



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

corporate information

Investec Limited

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* Formerly Investec Group Limited

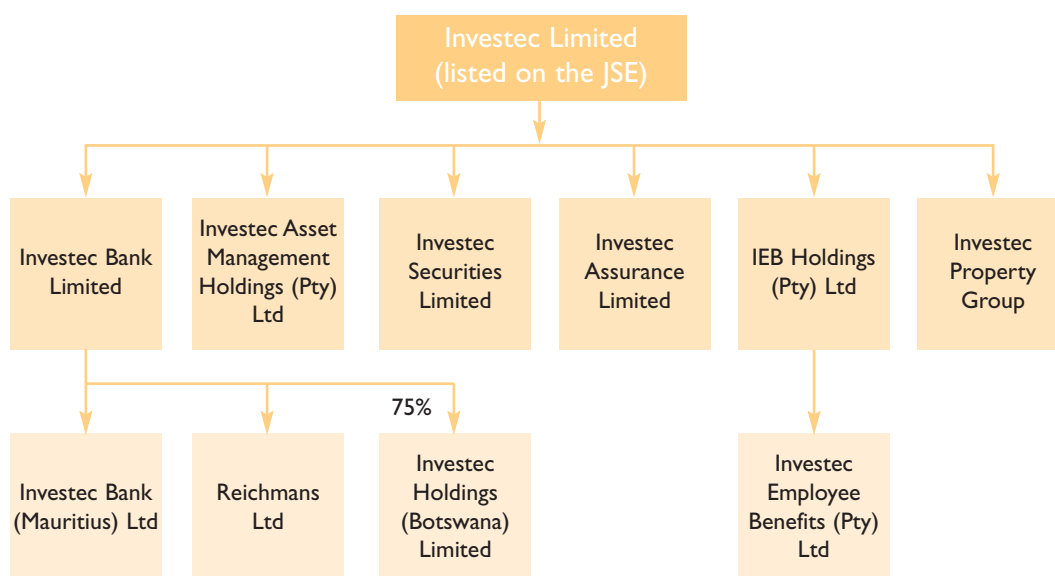


a brief overview of Investec Limited

Introduction

In terms of the implementation of Investec's Dual Listed Companies (DLC) structure (for further information, see Annexure 1), Investec Group Limited has been renamed Investec Limited and is now the controlling company of Investec's businesses in Southern Africa and Mauritius. Investec Limited is listed on the JSE Securities Exchange South Africa and 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.

Structure



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

Southern Africa - history of significant events

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

1998 - 1999

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

Evolved to full service private banking

2000 - 2001

Acquisition of Quyn Martin Asset Management business

Acquisition of private client loan portfolio of McCarthy Bank and professional lending book of Mercantile Bank

Established an Equity Derivatives team and a Commodities team

Established a Public Sector Finance unit

Established a Private Equity division

2002 - 2003

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

Acquisition of debtors book of Regal Treasury Private Bank Ltd

Continued rationalisation of the businesses acquired from Fedsure

Reinsurance of the annuity business of IEB with Capital Alliance Limited

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

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

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

Investec in perspective

Since its inception as a leasing company in South Africa in 1974, Investec has expanded through a combination of substantial organic growth and a series of strategic acquisitions.

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 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 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.

Activities of Investec Limited

The activities conducted by the significant "operating" subsidiaries of Investec Limited are discussed below.

1. The 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

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 established 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 on 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.

Treasury and Specialised Finance

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 Rates Trading, Foreign Exchange Trading, Commodities Trading, and Equity Derivatives. The Banking Activities are characterised by more predictable revenues, while the Financial Markets 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.

Investment Banking

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 markets 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.

Group Services and Other Activities

Group Services and Other Activities consists primarily of three components: Central Costs; the Central Funding of Investec; and Other Activities.

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, Organisation 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 include those operations which are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. Also included are operations 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.

2. The activities of Investec Asset Management

Investec Asset Management provides a comprehensive range of portfolio management services and products to institutional and retail clients. Investec Asset Management commenced operations in South Africa in 1991 with R225 million of assets under management. Investec Asset Management has continued to grow this business, principally organically and through the addition of R45.6 billion of assets acquired through Investec's purchase of Fedsure Holdings on 1 June 2001. As at 31 March 2003, Investec Asset Management's South African assets under management were R116 billion.

South African Institutional Investments

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

South African Personal Investments

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

3. The activities of Investec Securities Limited

The principal activities of Investec Securities Limited are outlined below:

Private Client Portfolio Management and Stockbroking

Investec's Private Client Portfolio Management and Stockbroking business offers a range of personal investment and stockbroking services to a client base comprising predominantly high net worth individuals.

Investec commenced its Private Client Portfolio Management and Stockbroking business in South Africa in 1996 through the acquisition of Fergusson Bros., and now operates under the name Investec Securities Limited. Investec Securities Limited is one of the largest private client stockbrokers and one of the largest private client portfolio managers in the South African market, as measured by assets under management. This business has grown primarily through strategic acquisitions, including the purchase in June 1999 of the Johannesburg private client operations of HSBC (resulting in the addition of approximately R4.5 billion in assets under management), in October 2000 of Quyn Martin Asset Management (resulting in the addition of R1.8 billion in assets under management) and in January 2002 of Merrill Lynch South Africa's private client operation in Cape Town (resulting in the addition of R4.3 billion in assets under management).

As at 31 March 2003, Investec's South African private client stockbroking business had assets under management in excess of R25.6 billion, of which R4.5 billion and R21.1 billion were managed on a discretionary and non-discretionary basis, respectively.

Institutional research and sales and trading

Investec offers an integrated research, sales and execution capability in South African stocks for domestic and international fund managers with an interest in, and exposure to, South Africa. The South African operations are complemented by a London-based team that promotes South African stocks to a global emerging market client base, and supports Investec Securities Limited's equity analysts on South African companies that have redomiciled to the UK.

4. The activities of Investec Property Group Limited

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

5. The activities of Investec Employee Benefits

The life company (Fedsure Life Assurance Company Limited) acquired from Fedsure Holdings as part of the insurance businesses acquired in June 2001 was renamed Investec Employee Benefits during November 2001. Further information on the activities conducted by Investec Employee Benefits is found elsewhere in this report.

Presentation of financial information

The implementation of Investec's DLC structure took place in July 2002 (for further information, see Annexure 1). In terms of the DLC structure, Investec Group Limited (now Investec Limited) was restructured. The financial results of Investec Limited for the year ended 31 March 2002 reflect the consolidated results of the former Investec Group Limited and its subsidiaries and include the results of all the businesses that were unbundled to Investec plc in terms of the DLC structure. The results of Investec Limited for the year ended 31 March 2003 are therefore not directly comparable with the results for the year ended 31 March 2002. In the discussion on the financial performance of Investec Limited for the year ended 31 March 2003 (see below), reference is therefore made only to developments within the current year.

Financial highlights

	31 March 2003
Net income before headline adjustments (R millions)	1 583
Headline earnings (R millions)	1 068
Total capital resources (R millions)	8 695
Total shareholders' funds (R millions)	3 899
Total assets (R millions)	103 302
Cost to income ratio (%)	52.3
Capital adequacy ratio (%)	12.2

Commentary on the results of Investec Limited for the year ended 31 March 2003

Introduction

Investec Limited reported headline earnings of R1 068 million. The Private Banking, Assurance and Property divisions performed solidly during the period under review. These results were partially offset by the poor performance of the Traded Endowments business (which was still included under Investec Limited for the financial year) and by the weaker performances of the Investment Banking and Treasury and Specialised Finance divisions.

Business unit review

Private Client Activities

The Private Client Activities division, comprising the Private Banking and Private Client Portfolio Management and Stockbroking divisions, posted operating profit before headline adjustments and taxation of R213 million. 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.

Key business developments over the past year are outlined below.

Private Banking

- 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.

- o 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)*.

Private Client Portfolio Management and Stockbroking

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

Treasury and Specialised Finance

The Treasury and Specialised Finance division posted operating profit before headline adjustments and taxation of R467 million. 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, Currency 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:
 - o The unit was involved in arranging and underwriting debt facilities for the SunCoast Casino development complex in KwaZulu Natal.
 - o The unit also arranged and underwrote the debt in the refinancing of the Kelvin power station in Johannesburg, Gauteng.
- The results of the Resource Finance business were affected by a specific bad debt provision 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.

Equities Derivatives

- Warrants volumes decreased and institutional hedging activities were subdued.

Investment Banking

The Investment Banking division posted operating profit before headline adjustments and taxation of R82 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.

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 black economic empowerment (BEE) transactions.
- In accordance with Investec's BEE strategy, the division participated in both an advisory and an investment capacity in the acquisition by Peu Investment Group of a 20% equity interest in Capital Alliance Limited for R420 million, and the formation of Tiso Capital Partners.
- The number of corporate finance transactions completed during the period declined to 55 (2002: 65), while the number of sponsor broker deals increased to 45 (2002: 36).
- The division continued to seek creative and effective ways to develop value-added solutions for its clients.

- The division was ranked first in volume and value of transactions in the *Dealmakers Magazine Survey for Corporate Finance (March 2003)*. It was ranked second for advising on the highest volume and value of M&A transactions in the *Ernst & Young Survey (March 2003)*.

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.

Institutional Research, Sales and Trading

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

Asset Management

Investec Asset Management reported operating profit before headline adjustments and taxation of R264 million. In South Africa, the Personal Investments division performed well, with a solid increase in retail fees earned. This was as a result of improved flows (approximately R1 billion), endorsing the strategic direction embarked on two years ago, and an increase in funds under management acquired from Fedsure (which was only reflected for 10 months of the 2002 financial year). Despite a reduction in fees and commissions earned, caused by an outflow of funds from former Fedsure clients (approximately R8 billion), the Institutional Investments division continued to post a strong performance. This was as a result of performance fees earned and cost containment initiatives.

Key business developments over the past year are outlined below.

South African Institutional Investments

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

South African Personal Investments

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

Assurance Activities

The group's South African life assurance activities, conducted by Investec Employee Benefits (IEB), reported operating profit before headline adjustments and taxation of R735 million.

Operational earnings were positively influenced by further restructuring of the business and its investment portfolios, particularly in the first half of the financial 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).

The rationale behind this transaction was to:

- Reduce Investec's exposure to administration intensive businesses, which require significant infrastructure and ongoing investment.
- Transfer liabilities of approximately R3.7 billion to Liberty.

Following 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 R178 million. The Central Funding division improved 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 10 months in the prior period. These gains were offset by the weaker performance of the group's Traded Endowment activities, while the Property division performed reasonably well.

Key business developments over the past year are outlined below.

Property Activities

- In South Africa the division has two JSE listed Property Loan Stocks under management and is now the second largest manager of listed property vehicles in the South African market. Metprol and Growthpoint have a combined market capitalisation of approximately R2.4 billion, comprising 13.68% of the combined Property Loan Stock and Property Unit Trust sectors of the JSE.
- The Property Trading and Development division continued to perform well and successfully penetrated the market in developing properties and on-selling into the investment market for capital profit in its chosen niches of retail, industrial and commercial property. It has moved successfully into residential land conversion coinciding with the growth in that market.
- The listed Property Asset Management division was established during the year through the strategic acquisition of Provest, one of South Africa's best recognised portfolio asset managers of listed property, servicing both institutional and private clients.
- The Property division is well positioned to continue to penetrate the market. The positive sentiment surrounding South African property, driven by a falling interest rate environment and the current attractive returns relative to other asset classes, provides many opportunities for the division.

International Trade Finance

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

Traded Endowments

- Investec's Traded Endowments business, which operates in the UK, was acquired in June 2001 as part of the acquisition from Fedsure. This business involves the purchase of with-profit endowment policies in the secondary market at a price above their surrender value yet below the asset value. These policies are then sold to investors who want to diversify their investment portfolios with an insurance product. Most of Investec's traded endowments clients are UK-based independent financial advisors and a limited number of funds.
- The business posted an operating loss as a result of a fall off in business activity and bonus rates cuts announced by life insurance companies.
- The business was significantly rationalised, with headcount reduced from 138 to 38.

