corporate information

Investec plc

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a brief overview of Investec plc

Introduction

In terms of the implementation of Investec's Dual Listed Companies (DLC) structure (for further information see Annexure 1) the majority of the group's non-Southern African operations were placed into Investec plc, which was previously a wholly owned subsidiary of Investec Group Limited. Investec plc was unbundled from Investec Group Limited and listed on the London Stock Exchange in July 2002, with a secondary listing on the JSE Securities Exchange South Africa.

Structure as at 31 March 2003

- Investec plc (listed on the LSE)
  - Investec Holding Company Limited
    - Investec Holdings Australia Limited
      - Investec Bank (Australia) Limited
    - Investec SA
      - Investec Finance Sarl
        - Investec Holdings (UK) Limited
          - Investec 1 Limited
            - Carr Sheppards Crosthwaite Limited
            - Investec Bank (UK) Limited
              - Investec (Israel) BV
                - 80% Investec Bank (Israel) Limited
            - Investec Asset Management Limited
            - Investec USA Holdings Corp.
              - Investec PMG Holdings Corp.
                - Investec Inc.
              - Investec Ernst & Co.

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

United Kingdom and Europe - history of significant events

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

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

Australia, Israel and USA - history of significant events

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

1998 - 1999	2000 - 2001	2002 - 2003
Acquisition of Stuart Coleman & Company (New York) and the Royce Investment Group (Long Island, USA), retail broking firms	Acquisition of the private client and clearing arm of Hertzog Heine Geduld Inc. in the US	Sale of the Private Client Stockbroking business in the US to the management of the business
	Foreign Exchange desk set up in New York (subsequently closed) Established an Equity Derivatives operation in New York (subsequently closed) Established a Structured Finance unit in Australia	Established a Project Finance unit in Australia
	Acquisition of PMG, a US investment banking and research boutique Acquisition of Wentworth Associates, an Australian corporate finance boutique	Acquisition of Melbourne-based Chronworth Pty Ltd, a corporate finance advisory boutique Sale of PMG Advisors and the closure of the research, equity sales and trading businesses in the US

Investec in perspective

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 plc

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

1. The activities of Investec Bank (UK) Limited

The principal business units of Investec Bank (UK) Limited are Private Banking, Treasury and Specialised Finance, Investment Banking, and Property Activities. Each division focuses on providing specialised products and services to defined target markets. Furthermore, Investec Bank (UK) Limited's head office provides certain functions such as risk management, information technology, finance, marketing, human resources and organisational development. It also has responsibility for the bank's central funding.

Private Banking

Investec entered the UK private banking market in 1992 with the acquisition of Allied Trust Bank Limited. Since that time, Investec has focused on the development of its structured finance and specialised lending operation, which has a strong property bias. Since 1998, Investec has provided international trust, fiduciary and structuring services, which it used, together with its lending activities, as a platform from which to launch investment management operations. The UK private banking operation is based in London, with offshore subsidiaries in the Channel Islands and Switzerland. Investec's principal target market comprises individuals with an average net worth in excess of £5 million and investable assets of £3 million.

Treasury and Specialised Finance

Investec Bank (UK) 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. All non-private client deposit taking, corporate and public sector lending, project finance, advisory and structuring activities are transacted through the division. The division undertakes the bulk of the bank's proprietary trading activities, although the division has moved to focus primarily on client-driven business.

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.

Investment Banking

Investec operates the Investment Banking division in the UK under the name Investec Investment Banking and Securities which trades as Investec. The division focuses on providing investment banking services to a target client base, which principally comprises corporations with an average market capitalisation of approximately £86 million.

Corporate finance

Prior to 2001, Investec engaged principally in capital markets advisory work in connection with primary offerings, including initial public offerings, mainly for issuers in the technology, media, telecommunications, leisure, oils and services sectors. However, as capital markets transactions have come under increasing pressure since that time, Investec has sought to offset the decline in revenues attributable to capital markets transactions by raising its profile in domestic financial advisory work, particularly in respect of mergers and acquisitions.

Institutional research and sales and trading

Investec Securities provides research and sales and trading services to a range of UK and international institutional clients. Since August 2000, Investec Securities has also engaged in market making activities. In addition, Investec has developed a limited proprietary trading activity to support its market making and agency operations.

Private equity

Investec inherited a UK managed private equity portfolio as part of the Guinness Mahon and Hambros acquisitions in 1998.

Group Services 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, organisational development, company secretarial, tax, information centre, regulatory and facilities.

Central Funding

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

Property Activities

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

Investec Bank (Israel) Limited

Post the implementation of Investec's DLC structure, Investec Bank (Israel) Limited was acquired by Investec Bank (UK) Limited and now is an 80% held subsidiary of the bank. Investec Bank (Israel) Limited is a Tel Aviv Stock Exchange listed company which focuses on the provision of traditional and internet banking services to a broader range of retail clients than is the case in the UK or South Africa. Investec Bank (Israel) Limited also offers professional trading, execution and clearing services to Israeli clients which is complemented with the provision of research.

