debt	2 801	–	–	–	–	–	2 801
Interest of minority shareholders in subsidiaries	–	–	–	–	–	33	33
Deposits and other accounts	55 082	167	4 622	–	148	379	60 398
Taxation	56	–	–	–	–	1	57
	68 189	(95)	4 957	(3)	155	(120)	73 083

The group currency profile analyses the consolidated assets and liabilities in terms of their originating currencies. These totals are then expressed in South African Rands. Consequently this profile does not reflect any off balance sheet hedges entered into by the group. The following exchange rates were used for conversion of assets and liabilities at 31 March 2003:

US Dollar $1 = R 7.93
British Pound £1 = R 12.51
European Euro €1 = R8.63
Israeli Shekel NIS1 = R1.69

Supplementary risk information

(R millions)

Liquidity gap at 31 March 2003	0 - 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Total
Cash and short-term funds	6 419	588	912	2 510	–	–	10 429
Short-term negotiable securities	7 096	1 103	–	–	–	–	8 199
Investment and trading securities	6 981	74	1 934	101	306	135	9 531
Other assets	4 037	68	20	93	87	1 370	5 675
Advances^	2 434	902	877	1 840	12 068	10 037	28 158
Loans to group companies	7 118	634	–	953	1 569	–	10 274
Property and equipment	–	2	–	–	66	748	816
Intangible assets	–	–	–	–	–	1	1
Assets	34 085	3 371	3 743	5497	14 096	12 291	73 083
Equity	–	–	–	–	1 656	6 351	8 007
Subordinated debt	–	–	–	–	–	2 801	2 801
Redeemable preference shares	7	259	131	126	1 275	22	1 820
Liabilities	31 078	10 940	8 625	5 146	2 288	2 378	60 455
Equity and liabilities	31 085	11 199	8 756	5 272	5 219	11 552	73 083
Liquidity gap	3 000	(7 828)	(5 013)	225	8 877	739	
Cumulative liquidity gap	3 000	(4 828)	(9 841)	(9 616)	(739)	–	

Repricing gap at 31 March 2003	Total trading	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing	Total non-trading	Total
Cash and short-term funds	727	9 702	–	–	–	–	–	9 702	10 429
Short-term negotiable securities	3 864	2 244	54	38	553	1 446	–	4 335	8 199
Investment and trading securities	6 724	34	–	–	800	133	1 840	2 807	9 531
Advances	51	11 471	678	1 465	8 364	5 003	1 126	28 107	28 158
Other assets	3 172	11 747	14	11	65	6	1 751	13 594	16 766
Assets	14 538	35 198	746	1 514	9 782	6 588	4 717	58 545	73 083
Equity	–	–	–	–	1 656	282	6 069	8 007	8 007
Subordinated debt	–	–	–	–	–	2 801	–	2 801	2 801
Redeemable preference shares	–	266	131	126	1 275	22	–	1 820	1 820
Liabilities	9 094	35 357	8 641	3 856	379	456	2 672	51 361	60 455
Equity and liabilities	9 094	35 623	8 772	3 982	3 310	3 561	8 741	63 989	73 083
Off balance sheet items	–	1 009	1 346	5 712	(8 067)	–	–		
Interest rate gap	5 444	584	(6 680)	3 244	(1 595)	3 027	(4 024)		
Cumulative repricing gap	5 444	6 028	(652)	2 592	997	4 024	–		

Supplementary risk information

For the year ended 31 March (R millions)	Group 2003	2002
Asset quality, specific and general provisions		
Total loans and advances to customers (gross of provisions)	28 885	28 398
Managed book	(589)	(500)
Net loans and advances to customers	28 296	27 898
Income statement provision charge	(281)	(178)
Specific provisions	352	253
General provisions	375	257
Total provisions	727	510
Gross non-performing loans	379	411
Security	(125)	(78)
Net non-performing loans	254	333
Adequacy of provisions		
Specific provisions as a % of total loans and advances to customers	1.22%	0.89%
General provisions as a % of net loans and advances to customers	1.33%	0.92%
Total provisions as a % of total loans and advances to customers	2.52%	1.80%
Total provisions as a % of gross non-performing loans	191.82%	124.09%
Total provisions as a % of net non-performing loans	286.22%	153.15%

For more information on the group's risk management policies and other risk information, please refer to the Investec Limited (incorporating the results of Investec plc) annual financial statements.

Segmental information

For the year ended 31 March 2003

(R millions)	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Other	Investec Bank Limited
Total income	545	812	138	456	1 951
Operating expenses	(360)	(354)	(62)	(471)	(1 247)
Operating profits /(loss) before headline adjustments and taxation	185	458	76	(15)	704
Total assets	17 464	42 580	784	12 255	73 083
Cost to income ratio (%) *	55.4%	40.6%	45.2%	82.1%	55.8%

For the year ended 31 March 2002

(R millions)	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Other	Investec Bank Limited
Total income	417	819	332	634	2 202
Operating expenses	(295)	(261)	(56)	(474)	(1 086)
Operating profits/(loss) before headline adjustments and taxation	122	558	276	160	1 116
Total assets	13 913	43 258	714	15 452	73 337
Cost to income ratio (%) *	59.4%	30.7%	16.8%	55.8%	45.6%

Net assets by class of business is not disclosed as the directors do not view it meaningful to provide this information. The reason for this is that the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally.

* Cost to income ratio is calculated as operating expenses expressed as a percentage of total income, before deducting provision for bad and doubtful debts.