Credit ratings

In general, Investec has been assigned strong ratings for credit quality, capacity for timely repayment and financial strength. Historically, rating agencies tended to focus on rating the combined Investec group or just the significant banking entities within the group, namely Investec Bank Limited or Investec Bank (UK) Limited. In terms of the implementation of Investec's Dual Listed Companies structure, however,

Investec Limited and Investec plc are treated separately from a credit point of view. Therefore, over time, one will expect to see ratings being accorded to both companies. The group is currently engaged in discussions with the rating agencies, in this regard. The ratings as at 31 March 2003 are set out below.

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

Capital Intelligence Ratings

Foreign currency - long-term rating	BBB-*
Foreign currency - short-term rating	A3*

CA Ratings

Short-term local currency debt rating	A-1+
Long-term local currency debt rating	A+

Fitch

Individual rating	B/C
Support rating	5
International short-term	F3*
International long-term	BBB*

Ratings for Investec Bank Limited

Capital Intelligence Ratings

Foreign currency - long-term rating	BBB-*
Foreign currency - short-term rating	A3*
Domestic strength rating	A

Fitch

Individual rating	B/C
Support rating	4
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

Further information

For further information on Investec's results for the year ended 31 March 2003 see Investec's 2003 annual report which is also available on www.investec.com



shareholder analysis

The group has implemented a Dual Listed Companies (DLC) structure, in terms of which it has primary listings both in Johannesburg and London (further information on the DLC structure is provided in Annexure I).

Investec plc, which houses the majority of the group's non-Southern African businesses, was listed on the London Stock Exchange on 29 July 2002. Investec plc also has a secondary listing on the JSE Securities Exchange South Africa (JSE). Investec Limited, which houses the group's Southern African and Mauritius operations, has been listed in South Africa since 1986.

As at 31 March 2003, Investec plc and Investec Limited had 74 633 746 and 38 399 527 ordinary shares in issue, respectively.

Spread of ordinary shareholders as at 31 March 2003

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
15 922	1-500	88.7%	1 285 189	3.3%
697	501-1 000	3.9%	513 049	1.3%
773	1 001-5 000	4.3%	1 742 610	4.5%
187	5 001-10 000	1.0%	1 323 658	3.5%
278	10 001-50 000	1.5%	6 191 912	16.2%
47	50 001-100 000	0.3%	3 349 311	8.7%
53	100 001 and over	0.3%	23 954 430	62.4%
	Adjustments*		39 368	0.1%
17 957		100.0%	38 399 527	100.0%

* Arising from dematerialisation orders in transit

Shareholder classification

Spread of shareholders

	Investec Limited	
	number of shares	% holding
Public*	27 079 409	70.5%
Non-public	11 320 118	29.5%
Non-executive directors of Investec Limited	164 343	0.4%
Executive directors of Investec Limited	1 278 247	3.3%
Fintique III	3 730 154	9.7%
Investec Staff Share Schemes	846 724	2.2%
Public Investment Commissioner	5 300 650	13.9%
Total	38 399 527	100.0%

*As per the JSE listing requirements

Largest beneficial shareholders as at 31 March 2003

In accordance with the terms provided for in Section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are disclosed below.

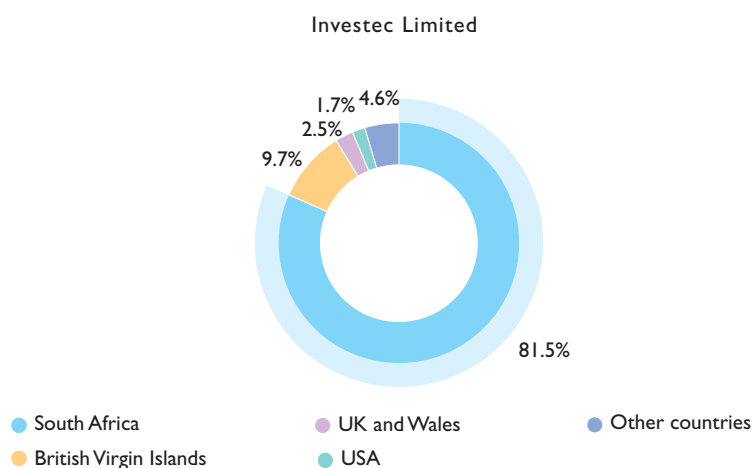
Investec Limited

Beneficial owner	Number of shares	% holding
1. Public Investment Commissioner (SA)	5 300 650	13.9
2. Fintique III (BVI)*	3 730 154	9.7
3. Old Mutual Life Assurance (SA)	2 782 473	7.3
4. Sanlam (SA)	1 317 593	3.4
5. Fedsure Assurance Limited (SA)	1 236 449	3.2
6. Liberty Life (SA)	686 993	1.8
7. Deutsche Bank AG (UK)	670 409	1.8
8. RMB (SA)	640 073	1.7
9. Momentum Life Assurance (SA)	609 404	1.6
10. Investment Solutions (SA)	566 105	1.5
Cumulative total	17 540 303	45.9

The top 10 beneficial shareholders account for 45.9% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* A small group of senior and executive management, including certain Investec Limited/Investec plc directors, who have or can have a significant impact on the business, have been granted participation in leveraged equity plans known as Fintique II and Fintique III. In terms of these plans, participants acquired units that entitled them to the risks and, on maturity of the plans in 2004 and 2008, future benefits of ownership of the underlying Investec shares. Participants in the schemes bear the risk of a potential liability on maturity of the schemes.

Geographic holding by beneficial owner as at 31 March 2003



Note: The percentage holding in the British Virgin Islands represents the holding of Fintique III, as discussed above.

Share statistics

Investec Limited (formerly Investec Group Limited) ordinary shares in issue

For the year ended 31 March	2003	2002	2001	2000	1999
Closing market price per share (cents)					
– year end	7 650	13 000	19 700	26 020	22 900
– highest	17 440	24 580	27 800	30 000	27 100
– lowest	7 650	13 000	19 200	18 440	12 500
Number of ordinary shares in issue (million)	38.4 ¹	96.2	81.0	80.6	80.4
Market capitalisation (R millions) ²	8 645	14 196	19 286	24 095	21 178
Number of shareholders	17 957	19 445	3 454	3 070	3 788

Notes:

¹ The number of shares in issue has reduced significantly following the implementation of the DLC structure, in terms of which Investec plc was unbundled from Investec Group Limited (now Investec Limited).

² The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 113.0 million shares in issue.



directorate investec limited

Executive Directors

Stephen Koseff (51) ^{6,7}

BCom CA (SA) H Dip BDP MBA

Chief Executive Officer

Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, and General Manager of Banking, Treasury and Merchant Banking. His directorships include the JSE Securities Exchange South Africa, Investec Bank Limited, Investec Bank (UK) Limited and The Bidvest Group Limited.

Bernard Kantor (53) ^{6,7}

Managing Director

Bernard joined Investec in 1980. He has had diverse experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer. His directorships include Investec Bank Limited, Investec Bank (UK) Limited and Phumelela Gaming and Leisure Limited.

Glynn R Burger (46) ^{6,7}

BAcc SA(SA) H Dip BDP MBL

Executive Director responsible for Finance and Risk

Glynn joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa. His directorships include Investec Bank Limited.

Alan Tapnack (56) ⁷

BCom CA (SA)

Alan practised as a chartered accountant and is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Buntun Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and subsequently became Chief Executive Officer of Investec's UK operations. He is also responsible for Investec's Israeli operations. His directorships include Investec Bank (UK) Limited and Carr Sheppards Crosthwaite Limited.

Non-Executive Directors

Hugh S Herman (62)^{5,6}

BA LLB

Non-Executive Chairman

Hugh practised as a lawyer before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director. He joined Investec in 1994. His directorships include Investec Bank Limited, Investec Bank (UK) Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

John Abell (71)^{1,2,4}

MA (Hons)

John is former Chairman and Chief Executive of Orion Royal Bank and former Chairman of CIBC Wood Gundy Europe. His directorships include Investec Bank (UK) Limited.

Sam E Abrahams (64)^{1,3,5,7}

FCA CA (SA)

Sam is a former international partner and South African Managing Partner of Arthur Andersen. His current directorships include Foschini Limited, Super Group Limited, Investec Bank Limited and Phumelela Gaming and Leisure Limited.

George Alford (55)^{1,2,4}

BSc (Econ) FCIS FIPD MSI

George is former Head of Private Banking and Head of Personnel at Kleinwort Benson Group, and is currently a senior advisor to the FSA. His directorships include Investec Bank (UK) Limited.

Donn E Jowell (61)^{1,3,6,7}

BCom LLB

Donn is Chairman of and a consultant to Jowell Glyn & Marais Inc, the South African legal advisers to the company. His current directorships include Anglovaal Mining Limited, Investec Bank Limited and various other Investec companies.

Ian R Kantor (56)

BSc (Eng) MBA

Ian is former Chief Executive of Investec Bank Limited, resigning in 1985 and relocating to the Netherlands. His current directorships include Insinger de Beaufort Holdings SA (where he is Chairman of the management board and in which Investec holds an 8,6% interest), Bank Insinger de Beaufort NV and Investec Bank (UK) Limited.

Sir Chips Keswick (63)^{2,4,5}

Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American Plc and was on the Court of the Bank of England. His directorships include De Beers SA, De Beers Consolidated Mines Limited, IMI Plc, Persimmon Plc and Investec Bank (UK) Limited.

Mangalani Peter Malungani (45)

BCom MAP LDP

Peter is Executive Chairman and founder of Peu Investment Group and Chairman of Phumelela Gaming and Leisure Limited, SA Rail Commuter Corporation Limited. He is also Deputy Chairman of Capital Alliance Life Limited and Capital Alliance Holdings Limited. Other directorships include Super Group Limited and Investec Bank Limited.

Non-Executive Directors (continued)

Peter R S Thomas (58)^{3,4,7}

CA (SA)

Peter is a chartered accountant and former Managing Director of The Unisec Group Limited. His current directorships include Investec Bank Limited.

Notes:

- The dates on which the directors were appointed to the board of Investec Limited can be found in Investec's 2003 annual report.
- Furthermore, it was announced on 20 June 2003 that Mr Geoffrey M T Howe and Miss Haruko Fukuda will be appointed as independent non-executive directors to the boards of Investec Limited and Investec plc, with effect from 21 July 2003.

Geoffrey M T Howe (53)

MA Law (Hons)

Geoffrey is formerly a Managing Partner of solicitors Clifford Chance LLP and Managing Director of Robert Fleming Holdings Limited. His directorships include Jardine Lloyd Thompson plc, AHLI United Bank (UK) plc, Denton Wild Sapte and JP Morgan Fleming Overseas Investment Trust plc.

Haruko Fukuda OBE (57)

MA (Cantab) DSc

Haruko is formerly Chief Executive of the World Gold Council. Her directorships include, AB Volvo, The Foreign and Colonial Investment Trust plc and Aberdeen Asian Smaller Companies Investment Trust plc. She is also advisor to Management Diagnostics Ltd, Metro AG and Lazard and serves on the Business Advisory Board of the United Natcom Officer for Project Services.

The directors serve as Chairman or members on the following committees.

- ¹ Combined group/DLC Audit Committee
- ² Investec plc Audit Committee
- ³ Investec Limited Audit Committee
- ⁴ Remuneration Committee
- ⁵ Nomination Committee
- ⁶ Chairman's Committee
- ⁷ Board Risk Review Committee

Details on these committees can be found in Investec's 2003 annual report.



contents to Investec Limited group and company annual financial statements

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Directors' responsibility

Financial statements for Investec Limited

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies have been consistently applied, supported by reasonable and prudent judgements and estimates. The directors are satisfied that the information contained in the financial statements fairly presents the operations for the year and the financial position of the group at the year end. The financial statements appearing on pages 27 to 75 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

Furthermore, the group's external auditors have audited the financial statements and their unqualified report appears on page 26.