2. The activities of Carr Sheppards Crosthwaite

Private Client Portfolio Management and Stockbroking Activities in the UK are carried out through Carr Sheppards Crosthwaite. The vast majority of the company's revenue and operating profit is attributable to commissions and fees generated by its portfolio management business. In addition to portfolio management, Carr Sheppards Crosthwaite also provides stockbroking and personal equity plan and individual savings account administration, as well as third-party settlement and custodial services, to banks, investment managers, independent financial advisers and FTSE 100 and 250 companies.

In 2001, Carr Sheppards Crosthwaite extended its discretionary management capabilities through the recruitment of most of the international team of the Gerrard Group. This enabled Carr Sheppards Crosthwaite to provide an international fund management offering to existing and potential new clients of Investec. Another growth area has been the successful targeting of the small- to medium-sized charities sector.

3. 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 launched its asset management operations in the UK following Investec's acquisition of Guinness Flight Hambro in 1998. This acquisition provided Investec Asset Management with, approximately, an additional £7 billion of assets under management, as at the date of acquisition, and the infrastructure of Guinness Flight Hambro's operations. During 1999 and 2000, Investec Asset Management redesigned its international product platform to focus on the creation of a domestic franchise in the UK for both the institutional and retail fund businesses.

On the institutional side, the acquisition of Guinness Flight Hambro in 1998 provided a cash and short term fixed income position and a platform from which to launch an institutional offering aimed at the UK pension fund market. Much of the last few years have been spent building integrated specialist equity and fixed income teams.

During the financial year, Investec Asset Management made significant progress. The UK institutional business has won new business in excess of £950 million, and gained acceptance from a spread of major consultants and multi-managers. Furthermore, a strong brand in the UK IFA market began to emerge, shown by market share growth.

As at 31 March 2003 Investec Asset Management's non-South African assets under management were approximately £7.5 billion.

UK Institutional

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

UK Retail (including European sales)

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

Offshore funds

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

4. The activities of Investec Bank (Australia) Limited

Investec established a presence in Australia in 1997, originally focusing on the provision of a limited range of private client services and operated under a merchant banking licence which limited the group's ability to grow and develop these operations. However, in August 2002 the group received a banking licence which has opened up many growth opportunities for the business.

Investec entered the Australian Investment Banking market in March 2001 with the acquisition of Wentworth Associates (since renamed Investec Wentworth), one of the leading corporate finance boutiques in Australia. This acquisition provided a platform to expand Investec's activities in Australia.

Furthermore, a limited range of treasury and specialised finance activities are conducted in Australia.

Subsequent to the year-end, on 13 June 2003, Investec Bank (UK) Limited became the holding company of Investec Bank (Australia) Limited.

5. The activities of Investec Ernst & Company and PMG Group Inc.

Investec established operations in the US in 1998, through the acquisition of Ernst & Company, a registered broker-dealer providing clearing, settlement and execution services to retail and institutional broker dealers, and professional traders in the US. The engine of clearing and execution provided a foundation for the development of the group's private client activities in the US and over the period 1998 to 2001, Investec acquired a few retail broking firms in the region.

Furthermore in June 2001, Investec acquired PMG Capital (since renamed Investec Inc), an investment banking boutique, focusing on the telecommunications, media, technology, consumer and healthcare sectors. Investec Inc. focused on providing investment banking services to small-and mid-capitalisation companies.

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

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

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

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

Presentation of financial information

The implementation of Investec's DLC structure took place in July 2002 (for further information see Annexure 1). Investec plc has only been required to produce financial statements for years ending since that date and as a result no comparative information is available.

Financial highlights

	31 March 2003
Operating profit before amortisation of goodwill and exceptional items (£'000)	16 847
Earnings before amortisation of goodwill and exceptional items (£'000)	19 981
Total capital resources (£'000)	551 907
Total shareholders' funds (£'000)	503 245
Total assets (£'000)	6 895 450
Cost to income ratio (excluding discontinued operations) (%)	85.2
Capital adequacy ratio (%)	14.2

Commentry on the results of Investec plc for the year ended 31 March 2003

Introduction

Investec plc reported earnings before amortisation of goodwill and exceptional items of £20 million. The Private Banking and Property divisions and the group's Australian operations performed solidly during the period under review. These results were partially offset by the weaker performances of the Investment Banking and Treasury and Specialised Finance divisions and the group's US operations.

Business unit review

Private Client Activities

The Private Client Activities division, comprising both the Private Banking and Private Client Portfolio Management and Stockbroking divisions, posted operating profit before amortisation of goodwill and exceptional items of £26.4 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

UK and Europe

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

Australia

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

Private Client Portfolio Management and Stockbroking

UK and Europe

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

Treasury and Specialised Finance

The division posted an operating loss before amortisation of goodwill and exceptional items of £3.5 million. In the UK, the Treasury and Specialised Finance division suffered from difficult trading conditions. The interest rate repo desk was closed as it was capital intensive and used significant counterparty lines. On a more satisfying note, the division's Banking Activities made meaningful strides in establishing their position in the local market with a solid flow of deals and mandates concluded by the Structured and Project Finance businesses during the period. Furthermore, in Australia, the Treasury and Specialised Finance businesses are being built up with the result that costs have exceeded revenue in the current year.

Key business developments over the past year are outlined below.