Declaration by company secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 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

Report of the independent auditors

To the Members of Investec Limited

We have audited the financial statements and group annual financial statements of Investec Limited, set out on pages 27 to 75, for the year ended 31 March 2003. These financial statements are the responsibility of the company directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

Scope

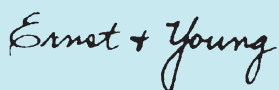
We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- 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.
- 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.



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

Johannesburg
27 June 2003



KPMG Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

Directors' report

Nature of business

Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base. 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.

Group restructure

At a members' meeting held on 12 July 2002, resolutions were passed approving, among other things, 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 Southern 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

Details of the share capital are set out in notes 11 and 13 to the financial statements.

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 conversion mentioned above), 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.

Directors' 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.

Financial results

The results of the company and the group are set out in the financial statements and accompanying notes.

Dividends

(R'mn)	2003	2002
Ordinary dividends		
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.		
Preference dividends		
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 20.

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. 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 were appointed to the board, with effect from 21 July 2003.

Directors and their interests

For directors' shareholdings and options to subscribe, refer to the directors remuneration report in the Investec Annual Report (DLC) - Investec plc (incorporating the results of Investec Limited).

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

Audit Committee

An Audit Committee comprising non-executive directors meets regularly with senior management, the external

Directors' report

auditors, Operational Risk, Internal Audit, Group Compliance and the group's Finance and Accounting division to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems.

Contracts

Refer to pages 69 and 70 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on page 76. The interest of the company in the aggregate profits after tax of its subsidiary companies for the year is R2 183 million (2002 - R6 470 million) and its share in aggregate losses is R1 100 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 "Authorised and issued 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 Three (BVI)	9.7%
Old Mutual Life Assurance	7.3%

Accounting policies and disclosure

Accounting policies are set, having regard to commercial practice and international accounting standards, as well as compliance 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

Balance sheets

At 31 March		Group		Company	
(R millions)	Notes	2003	2002	2003	2002
Assets					
Cash and short-term funds	2	11 995	111 224	–	–
Short-term negotiable securities	3	8 427	64 738	–	–
Investment and trading securities	4	9 720	18 083	3	74
Other assets	5	6 418	12 440	43	25
Advances	6	27 456	53 347	–	2
Loans and advances to Investec plc and its subsidiaries		1 894	–	918	–
Subsidiary companies		–	–	3 567	11 296
Associated companies	7	576	503	–	–
Property and equipment	8	1 646	2 499	–	–
Goodwill	9	1 738	6 967	–	–
Long-term assurance assets attributable to the shareholder	10.1	1 696	960	–	–
		71 566	270 761	4 531	11 397
Long-term assurance assets attributable to policyholders	10.2	31 736	38 042	–	–
		103 302	308 803	4 531	11 397
Equity and liabilities					
Capital and reserves					
Ordinary share capital	11	1	58	1	58
Compulsorily convertible debentures	12	661	2 317	379	379
Convertible preference shares	13	–	385	–	385
Reserves	14	2 950	11 952	3 270	10 485
		3 612	14 712	3 650	11 307
Interest of minority shareholders in subsidiaries		287	541	–	–
Total shareholders' funds		3 899	15 253	3 650	11 307
Subordinated debt	15	2 801	2 245	–	–
Redeemable preference shares		1 995	2 294	775	–
		8 695	19 792	4 425	11 307
Liabilities					
Deposits and other accounts	16	62 577	250 456	50	63
Taxation	17	294	513	56	27
		62 871	250 969	106	90
Long-term assurance liabilities attributable to policyholders	10.3	31 736	38 042	–	–
		103 302	308 803	4 531	11 397

Income statements

For the year ended 31 March

(R millions)	Notes	Group		Company	
		2003	2002	2003	2002
Interest received	18.1	6 467	11 436	498	108
Interest paid	18.2	(5 502)	(9 197)	(409)	(276)
Net interest income		965	2 239	89	(168)
Provision for bad and doubtful debts	6	(235)	(202)	–	–
Total interest related income		730	2 037	89	(168)
Other income	19	2 843	6 052	(796)	362
Total income		3 573	8 089	(707)	194
Reorganisation and restructuring costs		(9)	–	–	–
Operating expenses	19	(1 981)	(5 719)	(11)	(2)
Operating profit/(loss) before goodwill, headline adjustments and taxation		1 583	2 370	(718)	192
Goodwill amortisation and impairment		(1 470)	(1 375)	–	451
Loss on disposal of subsidiaries and fixed assets		–	(60)	(559)	–
Loss on impairment of non-trading loans		(263)	–	–	–
Profit on disposal of non-trading loans		–	267	–	–
Operating (loss)/profit		(150)	1 202	(1 277)	643
Share of income/(loss) of associated companies	20	160	17	–	(16)
Operating profit/(loss) before taxation		10	1 219	(1 277)	627
Taxation	21	(130)	(381)	(39)	36
Operating (loss)/profit after taxation		(120)	838	(1 316)	663
Earnings attributable to minority shareholders		(2)	(22)	–	–
Compulsorily convertible debenture interest		(304)	(305)	(37)	(37)
(Loss)/earnings attributable to ordinary shareholders		(426)	511	(1 353)	626
Headline earnings attributable to ordinary shareholders					
Calculation of headline earnings					
(Loss)/earnings attributable to ordinary shareholders		(426)	511		
Headline adjustments		1 494	995		
Goodwill amortisation and impairment		1 470	1 375		
Revaluation of investment properties		(239)	(179)		
Loss on disposal of subsidiaries and fixed assets (net of tax)		–	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		1 068	1 506		

Following the implementation of the DLC Structure, any ordinary share held in either Investec Limited or Investec plc gives the holder an equivalent effective economic interest in Investec. It is therefore considered inappropriate to disclose earnings per share, diluted earnings per share or headline earnings per share for Investec Limited. A shareholder is referred to the disclosure in the Investec Limited (incorporating the results of Investec plc) financial statements for the year ended 31 March 2003.

Cash flow statements

For the year ended 31 March

For the year ended 31 March		Group		Company	
(R millions)	Notes	2003	2002	2003	2002
Cash retained from operating activities					
Cash generated by operating activities	24.1	1 647	2 565	1 122	27
Dividends received from associated companies	24.2	36	–	–	–
Taxation paid	24.3	(72)	(462)	(10)	15
Cash available from operating activities		1 611	2 103	1 112	42
Dividends paid	24.4	(536)	(791)	(553)	(803)
Compulsorily convertible debenture interest paid		(304)	(305)	(37)	(37)
Net cash inflow/(outflow) from operating activities		771	1 007	522	(798)
Cash utilised in investing activities					
Net funds (utilised)/arising on acquisitions	24.5	(9)	(680)	–	1 590
Net funds movement on unbundling	24.6	(55 844)	–	–	–
Net investment in fixed assets		(36)	(969)	–	–
Net cash (outflow)/inflow from investing activities		(55 889)	(1 649)	–	1 590
Cash flows from banking activities					
Movement in deposits and other accounts		(38 332)	41 107	(13)	(68)
Movement in income earning assets	24.7	(5 386)	(16 401)	(1 207)	(29)
Net cash (outflow)/inflow from banking activities		(43 718)	24 706	(1 220)	(97)
Cash flows from assurance activities					
Movement in long-term assurance fund and other liabilities		(709)	(14 457)	–	–
Movement in assurance related assets		–	14 797	–	–
Net cash (outflow)/inflow from assurance activities		(709)	340	–	–
Cash flows from financing activities					
Proceeds on issue of ordinary shares and conversion of debentures		7	12	7	12
Cashflow on cancellation of shares		(85)	(707)	(84)	(707)
Purchase of own shares		(162)	–	–	–
Issue of redeemable preference shares		–	–	775	–
Issue of bonds		556	300	–	–
Net cash inflow/(outflow) from financing activities		316	(395)	698	(695)
Net (decrease)/increase in cash and short-term funds					
Cash and short-term funds at beginning of year		(99 229)	24 009	–	–
Effect of exchange rates on opening balance of cash and short-term funds		111 224	69 176	–	–
		–	18 039	–	–
Cash and short-term funds at end of year		11 995	111 224	–	–

Statement of changes in shareholders' funds

For the year ended 31 March

For the year ended 31 March		Group		Company	
(R millions)	Notes	2003	2002	2003	2002
Ordinary share capital					
Balance at beginning of year		58	49	58	49
Issue of shares		7	11	7	11
Repurchase and cancellation of shares during the year		(3)	(2)	(3)	(2)
Conversion of preference shares		1	–	1	–
Transfer to capital reserve on change of par value		(62)	–	(62)	–
Balance at the end of year	11	1	58	1	58
Capital reserve					
Balance at beginning of year		–	–	–	–
Reduction of Investec Limited's shares par value		62	–	62	–
Balance at end of year	14	62	–	62	–
Share premium					
Balance at beginning of year		7 584	4 036	7 584	4 036
Issue of shares (net issue expenses)		1 648	4 328	1 650	4 328
Repurchase and cancellation of shares		(879)	(784)	(751)	(784)
Unbundling of Investec plc		(4 555)	–	(4 555)	–
Conversion of preference shares		390	–	390	–
Conversion of debentures		–	4	–	4
Balance at end of year	14	4 188	7 584	4 318	7 584
Compulsorily convertible debentures					
Balance at beginning of year		2 317	2 321	379	383
Redemption of debentures		(1 656)	–	–	–
Conversion to ordinary shares		–	(4)	–	(4)
Balance at end of year	12	661	2 317	379	379
Convertible preference shares					
Balance at beginning of year		385	385	385	385
Conversion to ordinary shares		(385)	–	(385)	–
Balance at end of year	13	–	385	–	385
Treasury shares					
Balance at beginning of year		(825)	(27)	(670)	–
Cancelled during the year		798	–	670	–
Acquired and held during the year		(162)	(798)	–	(670)
Balance at end of year	14	(189)	(825)	–	(670)

Statement of changes in shareholders' funds

For the year ended 31 March

For the year ended 31 March		Group		Company	
(R millions)	Notes	2003	2002	2003	2002
General reserves					
Balance at beginning of year		1 535	1 852	1 778	1 921
Earnings attributable to ordinary shareholders		(426)	511	(1 353)	626
Dividends	23	(536)	(791)	(553)	(803)
Unbundling of Investec plc		(1 517)	–	(1 040)	–
Transfer to equity accounted reserves of associated companies		(123)	(35)	–	34
Transfer from/(to) other reserves		6	(2)	–	–
Balance at end of year	14	(1 061)	1 535	(1 168)	1 778
Other reserves					
Balance at beginning of year		3 604	757	1 793	(256)
As previously reported			393		(256)
Prior year adjustment - goodwill			364		–
Transfer (to)/from general reserves		(6)	2	–	–
Movement in foreign currency translation reserve		(3 794)	3 096	(2 002)	2 060
Movement in equity revaluations		(31)	(251)	267	(11)
Balance at end of year	14	(227)	3 604	58	1 793
Equity accounted reserves of associated companies					
Balance at beginning of year		54	19	–	34
Transfer from/(to) retained income		123	35	–	(34)
Balance at end of year	14	177	54	–	–
Total		3 612	14 712	3 650	11 307

Accounting policies

Basis of presentation

The financial statements presented are for Investec Limited.

The prior year figures presented are those of Investec Limited, (formerly Investec Group Limited), as the DLC sharing arrangements did not exist in the prior year.

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, other than indicated in note 22, are consistent with those of the previous year. The presentation currency is in Rand millions, unless otherwise indicated. The functional currency of the Investec Limited group is Rands.

Basis of consolidation

The annual financial statements incorporate the consolidated financial results of Investec 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 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 transferred.

In order to reflect the different nature of the shareholder's and policyholders' interests in the long-term assurance business, the value of the long-term assurance business attributable to the shareholder and the assets and liabilities attributable to policyholders are classified separately in the consolidated balance sheet.