Banking Activities

Financial Products

- In the UK, the unit made substantial strides in the credit derivatives arena, where it seeks to structure or participate in structures and sell positions to the investor market.

Structured and Asset Finance

- The UK operations posted solid results, with the addition of an experienced Structured Finance team during the year and a resilient performance from Asset Finance.

Project and Resource Finance

- Investec European Capital performed particularly well, concluding the largest hospital PFI project to date in the UK.
- In Australia, the newly established Project Finance unit acted as co-lead underwriter to construction contractor Abigroup in the A$2.4 billion Western Sydney Orbital toll road project.

Trading Activities

Interest Rates

- The UK Interest Rate activities were curtailed, with the group's exit from its money market and repurchase agreement operations. This decision was taken as the business was unable to generate a satisfactory return on capital and used significant counterparty lines.

Foreign Exchange

- During the period under review, Investec closed the New York desk and significantly reduced the UK business.

Equities Derivatives

- Investec became the first issuer of equity warrants in the Irish market during the financial year.
- In the UK, the unit successfully maximised returns on structured warrant trades and convertible bond trading, which commenced in the second half of the financial year.

Commodities

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

Investment Banking

The division posted operating profit before amortisation of goodwill and exceptional items of £11.4 million.

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

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

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

Key business developments over the past year are outlined below.

Corporate Finance

UK and Europe

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

Australia

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

Israel

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

Institutional Research, Sales and Trading

UK and Europe

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

Israel

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

Private Equity and Direct Investments

UK and Europe

- The Private Equity division benefited from a significant realisation in one of the underlying funds, amounting to approximately £9 million.
- The aggregate book value of the Private Equity and Investment portfolio was £23.4 million (2002: £27.1 million).

Australia

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

Asset Management

Investec Asset Management posted an operating profit before amortisation of goodwill and exceptional items of £1.8 million. The UK and Other International Operations division benefited from a reduction in expenditure (approximately £4 million), largely due to tight cost control, a decline in headcount and minimal salary increases. Despite net inflows to the institutional and retail funds, weak equity market conditions impacted on overall revenue. "Deal fees" (once-off fees) were the most significantly affected, with retail once-off fees declining due to lower initial fees, while several once-off transactions from the prior year (for example, restructuring costs and investment trust initial commission on a new trust) were not repeated in 2003.

Key business developments over the past year are outlined below.

UK Institutional

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

UK Retail (including European sales)

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

Offshore funds

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

Asia and US

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

Group Services and Other Activities

The Group Services and Other Activities division posted an operating loss before amortisation of goodwill and exceptional items of £2.7 million.

Key business developments over the past year are outlined below.

UK Property Activities

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

Geographic review

UK businesses streamlined and resized

In the UK, the group posted an operating profit before amortisation of goodwill and exceptional items of £23 million. The strong performance of the Private Banking business was negated by the poor performance of the equities related businesses, which were badly affected by adverse market conditions. In particular, a lack of corporate advisory and capital market activity had a severe impact on Investec Investment Banking and Securities. The group recognised that it was necessary to adjust its cost base to compensate for the decline in revenues. The division's costs were significantly reduced, with a decline in headcount from 148 to 98. Notwithstanding this, the retained corporate client list was strengthened and market share gains in large stocks increased. The Treasury and Specialised Finance division experienced difficult trading conditions and the group decided to close the interest rate repo desk. This was partially negated by the solid performance from relatively new Banking Activities emphasising the group's strategy of building a high level of margin and other annuity related income.

US operations rationalised

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

The operational losses of these discontinued operations amounted to £16.7 million before amortisation of goodwill and exceptional items. An exceptional loss arose on termination of these businesses of £8.9 million. The latter represents £19.2 million in respect of the write down of assets, closure costs (including settlement of legal and contract obligations) and provisions for future costs to be incurred on the winding down of these businesses. This was offset by a net profit of £10.3 million on the disposals highlighted above. In addition, goodwill of £19.0 million was written-off with respect to the termination and disposal of these businesses and included as an exceptional item.

Solid platform in Australia

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

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

The corporate advisory business of Investec Wentworth secured a significant share of transactions at a time when merger and acquisition activity and capital raisings were substantially down in the Australian market. Furthermore, Investec Private Equity was well placed to take advantage of the attractive opportunities provided by the weak equity markets. The group now has a solid platform in Australia with a quality client list and effective corporate network from which to build and grow the business.

Israel affected by weak operating environment

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

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

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 for Investec Bank (UK) Limited as at 31 March 2003 are set out below.

Ratings for Investec Bank (UK) Limited

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

Further information

For further information on Investec's results for the year ended 31 March 2003 refer to Investec's 2003 annual report which is also available on our web site: 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 1.)

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

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

Spread of ordinary shareholders as at 31 March 2003

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
16 803	1-500	81.2%	1 820 967	2.4%
1 544	501-1 000	7.5%	1 105 903	1.5%
1 410	1 001-5 000	6.8%	2 963 151	4.0%
295	5 001-10 000	1.4%	2 110 534	2.8%
429	10 001-50 000	2.1%	10 028 518	13.4%
75	50 001-100 000	0.4%	5 402 895	7.2%
128	100 001 and over	0.6%	51 130 908	68.6%
	Adjustments*		70 870	0.1%
20 684		**100.0%**	**74 633 746**	**100.0%**

Largest beneficial shareholders as at 31 March 2003

In accordance with the terms provided for in Section 212 of the UK Companies Act 1985 and Section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

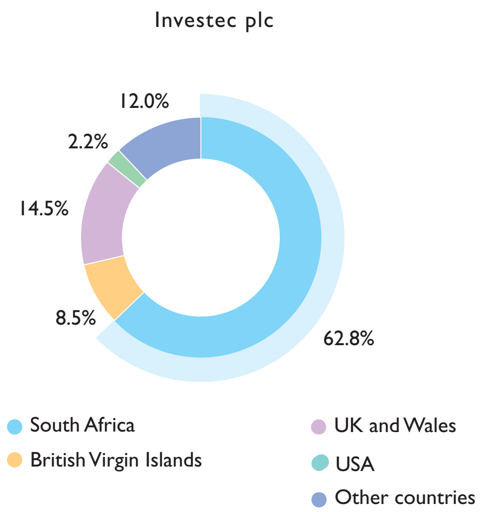
Investec plc

Beneficial owner	Number of shares	% holding
1. Public Investment Commissioner (SA)	7 561 004	10.1
2. Fintique III (BVI)*	6 351 344	8.5
3. Old Mutual Life Assurance (SA)	3 615 002	4.8
4. Deutsche Bank AG (UK)	2 451 322	3.3
5. Fedsure Assurance Limited (SA)	2 105 304	2.8
6. Legal and General Pooled Index Fund (UK)	1 825 728	2.5
7. Sanlam (SA)	1 522 124	2.0
8. Liberty Life (SA)	1 205 191	1.6
9. RMB (SA)	1 142 265	1.5
10. Momentum Life Assurance (SA)	1 110 328	1.5
Cumulative total	**28 889 612**	**38.6**

The top 10 beneficial shareholders account for 38.6% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* 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 plc ordinary shares in issue

For the year ended 31 March[1]	2003
Closing market price per share (pence)	
– year end	615
– highest	960
– lowest	607
Number of ordinary shares in issue (million)	74.6
Market capitalisation (£ millions)[2]	459
Monthly average volume of shares traded ('000)	69.6
Price earnings ratio [3]	6.3
Dividend cover (times) [3]	1.8
Dividend yield (%) [3]	8.8%
Earnings yield (%) [3]	15.9%
Number of shareholders	20 684

[1] Investec plc has only been listed on the LSE since 29 July 2002.

[2] The LSE only include the shares in issue for Investec plc i.e. 74.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

[3] Calculations are based on the group's consolidated earnings per share before exceptional items and amortisation of goodwill, and dividends per share as prepared in accordance with UK GAAP and denominated in Pounds Sterling.

directorate Investec plc

Executive Directors

Stephen Koseff (51) [6,7]
BCom CA (SA) H Dip BDP MBA
Chief Executive Officer
Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, and General Manager of Banking, Treasury and Merchant Banking. His directorships include the JSE Securities Exchange South Africa, Investec Bank Limited, Investec Bank (UK) Limited and The Bidvest Group Limited.

Bernard Kantor (53) [6,7]
Managing Director
Bernard joined Investec in 1980. He has had diverse experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer. His directorships include Investec Bank Limited, Investec Bank (UK) Limited and Phumelela Gaming and Leisure Limited.

Glynn R Burger (46) [6,7]
BAcc SA(SA) H Dip BDP MBL
Executive Director responsible for Finance and Risk.
Glynn joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa. His directorships include Investec Bank Limited.

Alan Tapnack (56) [7]
BCom CA (SA)
Alan practised as a chartered accountant and is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and subsequently became Chief Executive Officer of Investec's UK operations. He is also responsible for Investec's Israeli operations. His directorships include Investec Bank (UK) Limited and Carr Sheppards Crosthwaite Limited.

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

Haruko Fukuda OBE (57)
MA (Cantab) DSc
Previously Chief Executive of the World Gold Council. Directorships include, AB Volvo, The Foreign and Colonial Investment Trust PLC and Aberdeen Asian Smaller Companies Investment Trust PLC. Advisor to Management Diagnostics Ltd, Metro AG and Lazard. Serves on the Business Advisory Board of the United Natcom Officer for Project Services.

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

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

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

Investec plc
Consolidated financial information (excluding Investec Limited)

Contents

Independent review report to the directors of Investec plc

We have been instructed by the company to review the financial information in respect of Investec plc for the year ended 31 March 2003 as set out in the Consolidated Profit and Loss account, Consolidated Statement of Recognised Gains and Losses, Consolidated Balance Sheet. Reconciliation of Consolidated Shareholders' Funds and Movements on Reserves, the accounting policies and the related notes 1 to 5.

This report is made solely to the company's directors. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Responsibilities of the Directors

The report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors have represented that the accounting policies and presentation applied are consistent with those applied in preparing the annual statutory accounts of Investec plc.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 12 months ended 31 March 2003.