Investments in subsidiaries in the separate financial statements of the holding company are equity accounted, as described in the policy below.

Accounting for associates

Entities other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the statutory 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 at the group's share of net assets. Goodwill relating to associates is included in goodwill on the balance sheet and amortised as detailed below.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets arising out of business combinations at the date of acquisition, including the acquisition of interests in subsidiaries or associates.

Accounting policies

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, with a functional currency other than Rands, the activities of which are not an integral part of those of the reporting entity.

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

Goodwill arising on the acquisition of foreign entities is translated at the closing exchange rate. This is not consistent with prior years, (see changes in accounting policies).

Foreign operations

Foreign operations are subsidiaries, with a functional currency other than Rands, 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. Non-monetary assets and liabilities are stated at the historic rates at the time the asset was acquired or the liability incurred. The results of foreign operations are translated at weighted average rates of exchange for the relevant period. The translation differences arising are included in income for the period.

Foreign currency transactions

All foreign currency transactions are translated at the exchange rates ruling at the time of the transactions. Any profit or loss arising from a change in exchange rates, affecting monetary items subsequent to the date of the transaction, are 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.

Accounting policies

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

- The transaction must effectively reduce the price or interest rate risk of the asset, liability or cash flow to which it is linked.
- There must be adequate evidence of the intention to link with the underlying risk inherent in the asset, liability or cash flow.
- 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 cash flow 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 cash flow is terminated prior to the hedging transaction, the hedging instrument is re-measured at fair value and the resulting profit or loss is included in the category of income or expense relating to the previously hedged transaction.

Equity investments

Equity investments are held either for trading or long-term investment purposes. Investments are classified as trading when the intention is to sell the investment in usually a short period of time so as to realise a speculative profit. Long-term investments are acquired because they are complimentary or directly related to the business undertaken by Investec.

Trading investments

Listed equity investments are stated at market value at the financial year end. 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.

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, leases and rental agreements

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

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

Specific and general provisions for bad and doubtful debts

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

Specific provisions represent the quantification of actual and expected losses from identified accounts and are deducted from advances in the balance sheet. The amount of specific provision raised is the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, taking into account the financial

Accounting policies

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 the risk characteristics of the group's loan portfolio and meets the minimum requirements of the banking regulations in the jurisdictions in which it operates. General provisions are deducted from advances in the balance sheet but, unlike specific provisions, are included in tier 2 capital when calculating the group's capital base for regulatory purposes.

Property and equipment

Owner-occupied property and equipment is stated at amortised cost, less impairments. Depreciation is provided on a straight-line basis to reduce the cost to the estimated residual value over the 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% - 25%
Office equipment	20%
Furniture and fittings	10% - 20%
Owner-occupied properties (excluding any related land element)	2%

Investment properties are properties held to earn rental income or for capital appreciation. These properties are not depreciated but 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 properties held for the purpose of making a usually short-term speculative profit, and 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. Deferred taxation assets in respect of secondary taxation on companies are not recognised until such time as the credits are utilised by the company through the declaration of a dividend.

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, to the extent that they do not represent a reversal of revaluation profits taken directly to equity, 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. Impairments that represent a reversal of revaluation profits taken to equity, are recognised directly in equity to the extent that such revaluation profits exist.

Accounting policies

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.

Long-term life assurance

1) Investec Employee Benefits

Investec Employee Benefits is engaged in writing long-term assurance business, including the provision of life assurance, pensions and annuities. The company is structured into policyholders' funds and a shareholders' fund. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related long-term assurance fund. Any surplus, which is determined annually by the appointed actuary after taking into account these items, may either be distributed between the shareholder and the policyholders according to a predetermined formula or retained within the long-term assurance fund. The shareholder will also levy investment management and administration charges on the long-term assurance fund.

The assets held within the long-term assurance funds are legally owned by the life assurance companies. The shareholder, however, will only benefit from ownership of these assets to the extent that surpluses are declared or from other cash flows attributable to the shareholder. The different nature of these assets is reflected by classifying them separately on the group's balance sheet as long-term assurance assets attributable to policyholders, with a corresponding liability to the policyholders also shown. Investments held within the long-term assurance funds are included on the following basis: equity shares, debt securities and unit trusts are valued in accordance with policy conditions at market prices; investment properties are reflected at fair value; and mortgages and loans are at cost less amounts written off. The net assets attributable to the shareholder are separately recognised on the group's balance sheet as long-term assurance assets attributable to the shareholder.

Changes in the value of the long-term assurance business attributable to the shareholder, which are determined on a post-tax basis, are included in other income in the income statement.

For information purposes, the group discloses its interest in long-term assurance business using the embedded value basis of accounting. The value of the shareholders' interest in the long-term assurance business (the embedded value), disclosed in the notes, is an actuarially determined estimate of the economic value of the group's life assurance subsidiaries, excluding any value, which may be attributed to future new business. The embedded value comprises the net tangible assets of the life assurance subsidiaries, including any surplus retained within the long-term assurance funds, which could be transferred to the shareholder, and the present value of the in-force business. The value of the in-force business is calculated by projecting the future surpluses and other net cash flows attributable to the shareholder arising from business written by the balance sheet date, using appropriate economic and actuarial assumptions, and discounting the result at a rate which reflects the shareholder's overall risk premium.

2) Investec Assurance

The policy liabilities of Investec Assurance Limited comprise unit-linked business sold to retirement funds and individual investors. All liabilities are related directly to asset values and no mortality risk is assumed by the company.

The liabilities are valued on a basis consistent with the asset values and comply with the Financial Soundness Valuation basis. The benefits for all policies are market related and the liabilities were taken to be the market value of the units allocated to policyholders.

Accounting policies

Investments are reflected at market value. Where market value cannot be determined, investments are reflected at directors' valuation.

Income from long-term assurance business comprises interest, dividends and rental income received on investments held, as well as premium income in respect of linked business sold. Profits and losses arising as a result of the fluctuation in the market value of investments, whether realised or unrealised, are accounted for as movements in the long-term assurance fund.

Income

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

Interest income

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

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

Other income

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

Trading profits 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.

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. Dividends received are recorded on the date the group becomes unconditionally entitled to receipt thereof.

Life income represents the changes in the value of the long-term assurance business attributable to the shareholder, determined on a post-tax basis.

Interest paid

Interest paid is recognised in the income statement as it accrues, based on the effective rates of interest implicit in the underlying instrument. The group does not capitalise interest paid.

Retirement benefits

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.

The pension cost relating to closed UK defined benefit schemes is assessed in accordance with the advice of qualified actuaries. The cost of providing benefits under the plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the income statement over the expected remaining service lives of current employees in the schemes.

Accounting policies

Employee equity based compensation

The group employee equity based compensation schemes are administered by trusts. These trusts are not consolidated into the consolidated financial statements of the group.

Transactions between the group and the trusts are accounted for as and when the monies are advanced or received and are reflected in other assets on the face of the balance sheet. To the extent that the group is required to issue shares, the issue is recognised at the date the option is exercised and measured at the strike price contained in the option contract.

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 businesses of Investec Limited and its subsidiaries is performed in South Africa and Mauritius.

Treasury shares

Treasury shares represent shares in Investec Limited that are held by subsidiary companies. These shares are held at cost and treated as a deduction against group reserves. Dividends relating to treasury shares are eliminated on consolidation.

In the 2002 financial year, treasury shares in the financial statements of the company represent temporary shareholdings that were in the process of being cancelled.

Comparative figures

Where necessary, other comparative figures have been restated to conform with changes in presentation and enhance comparability.

Notes to the financial statements

I. Segmental information - business analysis

For the year ended 31 March 2003

(R millions)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance Activities	Other	Total group
Net operating income	665	847	223	1 457	381	3 573
Net operating expenses	(452)	(380)	(141)	(458)	(559)	(1 990)
Operating profit/(loss) before headline adjustments and taxation	213	467	82	999	(178)	1 583
Headline adjustments	(24)	(145)	–	(1 001)	(563)	(1 733)
Share of income of associate companies	–	–	–	160	–	160
Operating profit/(loss) before taxation	189	322	82	158	(741)	10
Total assets	17 395	43 565	1 121	34 907	6 314	103 302
Cost to Income Ratio (%) *	58.61	41.87	63.22	31.46	124.32	52.27

For the year ended 31 March 2002

(R millions)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance Activities	Other	Total group
Net operating income	2 299	1 419	1 492	1 506	1 373	8 089
Net operating expenses	(1 733)	(692)	(907)	(1 007)	(1 380)	(5 719)
Operating profit/(loss) before headline adjustments and taxation	566	727	585	499	(7)	2 370
Headline adjustments	(132)	(91)	(91)	(851)	(3)	(1 168)
Share of income of associate companies	–	–	–	–	17	17
Operating profit/(loss) before taxation	434	636	494	(352)	7	1 219
Total assets	45 860	195 603	11 328	43 898	12 114	308 803
Cost to Income Ratio (%) *	69.4	47.8	53.4	78.3	99.3	65.8

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

Notes to the financial statements

For the year ended 31 March

(R millions)

	Group		Company	
	2003	2002	2003	2002
2. Cash and short-term funds				
Cash and gold coins	70	343	—	—
Balances with central banks	1 056	7 045	—	—
Balances with other banks	5 014	25 161	—	—
Loans under resale agreements	—	62 842	—	—
Secured stock borrowing	—	7 952	—	—
Other short-term funds	5 855	7 881	—	—
	11 995	111 224	—	—
3. Short-term negotiable securities				
Balances with central banks	2 200	3 215	—	—
Treasury and other bills	71	105	—	—
Commercial paper	3 384	58 551	—	—
Promissory notes	2 542	2 307	—	—
Traded endowment policies	230	560	—	—
	8 427	64 738	—	—
4. Investment and trading securities				
Category analysis				
Government and government guaranteed	1 636	5 239	—	—
Listed securities	564	1 845	—	36
Unlisted securities and investments	2 224	3 396	3	38
Trading properties	342	977	—	—
Positive fair value of trading derivatives	4 954	6 626	—	—
	9 720	18 083	3	74
Analysis by portfolio				
Trading	7 091	14 887	—	36
Investment	2 629	3 196	3	38
	9 720	18 083	3	74
The directors' valuation of the unlisted securities and investments at 31 March 2003 is R2 224 million for the group and R3 million for the company.				
5. Other assets				
Settlement debtors	4 272	7 991	—	—
Loan to staff share scheme	896	1 066	—	—
Deferred tax asset	45	306	37	—
Other debtors and prepayments	1 205	3 077	6	25
	6 418	12 440	43	25

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
6. Advances				
Category analysis				
Commercial property loans	5 734	14 444	–	–
Residential mortgages	5 896	7 236	–	–
Leases and instalment debtors	1 882	2 563	–	–
Corporate and public sector loans and advances	9 867	19 912	20	–
Margin lending	–	2 437	–	–
Other private bank lending	4 191	6 867	–	–
Other loans and advances	537	926	4	2
	28 107	54 385	24	2
Specific provision against doubtful debts	(266)	(440)	–	–
General provision against doubtful debts	(385)	(598)	(24)	–
	27 456	53 347	–	2
Specific and general provisions				
Reconciliation of movements in specific and general provisions for bad and doubtful debts				
Balance at beginning of year	1 038	863	–	8
Income statement charge	235	202	–	–
Bad debts written off against provisions	(73)	(151)	–	–
Provisions purchased on acquisitions or disposal of subsidiaries	(432)	(4)	24	(8)
Arising on exchange adjustments	(117)	128	–	–
Balance at end of year	651	1 038	24	–
Maturity analysis				
On demand to one month	2 996	6 588	4	2
One month to six months	1 797	6 724	–	–
Six months to one year	1 935	5 764	–	–
One year to five years	9 322	19 595	20	–
Greater than five years	12 057	15 714	–	–
	28 107	54 385	24	2

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
7. Associated companies				
Shares at cost	559	644	–	–
Goodwill*	(160)	(195)	–	–
	399	449	–	–
Equity accounted share of retained earnings	177	54	–	–
Book value at end of year	576	503	–	–
The only significant associate over the period was Capital Alliance Limited (CAL), which is a listed company on the JSE Securities Exchange South Africa. The majority of the interest in CAL is held via a special purpose vehicle, which is consolidated in terms of the accounting statement AC412. The goodwill on CAL is amortised over eight years.				
CAL ordinary issued share capital at latest financial statement date	1 122	1 069		
Holding in CAL ordinary shares (%)	29.2	29.7		
The significant transactions between the group and CAL, all of which are on arm's length basis, are:				
• Preference share investment in CAL	200	200		
• Interest received on the preference share investment in CAL	22	25		
• Re-insurance premiums paid by clients of Investec Employee Benefits and paid over to CAL	1 103	1 200		
Included in off-balance sheet funds under administration are investments placed on behalf of brokers and clients in managed products reinsured with CAL.				
Value of investments so placed at end of year	13 404	12 649		

The group transferred certain assets to CAL as part of a reinsurance agreement. CAL in turn subcontracted the management of these assets to the group. The group earned investment management fees of R37.9 million from CAL under an arms length arrangement.