Ernst & Young LLP

Ernst & Young LLP
London
11 July 2003

Consolidated profit and loss account

For the year ended 31 March 2003
(£'000)

	Notes	Before goodwill and exceptional items	Goodwill and exceptional items	Total
Interest receivable– interest income arising from debt securities		125 626	–	125 626
Interest receivable– other interest income		372 887	–	372 887
Interest payable		(419 533)	–	(419 533)
Net interest income		**78 980**		**78 980**
Dividend income		514	–	514
Fees and commissions receivable		231 644	–	231 644
- annuity		206 635	–	206 635
- deal		25 009	–	25 009
Fees and commissions payable		(47 925)	–	(47 925)
Dealing profits		14 155	–	14 155
Other operating income		15 093	–	15 093
Other income		**213 481**	**–**	**213 481**
Total operating income		**292 461**	**–**	**292 461**
Administrative expenses		(260 972)	–	(260 972)
Depreciation and amortisation		(9 224)	(34 954)	(44 178)
- tangible fixed assets		(9 224)	–	(9 224)
- amortisation and impairment of goodwill		–	(34 954)	(34 954)
Provision for bad and doubtful debts	4	(5 418)	–	(5 418)
- General		(2 719)	–	(2 719)
- Specific		(2 699)	–	(2 699)
Operating profit/(loss)		**16 847**	**(34 954)**	**(18 107)**
Operating profit/(loss) from continuing operations		33 516	(29 251)	4 265
Operating loss from discontinued operations		(16 669)	(5 703)	(22 372)

Consolidated profit and loss account

For the year ended 31 March 2003
(£'000)

	Notes	Before goodwill and exceptional items	Goodwill and exceptional items	Total
Operating profit/(loss)		**16 847**	**(34 954)**	**(18 107)**
Share of income of associated companies		17	–	17
Exceptional items		–	(33 263)	(33 263)
Provision for losses on termination and disposal of group operations - discontinued		–	(8 863)	(8 863)
Impairment of goodwill on discontinued operations		–	(19 047)	(19 047)
Fundamental reorganisation and restructuring costs - continuing		–	(5 353)	(5 353)
Profit/(loss) on ordinary activities before taxation	1	**16 864**	**(68 217)**	**(51 353)**
Tax on profit /(loss) on ordinary activities		4 610	–	4 610
Tax on profit /(loss) on ordinary continuing activities		10 825	–	10 825
Tax on loss on ordinary discontinued activities		(6 215)	–	(6 215)
Profit /(loss) on ordinary activities after taxation		**21 474**	**(68 217)**	**(46 743)**
Minority interests - equity		(1 493)	–	(1 493)
Profit /(loss) attributable to shareholders		**19 981**	**(68 217)**	**(48 236)**
Dividends - including non-equity		(47 875)	–	(47 875)
Loss for the year		**(27 894)**	**(68 217)**	**(96 111)**
Loss attributable to shareholders				**(48 236)**
Amortisation and impairments of goodwill				34 954
Provision for losses on termination and disposal of group operations (net of deferred tax)				27 910
Fundamental reorganisation and restructuring costs				5 353
Earnings before goodwill amortisation and exceptional items				**19 981**

Consolidated statement of recognised gains and losses

For the year ended 31 March (£'000)	2003
Loss for the year attributable to ordinary shareholders	(48 236)
Currency translation differences on foreign currency net investments	(8 291)
Total recognised losses for the year	**(56 527)**

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

Consolidated balance sheet

At 31 March (£'000)	Notes	2003
Assets		
Cash and balances at central banks		258 393
Treasury bills and other eligible bills		68 318
Loans and advances to banks		2 358 076
Loans and advances to customers	3	2 235 726
Debt securities		1 228 751
Equity shares		71 932
Interests in associated undertakings		3 609
Intangible fixed assets		180 930
Tangible fixed assets		38 131
Own shares		–
Other assets		369 389
Prepayments and accrued income		82 195
		6 895 450
Liabilities		
Deposits by banks		1 699 483
Customer accounts		3 410 590
Debt securities in issue		109 885
Due to Investec Limited		118 540
Other liabilities		853 967
Accruals and deferred Income		151 078
		6 343 543
Capital Resources		
Subordinated liabilities		32 785
Minority interests – equity		15 877
Called up share capital		113
Share Premium account		393 823
Other reserves		25 988
Profit and loss account		83 321
Shareholders' funds		503 245
- equity		503 245
- non equity		–
		551 907
		6 895 450
Memorandum items		
Contingent liabilities		139 061
Commitments		362 456
		501 517

The directors approved the accounts on 27 June 2003

S. Koseff
Chief Executive Officer

Reconciliation of consolidated shareholders' funds and movements on reserves

For the year ended 31 March (£000)	Share capital Investec plc	Share premium account Investec plc	Capital reserves	Foreign currency reserves	Profit and loss account	Total
At 31 March 2002	50	–	11 420	22 401	179 890	213 761
Year ended 31 March 2003						
Foreign currency adjustments	–	–	(22)	(8 269)	–	(8 291)
Loss for the year	–	–	–	–	(96 111)	(96 111)
Shares issued	75	421 333	–	–	–	421 408
Bonus issues	38	(38)	–	–	–	–
Cancellation of shares	(50)	–	–	–	–	(50)
Share issue expenses	–	(27 472)	–	–	–	(27 472)
Transfers	–	–	458	–	(458)	–
At 31 March 2003	113	393 823	11 856	14 132	83 321	503 245

Accounting policies

Basis of preparation

The non-statutory summarised financial information for Investec plc includes the consolidated balance sheet and profit and loss account of Investec plc and its subsidiary undertakings (' Investec plc silo').

Under the Investec group's Dual Listed Companies structure, Investec plc and Investec Limited effectively form a single economic entity in which the economic and voting rights of shareholders are equalised. The statutory financial statements of the Investec plc group are prepared on this basis and incorporate the consolidated balance sheet and consolidated profit and loss account of Investec plc and Investec Limited in accordance with S227 (5) of the Companies Act 1985. The statutory financial statements of Investec plc are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2 7QP.

Although the Dual Listed Companies Structure creates an economic entity from a shareholder point of view there are no cross guarantees between Investec plc and Investec Limited and therefore creditors are ring-fenced to either entity. The purpose of the non-statutory summarised information for Investec plc is to show the consolidated financial position of the Investec plc silo, excluding Investec Limited.

Basis of consolidation

The summarised financial information for Investec plc incorporates the financial results of the Investec plc silo. The Dual Listed Companies structure was brought into effect by de-merging the existing Investec group into two sub-groups headed by Investec plc and Investec Limited by virture of share for share transfers which did not alter the rights of existing shareholders or the interest of any minority. Therefore the merger method of accounting has been adopted in respect of subsidiaries acquired from Investec Limited as part of the Investec group restructuring.
Accordingly the summarised financial information has been drawn up on the basis that the group had always owned these subsidiaries. Therefore, although the subsidiaries were acquired during July 2002, the results for the full year to 31 March 2003 have been presented. Comparative figures have not been provided.

In the case of Investec Bank (Israel) Limited, whose accounts are complied to 31 December annually, the group uses interim management accounts, drawn up to 31 March to prepare the group financial statements at 31 March 2003.

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

The summarised financial information includes the attributable share of the results and reserves of associated undertakings, based on financial statements made up to dates not earlier than three months prior to 31 March. The group's interests in associated undertakings are included in the consolidated balance sheet at the group's share of net assets plus unamortised goodwill.

Positive goodwill arising on the acquisition of subsidiaries is amortised against income over its useful economic life, a period not exceeding 20 years. Negative goodwill arising on acquisitions is included within intangible fixed assets and released to profit and loss account initially over the period that non-monetary assets are recovered and then over the periods expected to benefit. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Accounting policies

The group operates various Employee Benefit Trusts. In terms of UITF 13, the assets and liabilities of the Employee Benefit Trusts are included within the summarised financial information.

Foreign entities

The net assets of the group undertakings and associates which do not have sterling as a functional currency are translated at closing rates of exchange and the translation differences arising are taken to reserves. The results of these companies are translated at weighted average rates of exchange for the relevant period. The difference between the profit and loss translated at an average rate and the closing rate is recorded as a movement in reserves. Any exchange differences on foreign currency loans, which are used to hedge the net investment in subsidiaries which do not have sterling as a functional currency, are also taken to reserves.

Goodwill arising on the acquisition of entities that do not have sterling as a functional currency is translated at the closing exchange rate.

Foreign currency transactions

Monetary assets and liabilities in foreign currencies are translated into the local reporting currency at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into the local reporting currency at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Debt securities and equity shares

Shares and securities intended for use on a continuing basis in the group's activities are classified as investment securities. Such shares and securities are stated at cost less provision for any impairment in value. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on a level yield basis over the period to maturity.

Debt securities held for the purpose of hedging are valued on the same basis as the liabilities which are being hedged.

Other debt securities and equity shares are included in the balance sheet at market value. Changes in the market value of such assets are recognised in the profit and loss account as 'Dealing profits' as they arise.

Securities sold subject to repurchase agreements are recorded as assets. Obligations for the repurchase of these securities are included under deposits by banks and customer accounts. Securities that are purchased under an agreement to resell the securities at a future date are included under loans and advances.

Stock borrowing and lending transactions that are not cash collateralised are not included in the balance sheet.

Financial instruments

Financial instruments in the trading book are measured at fair value, whereas financial instruments in the non-trading book, including loans and investment securities, are measured at amortised cost. Income and expenses on trading instruments are recognised in the profit and loss account in full in the current period, whereas income and expenses

Accounting policies

on non-trading instruments are amortised over the life of the instrument, with adjustments made to reflect changes in estimated premiums and discounts.

Derivatives

Derivatives are used to hedge interest, exchange rate and equity exposures related to non-trading positions. Instruments used for hedging purposes include swaps, equity derivatives, credit derivatives, forward rate agreements, futures, options and combinations of these instruments. In addition, the use of derivatives and their sale to customers as risk management products is an integral part of the group's trading activities. Derivatives entered into for trading purposes include swaps, equity derivatives, credit derivatives, commodity derivatives, forward rate agreements, futures, options and combinations of these instruments.

Where the group has entered into legally binding netting agreements, positive and negative values of derivative are offset within the balance sheet totals.