* Included and amortised in the goodwill note. See note 9.

Notes to the financial statements

For the year ended 31 March

(R millions)

	Cost or valuation	Accumulated depreciation	Group carrying amount
8. Property and equipment			
2003			
Operational properties	486	(39)	447
Leasehold improvements	3	(1)	2
Investment properties	1 007	–	1 007
Furniture and vehicles	141	(68)	73
Equipment	312	(195)	117
	<u>1 949</u>	<u>(303)</u>	<u>1 646</u>

2002			
Operational properties	964	(155)	809
Leasehold improvements	302	(73)	229
Investment properties	1 011	–	1 011
Furniture and vehicles	234	(110)	124
Equipment	888	(562)	326
	<u>3 399</u>	<u>(900)</u>	<u>2 499</u>

	Operational properties	Leasehold improvements	Investment properties	Furniture and vehicles	Equipment	Total group
2003						
Carrying amount at the beginning of year	809	229	1 011	124	326	2 499
Additions	1	4	–	14	21	40
Disposals	(313)	(231)	(4)	(17)	(2)	(567)
Reclassifications	(41)	–	–	–	–	(41)
Translation differences	–	–	–	(38)	(179)	(217)
Depreciation	(9)	–	–	(10)	(49)	(68)
Carrying amount at end of year	<u>447</u>	<u>2</u>	<u>1 007</u>	<u>73</u>	<u>117</u>	<u>1 646</u>

2002						
Carrying amount at the beginning of year	720	161	69	124	246	1 320
Additions	–	31	729	45	155	960
Disposals	–	–	(1)	(31)	(27)	(59)
Business combinations	–	11	214	4	26	255
Translation differences	107	76	–	7	44	234
Depreciation	(18)	(50)	–	(25)	(118)	(211)
Carrying amount at end of year	<u>809</u>	<u>229</u>	<u>1 011</u>	<u>124</u>	<u>326</u>	<u>2 499</u>

Notes to the financial statements

For the year ended 31 March

(R millions)

Group

	2003	2002
9. Goodwill		
9.1 Goodwill reconciliation		
Balance at beginning of year	6 967	3 207
Net amount on acquisitions	8	3 896
Unbundling of Investec plc	(3 979)	–
Fair value adjustment	212	–
Goodwill amortisation	(738)	(512)
Goodwill impairment	(732)	(863)
Movement in foreign currency translation reserve	–	1 239
Balance at end of year	1 738	6 967

Goodwill arising on the acquisition of subsidiaries is amortised over periods of between 3 and 20 years, reflecting its expected useful life. For the majority of acquisitions, the goodwill is amortised over 3 to 5 years.

Goodwill impairment of R732 million arose as a result of the following:

- Subsequent to the disposal of elements of the operations of Investec Employee Benefits (formerly Fedsure Life Insurance), an impairment review was conducted using a combination of value in use and discounted cash flow valuations. This resulted in an impairment of R620 million.
- Securities Investment Bank ceased operating during the year and the remaining goodwill of R112 million was written off.

9.2 Acquisitions and disposals

Refer to Annexure 1 for details on the implementation of Investec's dual listed companies structure, which resulted in Investec Limited unbundling Investec plc and its subsidiaries to shareholders on 19 July 2002.

The group did not make any major acquisitions or disposals in the current year.

The goodwill arising on acquisitions is a result of the group purchasing Intelligence at Work (Pty) Ltd and Provest (Pty) Ltd which resulted in addition to goodwill of R8 million.

Notes to the financial statements

For the year ended 31 March (R millions)	Group		Company	
	2003	2002	2003	2002
10. Long-term assurance assets				
10.1 Long-term assurance assets attributable to the shareholder				
Long-term assurance assets attributable to the shareholder	1 696	960	–	–
Investec Employee Benefits Limited				
The embedded value comprises:				
Net tangible assets of life company, including surplus	3 577	2 789		
Value of in-force business	86	429		
Embedded value	3 663	3 218		
Reallocated to investments in associated undertakings	(636)	(551)		
Elimination of intercompany balances	(1 245)	(1 278)		
Value of in-force business not recognised on balance sheet	(86)	(429)		
Long-term assurance assets attributable to the shareholder	1 696	960		
Income from long-term assurance business comprises:				
Premium income	4 350	2 865		
Investment income	198	999		
Total income	4 548	3 864		
Operating expenses	(298)	(401)		
Policyholders' benefits paid	(5 959)	(6 378)		
Decrease in technical provisions	6 504	3 264		
Re-insurance premium expense	(3 942)	–		
Operating profit	853	349		
Taxation charged to technical account	(118)	(129)		
Surplus attributable to shareholders	735	220		

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

Notes to the financial statements

For the year ended 31 March

Group

(R millions)

2003

2002

10. Long-term assurance assets (continued)

10.1 Long-term assurance assets attributable to the shareholder

Assumptions

The economic assumptions are based on a long-term view of economic activity and are therefore not adjusted for market movements, which are considered to be short-term. This approach is considered to be the most appropriate, given the long-term nature of the portfolio of products. The principal economic assumptions which have been used are as follows:

	%	%
Risk-adjusted discount rate	13.4	16.5
Return on equities (gross of tax)	12.4	15.5
Return on fixed interest securities (gross of tax)	10.4	13.5
Return on property investments (gross of tax)	11.4	14.5
Return on cash held (gross of tax)	7.4	10.5
Inflation rate	6.4	9.5

Balance sheet

The assets of the long-term assurance fund, attributable to the shareholder, are detailed below:

Investments	2 793	2 038
Intercompany loans due	1 093	1 315
Other assets	802	1 213
Assets of long-term assurance fund attributable to the shareholder	4 688	4 566
Current liabilities	(1 111)	(1 777)
	3 577	2 789
Investments shown above comprise:		
Fixed interest securities	595	59
Stocks, shares and unit trusts	339	601
Investment properties	644	567
Associated undertaking	636	551
Deposits	579	260
	2 793	2 038

Notes to the financial statements

For the year ended 31 March

(R millions)

Group

	2003	2002
10. Long-term assurance assets (continued)		
10.2 Long-term assurance assets attributable to policyholders		
Investec Employee Benefits Limited	16 702	23 530
Investec Assurance Limited	15 034	14 512
	<u>31 736</u>	<u>38 042</u>
Investec Employee Benefits Limited		
Assets of the long-term assurance fund attributable to policyholders	16 702	23 530
Investments shown above comprise:-		
Fixed interest securities	2 107	6 012
Stocks, shares and unit trusts	8 521	12 413
Investment properties	290	673
Deposits	5 784	4 432
	<u>16 702</u>	<u>23 530</u>
Investec Assurance Limited		
Investments	14 457	14 117
Debtors and prepayments	565	357
Other assets	12	38
	<u>15 034</u>	<u>14 512</u>
Investments shown above comprise:		
Fixed interest securities	3 682	3 505
Stocks, shares and unit trusts	5 685	6 150
Investment properties	18	17
Deposits	5 072	4 445
	<u>14 457</u>	<u>14 117</u>

The business undertaken by Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.

Notes to the financial statements

For the year ended 31 March

(R millions)

	Group		Company	
	2003	2002	2003	2002
10. Long-term assurance assets (continued)				
10.3 Long-term assurance liabilities attributable to policyholders				
Technical provisions	8 028	14 715		
Funds for future appropriations	8 323	8 815		
Other liabilities	15 385	14 512		
	31 736	38 042		
11. Ordinary share capital				
Authorised				
55 500 000 (2002: 150 000 000) ordinary shares of R0.001 (2002: R0.60) cents each.	1	90	1	90
Issued				
38 399 527 (2002: 96 193 177) ordinary shares of R0.001 (2002: R0.60) cents each	1	58	1	58

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		Company	
	2003	2002	2003	2002
12. Compulsorily convertible debentures				
12.1 Company				
880 000 (2002 : 880 000) Series I Class A unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R174.40 each, net of issue expenses	152	152	152	152
980 000 (2002 : 980 000) Series II Class A unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R229.40 each, net of issue expenses	227	227	227	227
<p>Details below relate to Series I & II Class A debentures: Interest is payable six monthly arrears on 1 May and 1 November each year at a variable rate, of 3% below the official rate as defined in the 7th schedule of the Income Tax Act of 1962.</p> <p>The debentures convert into ordinary shares, on a one for one basis, at the election of the holders. If not converted by election, the Series I debentures will automatically convert on 1 October 2008. The Series II debentures will automatically convert on 4 December 2010.</p> <p>The unissued debentures are under control of the directors until the next annual general meeting.</p>				
12.2 Subsidiary				
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	—	—

Interest is payable six monthly in arrears on 31 January and 31 July each year at a rate of 15.25% per annum.

Notes to the financial statements

For the year ended 31 March (R millions)	Group		Company	
	2003	2002	2003	2002
12. Compulsorily convertible debentures (continued)				
12.2 Subsidiary				
Issued				
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.				
Nil (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	–	–
Nil (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	–	–
Nil (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	–	–
Nil (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	–	–
The 5 000 000 Class A unsecured, 1 000 000 Class A Series II, 1 500 000 Class B and 2 000 000 Class C unsecured subordinated compulsorily convertible debentures were acquired by Investec Limited on 18 June 2002 in exchange for the issue of 9 500 000 Investec Group Limited shares.				
All the convertible debentures are issued as part of the group's employee share ownership initiatives and are exempt from the requirements of AC125. Accordingly the convertible debentures are treated as equity.				
Total compulsorily convertible debentures	661	2 317	379	379

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
13. Convertible preference shares				
Authorised				
8 000 000 (2002: 10 000 000) Class A variable rate convertible non-cumulative preference shares of R0.001 each (2002: R0.6 each)	—*	6	—*	6
50 000 (2002: 50 000) variable rate redeemable cumulative preference of R0.6 each	—*	—*	—*	—*
1 (2002: Nil) SA DAS redeemable preference share of R1	—*	—	—*	—
1 (2002: Nil) SA DAN redeemable preference share of R1	—*	—	—*	—
112 000 000 (2002: Nil) special convertible redeemable preference shares of R0.001 each (special converting shares)	—*	—	—*	—
Issued				
Nil (2002 : 2 000 000) Class A variable rate compulsorily convertible non-cumulative preference shares of R0.001 (2002: 60 cents) issued at a premium of R229.40 each	—	460	—	460
Less: liability portion included in deposits and other accounts	—	(75)	—	(75)
	—	385	—	385
1 750 (2002: Nil) variable rate redeemable cumulative preference shares of R0.6 each issued at a premium of R99 999.40 each	175	—	175	—
Less: liability portion included in deposits and other accounts	(175)	—	(175)	—
1 (2002: Nil) SA DAS redeemable preference share of R1	—*	—	—*	—
1 (2002: Nil) SA DAN redeemable preference share of R1	—*	—	—*	—
74 633 746 (2002: Nil) special convertible redeemable preference shares of R0.001 each (special converting shares)	—*	—	—*	—
	—	385	—	385

The preference dividend on the Class A variable rate compulsorily convertible non-cumulative preference shares was 45% of the South African prime overdraft rate. These shares were converted into Investec Group Limited shares on 15 July 2002 on a one for one basis. These were subsequently converted into Investec Limited and Investec plc shares as part of the group restructure at the time of the London listing. The dividends on the variable rate redeemable cumulative preference shares is calculated at a fixed rate of 10.83% of the subscription price.

* Less than R1 million.

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
14. Reserves				
Share premium and capital reserve	4 250	7 584	4 380	7 584
Treasury shares	(189)	(825)	–	(670)
General reserves	(1 061)	1 535	(1 168)	1 778
Other reserves	(227)	3 604	58	1 793
Equity accounted reserves of associated companies	177	54	–	–
	2 950	11 952	3 270	10 485
Other reserves comprise:				
Revaluation of investments	(69)	(38)	–	(267)
Foreign currency revaluation	382	4 182	58	2 060
Goodwill written off	(540)	(540)	–	–
	(227)	3 604	58	1 793
See note 24.2 for additional information on movements in equity accounted reserves of associated companies.				
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	–	–
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 2,5%, payable quarterly on 31 March, 30 June, 30 September and 31 December.	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 three month JIBAR plus 300 basis points payable quarterly in arrears until maturity.	556	–	–	–
	2 801	2 245	–	–

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
15. Subordinated debt (continued)				
The only event of default in relation to the subordinated liability is the non-payment of principal or interest. The only remedy available to the holders of the subordinated liabilities in the event of default is to petition for the winding up of the company. In a winding up, no amount will be paid in respect of the subordinated liabilities until all other creditors have been paid in full.				
16. Deposits and other accounts				
Category analysis				
Deposits and loans from banks	4 938	20 509	—	—
Demand and savings deposits	10 858	24 579	—	—
Fixed and notice deposits	32 260	56 187	—	—
Negotiable certificates of deposit	1 623	3 424	—	—
Other deposits and loan accounts	1 721	7 597	—	—
Liabilities in terms of repurchase agreements	994	91 235	—	—
Stock borrowed	—	10 754	—	—
Negative fair value of derivatives	3 954	7 984	5	—
Settlement liabilities	1 944	14 235	—	—
Creditors and other accounts	4 285	13 952	45	63
	62 577	250 456	50	63
Maturity analysis				
On demand to one month	27 255	135 150	25	—
One month to six months	20 618	79 879	13	63
Six months to one year	5 522	23 802	—	—
Greater than one year	9 182	11 625	12	—
	62 577	250 456	50	63

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
17. Taxation				
Taxation payable	218	402	56	27
Deferred taxation liability	76	111	–	–
	294	513	56	27
Deferred taxation liability (included in taxation)				
Income and expenditure accruals	1	1	–	–
Equipment allowances	1	15	–	–
Property allowances	37	37	–	–
Unrealised gain on investments	35	35	–	–
Other temporary differences	2	23	–	–
	76	111	–	–
Deferred taxation asset (included in other assets)				
Deferred capital allowances	–	233	–	–
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income	6	29	–	–
Income and expenditure accruals	37	17	–	–
Other temporary differences	2	26	–	–
	45	305	–	–
Net deferred tax (liability)/asset	(31)	194	–	–
Reconciliation of net deferred tax asset				
Opening balance	194	100	–	–
Charge to income statement	(12)	(19)	–	–
Arising on acquisitions and disposals	(213)	18	–	–
Headline adjustments	–	38	–	–
Exchange adjustments	–	57	–	–
Closing balance	(31)	194	–	–

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

Notes to the financial statements

For the year ended 31 March

(R millions)

	Group		Company	
	2003	2002	2003	2002
18. Interest				
18.1 Interest received				
Cash and short-term funds	1 665	3 542	–	–
Short-term negotiable securities	550	2 896	–	–
Investment and trading securities	158	35	–	–
Advances	3 725	4 416	82	50
Intercompany loans	–	–	77	58
	6 098	10 889	159	108
Foreign currency gains	2 233	682	339	–
Foreign currency losses	(1 864)	(135)	–	–
	6 467	11 436	498	108
18.2 Interest paid				
Demand and savings deposits	1 213	1 443	–	–
Fixed and notice deposits	3 840	2 827	–	–
Negotiable certificates of deposit	154	461	–	–
Repurchase agreements	23	3 709	–	–
Other deposits and loan accounts	272	757	16	276
Intercompany loans	–	–	393	–
	5 502	9 197	409	276

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
19. Other income, operating expenses and headline adjustments				
Other income comprises				
Commissions and fees - annuity	1 086	3 324	–	–
Principle transactions and trading income	635	1 384	–	(24)
Commissions and fees - deal	290	1 091	14	–
Income/(loss) from subsidiaries	97	33	(810)	386
Equity accounted (loss)/income of subsidiaries	–	–	(1 840)	165
Dividends received from subsidiaries	97	33	1 030	221
Income from long-term assurance business	735	220	–	–
	2 843	6 052	(796)	362
Operating expenses comprise				
Personnel remuneration	1 134	3 340	–	–
Pension and provident fund contributions^	66	189	–	–
Auditors' remuneration	21	45	–	–
- audit fees	21	30	–	–
- fees for other services	–	15	–	–
Directors' emoluments paid by subsidiary*	–	–	–	–
Executive directors' remuneration	20	25	–	–
- remuneration	19	24	–	–
- other benefits	1	1	–	–
Non-executive directors remuneration	6	8	–	–
Depreciation	68	211	–	–
Premises	80	324	–	–
Equipment	145	397	–	–
Business expenses	349	966	11	2
Marketing expenses	92	214	–	–
	1 981	5 719	11	2

^ Refer to note 29.

* Aggregate directors remuneration for Investec DLC amounted to £2 927 282. For further details on remuneration and outstanding options, refer to the directors remuneration report in the Investec Annual Report (DLC) – Investec plc (incorporating the results of Investec Limited).

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
19. Other income, operating expenses and headline adjustments (continued)				
Headline adjustments comprise				
Fedsure restructure	–	–	–	(451)
Goodwill amortised	738	512	–	–
Goodwill impairment	732	863	–	–
Revaluation of investment properties	(239)	(179)	–	–
Loss on disposal of subsidiaries and fixed assets (net of tax)	–	21	559	–
Loss on impairment of non-trading loans	263	–	–	–
Profit on disposal on non-trading loans	–	(267)	–	–
	1 494	950	559	(451)
Share of associates headline adjustments	–	45	–	21
	1 494	995	559	(430)

The significant increase in headline adjustments is the result of a number of factors listed below:

- Increased goodwill amortisation, of which the largest contributor was the Fedsure acquisition which was made towards the end of the comparative year.
- Refer to note 9 for further explanation of movements in goodwill impairment.
- The group revalued its investment properties at year end which resulted in a surplus of R239 million.
- Losses of R263 million due to a write down in the loan to the staff share scheme, which was recognised as a result of the recent fall in the value of the group's share price in respect of unallocated shares in these schemes.

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
20. Share of income/(loss) of associated companies				
Operating income	160	62	–	5
Headline adjustments	–	(45)	–	(21)
Per income statement	160	17	–	(16)
21. Taxation				
Normal taxation	119	359	–	–
South Africa	119	291	–	–
-current tax on income for the year*	91	291	–	–
-adjustments in respect of prior years	28	–	–	–
UK and Europe	–	71	–	–
Australia	–	27	–	–
Israel	–	39	–	–
USA	–	(72)	–	–
Mauritius	11	–	–	–
Botswana	4	3	–	–
Other	(15)	–	–	–
Deferred tax	(12)	19	–	–
South Africa	(12)	(13)	–	–
UK and Europe	–	56	–	–
Australia	–	(17)	–	–
USA	–	(7)	–	–
Secondary taxation on companies	23	3	(39)	(36)
Total tax charge for the year	130	381	(39)	(36)
Tax rate reconciliation				
Income before taxation as per income statement	(150)	1 202	(1 277)	643
Less : debenture and bond interest	(304)	(305)	(37)	(37)
	(454)	897	(1 314)	606
Total taxation charge in income statement	130	381	(39)	(36)
Less: secondary taxation on companies	(23)	(3)	39	36
Total taxation on income	107	378	–	–

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

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
21. Taxation (continued)				
Effective rate of taxation	(23.6%)	42.1%	0.0%	0.0%
The standard rate of South African normal taxation has been affected by:				
-headline adjustments	97.2%	(31.0%)	12.8%	22.3%
-dividend income	(2.4%)	0.9%	(23.4%)	10.9%
-accumulated tax losses	1.3%	4.7%	0.0%	0.0%
-foreign earnings	7.0%	5.9%	0.0%	0.0%
-life income	(48.6)	6.3%	0.0%	0.0%
-other permanent differences	(0.9%)	1.1%	40.6%	(3.2%)
	30.0%	30.0%	30.0%	30.0%
Future tax relief				
Estimated tax losses available for set-off against future taxable income				
South Africa	94	74	—	—
UK	—	161	—	—
Europe	—	298	—	—
	94	533	—	—

Notes to the financial statements

For the year ended 31 March

Group

(R millions)

2003

2002

22. Changes in accounting policies and other prior year adjustments

During the year the group changed its accounting policies, applied retrospectively with respect to the following:

22.1 Goodwill

The group changed its policy for the translation of goodwill in respect of foreign entities. Goodwill is now translated at the closing exchange rate instead of the exchange rate at the date of acquisition. As a recent exposure draft issued by the International Accounting Standards Board proposes to make this accounting treatment mandatory, the group considers it appropriate to change the policy in the current period. The effect of this change is an increase in goodwill at 31 March 2002 of R1 482 million.

The effect of this change is as follows:

Effect on income statement and reserves

Amortisation of goodwill

Restatement of opening retained earnings

Restatement of foreign currency translation reserves

–

115

–

(115)

–

1 597

22.2 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 accounting 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 is as follows:

The effect of this change is as follows:

- Increase in bond assets (investment and trading securities)

- Increase in settlement debtors (other assets)

- Increase in short bond positions (deposits and other accounts)

- Increase in settlement creditors (deposits and other accounts)

–

166

–

3 314

–

1 276

–

2 204

There is no effect on the income statement or reserves.

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
22. Changes in accounting policies and other prior year adjustments (continued)				
22.3 Prior year adjustments other than changes in accounting policies are detailed below:				
<p>- Classification of the loan to staff share scheme</p> <p>The loan to the staff share scheme has been reclassified from advances to other assets and is separately disclosed under the other asset note (refer to note 5). There is no effect on income.</p>				
<p>- Trading income disclosure</p> <p>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 division. Comparative figures have been restated to be consistent with this. There is no effect on net income or reserves.</p>				
<p>- EVA</p> <p>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.</p>				
23. Ordinary dividends				
on fully paid shares				
Final for 2002 year of 450 cents (2001: 440 cents)	415	441	415	441
Interim of 395 cents (2002: 375 cents)	121	350	138	362
	536	791	553	803

No final dividend for 2003 will be declared by the company. The directors have proposed that the final dividend of 356 cents (2002:450 cents) will be satisfied by Investec plc in terms of the DLC equalisation arrangements.