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

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

The hedging instruments are accounted for on the same basis as the underlying asset, liability, position or cash flow being hedged with income and expenses being recognised in the profit and loss account. Hedging transactions which are superseded, cease to be effective or are terminated prior to the end of the life of the asset, liability or cashflow being hedged are measured at fair value. Any profit or loss arising is deferred and amortised into income or expense over the remaining life of the item previously hedged. When the underlying asset, liability, position or cashflow is terminated prior to the hedging transaction, the hedging transaction is measured at fair value and the resulting profit or loss is included in the category of income or expense relating to the previously hedged transaction.

Instalment credit, leases and rental agreements

Amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances. Finance charges on finance leases and instalment credit transactions are credited to income in proportion to the capital balances outstanding.

Specific and general provisions for bad and doubtful debts

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

Accounting policies

Doubtful debts are written off against the balance sheet asset and provision in part, or in whole, when the extent of the loss incurred has been determined.

General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future. The group's loan provision has been determined taking into account the structure and the risk characteristics of the group's loan portfolio. A number of complex and changing factors are collectively weighed by management in determining the adequacy of provisions. These factors include management's view of the extent of existing risks in the loan portfolio and prevailing economic conditions. General provisions are deducted from loans and advances to customers in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at original cost. Depreciation is provided on a straight-line basis over their anticipated useful lives. Leasehold improvements are amortised over the shorter of 20 years and the remaining period of the leases.

The annual rates used to depreciate assets are as follows:

Computer equipment	33%
Motor vehicles	20%-25%
Equipment	20%
Furniture and fittings	10%-20%
Freehold properties	2%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Dealing properties

Dealing properties are included in other assets and are stated at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation

The directors have implemented FRS 19 on deferred taxation. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the difference between the group's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is recognised in respect of future remittance of retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable (or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary).

Accounting policies

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Income recognition

Interest income is recognised in the profit and loss account as it accrues other than interest the collectibility of which is considered doubtful which is credited to a suspense account and excluded from interest income. The closing balance on the suspense account is netted in the balance sheet against accrued interest receivable or, as the case may be, the amount debited to the borrower. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

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

Commissions and fees include fees earned from providing advisory services, portfolio management and the arranging of financing for clients. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commissions charged in lieu of interest are taken to income on a level yield basis over the period of the loan. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly.

Other operating income includes realised profits and losses on disposal of investments, property rental income and dividends received.

Retirement benefits

The group operates various defined contribution schemes and one closed defined benefit scheme.

In respect of the defined contribution scheme all employer contributions are charged to income, as they become payable in accordance with the rules of the scheme, and included under staff costs.

The closed defined benefit scheme is closed to new membership and to accrual of pensionable service for existing members. The pension cost relating to the closed UK defined benefit schemes is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

Notes to the financial information

1. Segmental analysis
Business analysis

For the year ended 31 March 2003 (£'000)	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Asset Management	Group Services and Other Activities	Discontinued Operations	Total Group
Net interest income	42 830	6 273	4 882	200	20 736	4 059	78 980
Dividend income	–	–	39	–	475	–	514
Net fees and commissions receivable	73 710	13 630	25 768	40 253	3 875	26 483	183 719
Dealing profits	2 300	11 120	2 001	29	(334)	(961)	14 155
Other operating income	(123)	(9)	16 045	67	107	(994)	15 093
Operating income	**118 717**	**31 014**	**48 735**	**40 549**	**24 859**	**28 587**	**292 461**
Administration expenses	(84 310)	(33 221)	(35 946)	(38 253)	(24 930)	(44 312)	(260 972)
Depreciation	(2 795)	(918)	(752)	(489)	(3 326)	(944)	(9 224)
Provision for bad and doubtful debts	(5 177)	(335)	(591)	(40)	725	–	(5 418)
Operating profit before amortisation of goodwill	**26 435**	**(3 460)**	**11 446**	**1 767**	**(2 672)**	**(16 669)**	**16 847**
Share of income of associated companies	(11)	(1)	(23)	(1)	53	–	17
Amortisation of goodwill	(12 009)	(2 431)	(6 795)	(6 669)	(1 347)	(5 703)	(34 954)
Other exceptional items	(595)	(1 445)	(3 066)	–	(247)	(27 910)	(33 263)
Profit/(loss) on ordinary activities before taxation	**13 820**	**(7 337)**	**1 562**	**(4 903)**	**(4 213)**	**(50 282)**	**(51 353)**
Total assets (£ million)	2 134	5 302	151	44	(736)	–	6 895