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
24. Cash flow information				
24.1 Cash generated by operating activities				
Net income/(loss) before taxation	10	1 219	(1 277)	627
Depreciation	68	211	–	–
Provision for bad and doubtful debts	235	202	–	–
Headline adjustments (refer to note 19)	1 494	950	559	(451)
Equity accounted (income)/loss of associates	(160)	(17)	–	16
Equity accounted loss/(income) of subsidiaries	–	–	1 840	(165)
	<u>1 647</u>	<u>2 565</u>	<u>1 122</u>	<u>27</u>
24.2 Dividends received from associated companies				
Equity accounted reserves at beginning of year	54	19	–	34
Equity accounted income/(loss) for the year	160	17	–	(16)
Unbundling of Investec plc	(1)	–	–	–
Realised during the year	–	18	–	(18)
Equity accounted reserves at end of year	<u>(177)</u>	<u>(54)</u>	<u>–</u>	<u>–</u>
	36	–	–	–
24.3 Taxation paid				
Taxation balances at beginning of year	(513)	(499)	(27)	(48)
Deferred tax asset raised on acquisitions	48	18	–	–
Taxation balances arising on disposal/(acquisition) of subsidiaries	229	(113)	–	–
Amounts charged to income statement	(130)	(381)	(39)	36
Taxation balances at end of year	<u>294</u>	<u>513</u>	<u>56</u>	<u>27</u>
	(72)	(462)	(10)	15
24.4 Dividends paid				
Current year dividend paid	<u>(536)</u>	<u>(791)</u>	<u>(553)</u>	<u>(803)</u>

Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2003	2002	2003	2002
24.5 Net funds (utilised)/arising on acquisitions				
Advances and other assets	–	60	–	–
Associated companies	–	87	–	184
Deferred tax asset	–	(18)	–	–
Deposits and other accounts	3	912	–	–
Property and equipment	(4)	(255)	–	–
Goodwill	(8)	(3 896)	–	–
Investment and trading securities	–	(454)	–	–
Investment in subsidiaries	–	–	–	(2 623)
Long-term assurance assets - policyholders	–	(39 996)	–	–
Long-term assurance assets - shareholders	–	(1 101)	–	–
Long-term assurance liabilities	–	39 996	–	–
Minority shareholders on acquisitions	–	252	–	–
Profit on disposal of subsidiaries and associates	–	227	–	451
Taxation	–	56	–	–
	(9)	(4 130)	–	(1 988)
Net issue of shares	–	3 450	–	3 578
Net cash (outflow)/inflow	(9)	(680)	–	1 590
24.6 Net funds movement on unbundling				
Net assets unbundled	10 122	–	–	–
Reserves unbundled	(10 122)	–	–	–
	–	–	–	–
Net cash unbundled	(55 844)	–	–	–
	(55 844)	–	–	–
24.7 Movement in income earning assets				
Short-term negotiable securities	(4 730)	2 500	–	–
Investment and trading securities	(1 287)	(6 646)	71	(4)
Advances	513	(12 326)	2	–
Other assets	118	71	(18)	(25)
Intergroup with Investec plc entities	–	–	(1 262)	–
	(5 386)	(16 401)	(1 207)	(29)

Notes to the financial statements

For the year ended 31 March

(R millions)

Group

	2003	2002
25. Assets under administration		
Retail (includes unit trusts, mutual funds and linked products)	27 823	67 257
Institutional and investment trusts	73 543	190 914
Private clients	25 847	163 557
Private clients (discretionary)	4 552	68 869
Private clients (non-discretionary)	21 295	94 688
Scrip lending	–	14 619
Other (including wills and estates)	3	–
Properties managed for third parties	5 300	4 114
Acceptances on behalf of clients	–	44
	132 516	440 505
On balance sheet assets	103 302	308 803
Total assets under administration	235 818	749 308
Note: The assurance assets (approximately R15 billion) are included in the on balance sheet numbers but are managed by Investec Asset Management (2002: R14.6 billion).		
26. Contingent liabilities and commitments		
Guarantees and letters of credit	1 450	4 024
Acceptances on behalf of clients	1 662	3 753
Forward repurchase agreements	–	4 976
Other	27	473
	3 139	13 226
Operating lease commitments		
Annual commitments in respect of non-cancellable operating leases		
Leasehold properties		
Within one year	4	84
Between one and five years	12	318
Over five years	2	147
	18	549

Notes to the financial statements

For the year ended 31 March

(R millions)	Group	
	2003	2002
27. Earnings per compulsorily convertible debenture		
27.1 Company		
880 000 (2002 : 880 000) Class A Series I unsecured subordinated debentures of 60 cents issued at a premium of R174,40 each		
Interest earned	15.0	15.0
Weighted average number of debentures (millions)	0.9	0.9
Earnings per debenture (cents)	1 705	1 735.6
980 000 (2002 : 1 000 000) Class A Series II unsecured subordinated debentures of 60 cents each issued at a premium of R229,40 each		
Interest earned	22.0	22.0
Weighted average number of debentures (millions)	1.0	1.0
Earnings per debenture	2 244.9	2 264.9
27.2 Subsidiary		
3 573 994 (2002 : 3 573 994) Unsecured subordinated debentures of 50 cents issued at a premium of R78,50 each		
Interest earned	43.0	43.0
Weighted average number of debentures (millions)	3.6	3.6
Earnings per debenture (cents)	1 203.1	1 204.8
5 000 000 (2002 : 5 000 000) Class A unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each		
Interest earned	25.6	120.0
Weighted average number of debentures (millions)	1.1	5.0
Earnings per debenture (cents)	2 400.0	2 400.0
1 000 000 (2002 : 1 000 000) Class A Series III unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each		
Interest earned	5.1	24.0
Weighted average number of debentures (millions)	0.2	1.0
Earnings per debenture (cents)	2 400.0	2 400.0
1 500 000 (2002 : 1 500 000) Class B unsecured subordinated debentures of 50 cents each issued at a premium of R199,50 each		
Interest earned	7.7	36.0
Weighted average number of debentures (millions)	0.3	1.5
Earnings per debenture (cents)	2 400.0	2 400.0

Notes to the financial statements

For the year ended 31 March

(R millions)

Group

	2003	2002
27. Earnings per compulsorily convertible debenture (continued)		
2 000 000 (2002 : 2 000 000) Class C unsecured subordinated debentures of 50 cents each issued at a premium of R199.50		
Interest earned	9.4	44.0
Weighted average number of shares (millions)	0.4	2.0
Earnings per debenture (cents)	2 200.0	2 200.0
The Class A unsecured subordinated debentures, Class A series I I unsecured subordinated debentures, Class B unsecured subordinated debentures and the Class C unsecured subordinated debentures were acquired by Investec Limited on 18 June 2002.		
28. Related party transactions		
Transactions, arrangements and agreements involving directors and others:		
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them and with officers of the company.		
At year end, 6 directors had outstanding loans from Investec Bank Limited. For loans to related parties, normal credit parameters are applied.		
Loans - Investec Bank Limited	113	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:		
Picbel Parkade Shareblock (Pty) Ltd	—	22
Taaibos Square (Pty) Ltd	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

Group

(R millions)

2003

2002

28. Related party transactions (continued)

S Koseff, G Burger, B Kantor, I Kantor, H Herman, P Thomas and D Jowell have an interest in Spurwing P Investments Limited and Spurwing L Investments Limited, which jointly amount to a holding of 32.3% and 12.02% respectively. Loans were provided to these entities by Investec Bank (Mauritius) Limited on an arm's length, fully secured basis as follows:

Spurwing P Investments Limited

96

—

Spurwing L Investments Limited

27

—

The above entities purchased 4 400 000 Investec plc ordinary shares for R338 million from the SA Staff Share Scheme on 31 March 2003 and sold 1 860 750 options for R28 million to the UK Staff Share Scheme on 31 March 2003.

All of the above loans 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.

During February 2001, Investec Bank Limited entered into a 20-year zero coupon swap transaction with Fedsure Life Assurance Limited for the future amount of R 1.4 billion. The nature of the transaction was that Investec Bank Limited would pay a fixed rate interest and receive a floating rate interest. The contract was dissolved during March 2002.

On 30 September 2001, Investec Bank Limited sold certain property loans to the policyholder assets of Investec Employee Benefits for a total consideration of amount

—

547

The balance was settled at 31 March 2002.

Notes to the financial statements

For the year ended 31 March

(R millions)

Group

	2003	2002
29. Pension costs		
Defined benefit obligations	—	22
Defined contributions	66	167
Pension and provident fund contributions	66	189

In South Africa the group provides a defined contribution pension fund, governed by the Pension Fund Act, 1956 and a disability fund for the benefit of employees. Membership of these funds is compulsory for all employees. The group pension fund is a defined contribution 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 had no liabilities for other post retirement benefits.

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

The defined benefit obligations in the prior year relates to foreign subsidiaries that were unbundled and do not form part of the Investec Limited group in the current year.

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 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			2002		
	Notional principal	Positive fair value	Negative fair value	Notional principal	Positive fair value	Negative fair value
Trading derivatives						
Foreign exchange derivatives						
Forward foreign exchange	53 738	3 419	3 557	215 685	13 834	13 498
Currency swaps	7 071	889	534	10 488	913	2 721
OTC options bought and sold	7 404	844	351	8 498	135	478
OTC derivatives	68 213	5 152	4 442	234 671	14 882	16 697
Exchange traded futures	–	–	–	118 808	22	34
Total	68 213	5 152	4 442	353 479	14 904	16 731
Interest rate contracts						
Caps and floors	15 489	47	59	54 228	71	87
Swaps	389 627	5 717	5 264	300 610	4 067	4 043
Forward rate agreements	1 335 697	713	723	405 317	826	768
OTC options bought and sold	20 752	97	105	23 382	268	384
Other interest rate contracts	595	–	3	–	–	–
OTC derivatives	1 762 160	6 574	6 154	783 537	5 232	5 282
Exchange traded futures	225 414	29	7	1 457	1	1
Exchange traded options	8 014	–	5	1 300	1	1
Total	1 995 588	6 603	6 166	786 294	5 234	5 284
Equity and stock index derivatives						
OTC options bought and sold	2 381	639	329	13 928	865	926
Equity swaps and forwards	3 986	333	781	1	–	–
OTC derivatives	6 367	972	1 110	13 929	865	926
Exchange traded futures	56	6	11	29	–	2
Exchange traded options	3 220	22	22	2 242	49	40
Warrants	–	–	–	794	125	49
Total	9 643	1 000	1 143	16 994	1 039	1 017

Group derivative instruments

For the year ended 31 March

(R millions)	2003			2002		
	Notional principal	Positive fair value	Negative fair value	Notional principal	Positive fair value	Negative fair value
Commodity derivatives						
OTC options bought and sold	11 452	546	546	34 264	1 244	837
Commodity swaps and forwards	1 627	41	45	5 890	123	86
OTC derivatives	13 079	587	591	40 154	1 367	923
Exchange traded futures	–	–	–	47 015	1 052	1 015
Exchange traded options	–	–	–	6 585	189	173
Total	13 079	587	591	93 754	2 608	2 111
Credit derivatives						
Credit linked notes bought and sold	–	–	–	450	6	6
Credit swaps bought and sold	–	–	–	300	2	2
	–	–	–	750	8	8
Total trading derivatives	2 086 523	13 342	12 342	1 251 271	23 793	25 151
Effect of netting	–	(8 388)	(8 388)	–	(17 167)	(17 167)
Trading derivatives included in assets/liabilities	2 086 523	4 954	3 954	1 251 271	6 626	7 984
Hedging derivatives (off-balance sheet)						
Foreign exchange derivatives						
Currency swaps	292	17	(32)	149	15	–
Interest rate derivatives						
Caps and floors	–	–	–	40	–	–
Swaps	29 102	423	(1 142)	20 713	401	427
OTC derivatives	29 102	423	(1 142)	20 753	401	427
Exchange traded futures	952	–	(1)	6 277	–	–
	30 054	423	(1 143)	27 030	401	427
Equity and stock index derivatives						
OTC options bought and sold	250	3	(2)	18	5	–
Credit derivatives						
Credit derivatives	953	7	–	–	–	–
Credit link notes bought and sold	500	–	–	–	–	–
	1 453	7	–	–	–	–
Total fair value	32 049	450	(1 177)	27 197	421	427

Group derivative instruments

For the year ended 31 March

(R millions)	2003	2002
Hedging instruments		
Gains and losses on derivatives used for hedging are recognised in line with the underlying items that are being hedged. These values have been calculated with reference to the ultimate maturity date of the derivatives.		
Unrecognised gains to be recognised within one year	11	16
Unrecognised gains to be recognised in more than one year	409	383
Total unrecognised gains	420	399
Unrecognised losses to be recognised within one year	(21)	(40)
Unrecognised losses to be recognised in more than one year	(1 103)	(362)
Total unrecognised losses	(1 124)	(402)
Total recognised losses in current period	(70)	(158)
Portion of recognised loss which was unrecognised in prior year	(26)	(16)
Net recognised loss arising in the current period	(96)	(174)

There are no gains or losses on hedging instruments deferred in the balance sheet, nor were there any reclassifications of hedging instruments resulting in gains or losses arising in prior periods being recognised in subsequent periods.