Notes to the financial information

1. Segmental analysis
   Geographical analysis

For the year ended 31 March 2003 (£'000)	United Kingdon and Europe	Australia	Israel	United States of America	Discontinued Operations	Total Group
Net interest income	56 290	7 817	10 951	(137)	4 059	78 980
Dividend income	305	192	17	–	–	514
Net fees and commissions receivable	136 071	9 987	7 852	3 326	26 483	183 719
Dealing profits	11 294	(7)	1 958	1 871	(961)	14 155
Other operating income	15 988	64	(293)	328	(994)	15 093
Operating income	**219 948**	**18 053**	**20 485**	**5 388**	**28 587**	**292 461**
Administration expenses	(187 136)	(11 449)	(14 525)	(3 550)	(44 312)	(260 972)
Depreciation	(6 205)	(196)	(1 127)	(752)	(944)	(9 224)
Provision for bad and doubtful debts	(3 649)	(432)	(1 337)	–	–	(5 418)
Operating profit before amortisation of goodwill	**22 958**	**5 976**	**3 496**	**1 086**	**(16 669)**	**16 847**
Share of income of associated companies	–	–	(35)	52	–	17
Amortisation of goodwill	(24 023)	(5 195)	(33)	–	(5 703)	(34 954)
Other exceptional items	(5 353)	–	–	–	(27 910)	(33 263)
Profit on ordinary activities before taxation	**(6 418)**	**781**	**3 428**	**1 138**	**(50 282)**	**(51 353)**
Taxation	13 704	(2 452)	(427)	–	(6 215)	4 610
Minorities	(1 033)	–	(460)	–	–	(1 493)
Profit attributable to shareholders	**6 253**	**(1 671)**	**2 541**	**1 138**	**(56 497)**	**(48 236)**
Total assets (£ million)	5 750	300	813	32	–	6 895

Notes to the financial information

2. Discontinued operations
For the year ended 31 March
(£'000)

	Continuing 2003	Discontinued 2003
Interest receivable– interest income arising from debt securities	125 399	227
Interest receivable– other interest income	363 820	9 067
Interest payable	(414 298)	(5 235)
Net interest income	**74 921**	**4 059**
Dividend income	514	–
Fees and commissions receivable	198 592	33 052
- annuity	176 020	30 615
- deal	22 572	2 437
Fees and commission payable	(41 356)	(6 569)
Dealing profits	15 116	(961)
Other operating income	16 087	(994)
Other income	**188 953**	**24 528**
Total operating income	**263 874**	**28 587**
Administrative expenses	(216 660)	(44 312)
Depreciation and amortisation	(37 531)	(6 647)
Provision for bad and doubtful debts	(5 418)	–
Operating profit/(loss)	**4 265**	**(22 372)**
Share of income of associated companies	17	–
Provision for losses on termination and disposal of group operations - discontinued	–	(8 863)
Impairment of goodwill on discontinued operations	–	(19 047)
Fundamental reorganisation and restructuring costs - continuing	(5 353)	–
Loss on ordinary activities before taxation	**(1 071)**	**(50 282)**

Notes to the financial information

3. Loans and advances to customers

At 31 March (£'000)	2003
Remaining maturity:	
Repayable on demand or at short notice	197 766
Up to three months, excluding on demand or short notice	651 234
Three months to one year	499 932
One year to five years	759 804
Greater than five years	160 070
Provision for bad and doubtful debts	(33 080)
	2 235 726
Included in loans and advances to customers are:	
Core loans and advances to customers	1 761 558
Net investment in Finance leases	39 169
Net investment in HP contracts	666
Non-performing loans	30 423
Less : Security held against non-performing loans	(21 735)
Net non-performing loans - fully provided for by specific provisions	8 688

Notes to the financial information

4. Provisions for bad and doubtful debts

At 31 March (£'000)	2003
Specific provisions	
At beginning of year	9 737
Charged against income	2 699
Utilised	(621)
Recoveries	–
Transfers	–
Exchange adjustments	(693)
At end of year	11 122
General provisions	
At beginning of year	19 335
Charged against income	2 719
Utilised	–
Transfers	–
Exchange adjustment	(96)
At end of year	21 958
Total provisions	
At beginning of year	29 072
Charged against income	5 418
Utilised	(621)
Recoveries	–
Exchange adjustment	(789)
At end of year	33 080

Notes to the financial information

5. Principal subsidiary companies

	Principal activity	Country of incorporation	Interest % 2003
Direct subsidiaries of Investec plc			
Investec Holding Company Limited	Investment holding	England and Wales	100
Indirect subsidiaries of Investec plc			
Investec Bank (Australia) Ltd	Banking Institution	Australia	100
Investec SA	Investment holding	Luxembourg	100
Investec Holdings (UK) Ltd	Holding company	England and Wales	100
Investec 1 Ltd	Investment holding	England and Wales	100
Investec Bank (UK) Ltd	Banking institution	England and Wales	100
Investec Group (UK) PLC	Holding company	England and Wales	100
Investec Asset Finance PLC	Leasing company	England and Wales	100
Investec Group Investments (UK) Ltd	Investment holding	England and Wales	100
Investec Investment Holdings AG	Investment holding	Switzerland	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100
Investec Bank (Channel Islands) Ltd	Banking institution	Guernsey	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100
Investec Trust Guernsey Limited	Trust Company	Guernsey	100
Radcliiffes Trustee Company SA	Trust Company	Switzerland	100
Theodores Trust & Law Group Limited	Trust Company	Jersey	100
Carr Sheppards Crosthwaite Ltd	Stockbroking and portfolio management	England and Wales	100
Investec Asset Management Limited	Asset Management	England and Wales	100
Investec Ireland Ltd	Financial Services	Ireland	100
Investec Ernst and Company	Financial Services	USA	100
Investec Inc	Investment Banking	USA	100
Investec Bank (Israel) Ltd	Banking institution	Israel	80
European Capital Company Ltd	Project Finance	England and Wales	100