Risk management information

For information regarding 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.

Principal subsidiary and associated companies

At 31 March	Nature of business	Issued ordinary capital	Holding %	Shares at book value		Net indebtedness	
				R' million 2003	2002	R' million 2003	2002
Direct subsidiaries of Investec Limited							
Fedsure Investments Ltd Ä	Investment holding	R739 000 000	100	1 053	383	(967)	(1 058)
Invego Investments Ltd Ä	Investment holding	R1 044	100	399	2271	(1 742)	(2 994)
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R80 911 198	100	(117)	–	22	–
Investec Assurance Ltd Ä	Insurance company	R10 000 000	100	75	10	–	–
Investec Bank Ltd Ä	Banking institution	R4 762 770 007	100	7 877	7 218	(3 728)	(6 763)
Investec Employee Benefits Holdings (Pty) Ltd (formerly Wilcardo Investments 6 (Pty) Ltd) Ä	Investment holding	R 1	100	(546)	–	735	683
Investec Hong Kong (Pty) Ltd _	Investment holding	HK\$1	100	–	1	(23)	(1 715)
Investec Int. (Gibraltar) (Ltd) §	Investment holding	£2	100	52	51	–	2 375
Investec International BV ±	Investment holding	€18 000	100	–	15	–	730
Investec SA ^	Investment holding	£418 019 644	100	–	7 949	–	(5)
Investec Securities Ltd Ä	Stock broking and portfolio management	R172 000	100	118	132	–	–
Sibvest Limited (formerly Securities Investment Bank Ltd) Ä	Investment holding	R109 724 159	100	207	272	–	–
Fedsure International Ltd Ä	Investment holding	R354 480 252	100	403	683	(73)	–
Investec Property Group Holdings Ltd Ä	Investment holding	R3 000	100	(32)	–	–	–
Other subsidiaries				(134)	1 191	(12)	(133)
				9 355	20 176	(5 788)	(8 880)
Indirect subsidiaries of Investec Limited							
Investec Bank (Botswana) Ltd o	Banking institution	Pula 50 000 000	75				
Grayinvest Limited (formerly Investec Ltd) Ä	Investment holding	R114 150 000	100				
Barfold Investments Ltd (Formerly South African Druggists Ltd) Ä	Investment holding	R76 066 076	100				
Investec Asset Management (Pty) Ltd Ä	Asset management	R50 000	100				
Investec Insurance Brokers (Pty) Ltd Ä	Insurance broking	R2	100				
Investec International Holdings (Pty) Ltd Ä	Investment holding	R2 134 302	100				
Investec Fund Managers SA Ltd Ä	Unit trust management	R8 000 000	100				
Investec Bank (Mauritius) Ltd i	Banking institution	R281 630 446	100				
Investec Property Group Ltd (formerly IPG Property Trading & Development (Pty) Ltd) Ä	Property trading	R1 174	100				
Reichmans Ltd Ä	Trade financing	R23 439 678	100				
100 Grayston Drive Property (Pty) Ltd Ä	Property holding	R2	100				
Investec Employee Benefits Ltd (formerly Fedsure Life Assurance Ltd) Ä	Long-term insurance	R2 418 523 071	100				
Fedsure Traded Endowments Ltd ^	Endowments trading	£28 530 787	100				
Principal associated company of Investec Limited							
Capital Alliance Ltd Ä	Long-Term Insurance	R716 163 703	29.2				

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

i Mauritius o Botswana Ä South Africa _ Hong Kong § Gibraltar ± Netherlands ^ United Kingdom

Group currency profile

For the year ended 31 March

(R millions)	ZAR	GBP	USD	EUR	Other	Total
Assets						
Cash and short-term funds	8 363	86	3 451	29	66	11 995
Short-term negotiable securities	7 972	229	40	46	140	8 427
Investment in trading securities	13 000	(124)	(2 674)	200	(682)	9 720
Other assets	6 125	82	204	3	4	6 418
Advances	25 000	130	1 975	6	345	27 456
Loans and advances to Investec plc and its subsidiaries	94	771	337	11	681	1 894
Associated companies	576	–	–	–	–	576
Property and equipment	1 623	21	–	–	2	1 646
Goodwill	1 738	–	–	–	–	1 738
Long-term assurance assets attributable to the shareholder	1 696	–	–	–	–	1 696
	66 187	1 195	3 333	295	556	71 566
Equity and liabilities						
Share capital and reserves	2 951	–	–	–	–	2 951
Compulsorily convertible debentures	661	–	–	–	–	661
Subordinated debt	2 801	–	–	–	–	2 801
Interest of minority shareholders in subsidiaries	287	–	–	–	–	287
Redeemable preference shares	1 995	–	–	–	–	1 995
Deposits and other accounts	56 785	307	4 957	148	380	62 577
Taxation	298	(5)	1	–	–	294
	65 778	302	4 958	148	380	71 566

The above analysis excludes long-term assurance assets and liabilities attributable to policyholders.

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

US Dollar \$1 = R7.930 British Pound £1 = R12.512 European Euro 1 = R8.62

Supplementary risk information

For the year ended 31 March

(R millions)	2003	2002
Credit risk		
Assets quality, specific and general provisions		
Total loans and advances to customers (gross of provisions)	29 003	55 451
Managed book	(721)	(1 189)
Net loans and advances to customers	28 282	54 262
Average total loans and advances	42 227	47 188
Income statement provision charge	235	202
Specific provisions	266	440
General provisions	385	598
Total provisions	651	1 038
Gross non-performing loans	379	616
Security	(145)	(191)
Net non-performing loans	234	425
Adequacy of provisions		
Specific provisions as a % of total loans and advances	0.92%	0.79%
General provisions as a % of net loans and advances	1.36%	1.10%
Total provisions as a % of total loans and advances	2.24%	1.87%
Total provisions as a % of gross non-performing loans	171.77%	168.51%
Total provisions as a % of net non-performing loans	278.21%	244.24%
Gross non-performing loans as a % of net loans and advances	1.34%	1.14%

Supplementary risk information

(R millions)

Liquidity gap	0 - 1	1 - 3	3 - 6	6 - 12	1 - 5	More than 5	
At 31 March 2003	months	months	months	months	years	years	Total
Cash and short-term funds	10 901	51	4	13	652	374	11 995
Short-term negotiable securities	5 881	2 546	—	—	—	—	8 427
Investment and trading securities	6 145	73	3	101	2 837	561	9 720
Other assets	4 862	155	29	136	1 040	196	6 418
Advances [^]	2 871	902	877	1 868	9 217	11 721	27 456
Loans and advances to Investec plc and its subsidiaries	—	—	—	—	1 894	—	1 894
Associated companies	—	—	—	—	—	576	576
Property and equipment	—	—	—	—	—	1 646	1 646
Goodwill	—	—	—	—	—	1 738	1 738
Long-term assurance assets attributable to the shareholder	—	—	—	—	1 696	—	1 696
Assets	30 660	3 727	913	2 118	17 336	16 812	71 566
Equity	—	—	—	—	—	3 899	3 899
Subordinated debt	—	—	—	—	—	2 801	2 801
Redeemable preference shares	105	161	131	126	1 450	22	1 995
Liabilities	27 151	11 644	8 682	5 974	7 025	2 395	62 871
Equity and liabilities	27 256	11 805	8 813	6 100	8 475	9 117	71 566
Liquidity gap	3 404	(8 078)	(7 900)	(3 982)	8 861	7 695	—
Cumulative liquidity gap	3 404	(4 674)	(12 574)	(16 556)	(7 695)	—	—

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

[^]Specific and general provisions have been proportionately allocated to each maturity period.

Supplementary risk information

(R millions)

Repricing gap

At 31 March 2003	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non- interest bearing	Total non- trading	Total trading	Total
Cash and short-term funds	10 222	—	—	—	—	—	10 222	1 773	11 995
Short-term negotiable securities	2 168	52	36	531	1 711	—	4 498	3 929	8 427
Investment and trading securities	—	—	—	—	—	2 629	2 629	7 091	9 720
Advances	11 577	678	1 470	5 800	6 803	813	27 141	315	27 456
Other assets	2 789	17	359	12	6	6 887	10 070	3 898	13 968
Assets	26 756	747	1 865	6 343	8 520	10 329	54 560	17 006	71 566
Equity	379	—	—	—	282	3 238	3 899	—	3 899
Subordinated debt	—	—	—	—	2 801	—	2 801	—	2 801
Redeemable preference shares	266	131	126	1 450	22	—	1 995	—	1 995
Liabilities	35 698	7 590	4 729	764	573	4 143	53 497	9 374	62 871
Equity and liabilities	36 343	7 721	4 855	2 214	3 678	7 381	62 192	9 374	71 566
Off balance sheet items	1 009	1 346	5 712	(8 067)	—	—	—	—	—
Interest rate gap	(8 578)	(5 628)	2 722	(3 938)	4 842	2 948	(7 632)	7 632	—
Cumulative repricing gap	(8 578)	(14 206)	(11 484)	(15 422)	(10 580)	(7 632)	(7 632)	—	—

(*) Includes other assets, loans and advances to Investec plc and its subsidiaries, associated companies, property and equipment, goodwill and long-term assurance assets attributable to the shareholder.

For 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.

Financial definitions

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 31.

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.

Margin lending: Investec Ernst & Company extends credit to clients for the purchase of securities, using the securities purchased and/or other securities in the client's accounts as collateral for amounts loaned. Amounts loaned are limited by margin regulations of various US regulatory authorities and are subject to Investec's credit review and daily monitoring procedures.

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.



Annexure I 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.

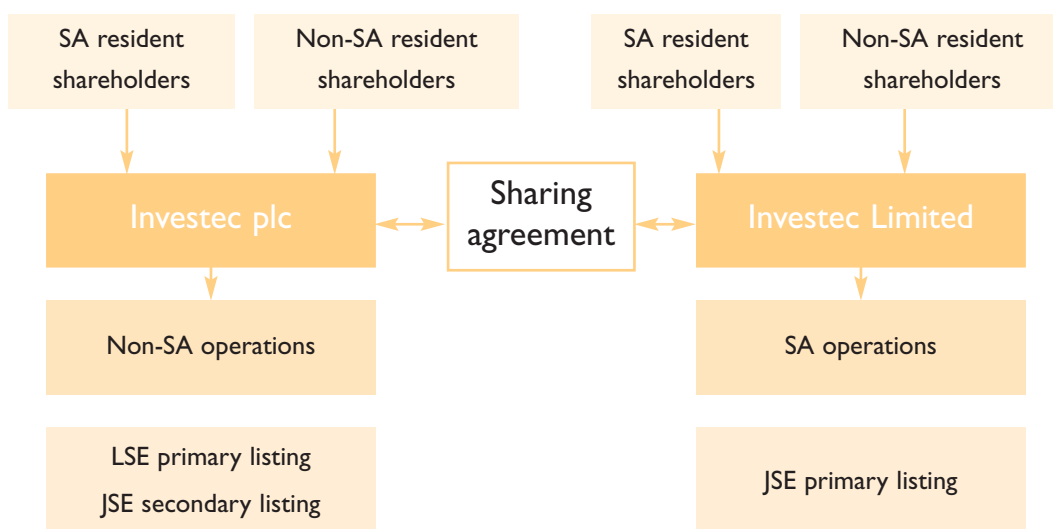
Implementation of the Dual Listed Companies structure

A circular regarding the establishment of the 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 is available on the group's web site www.investec.com/investorrelations.