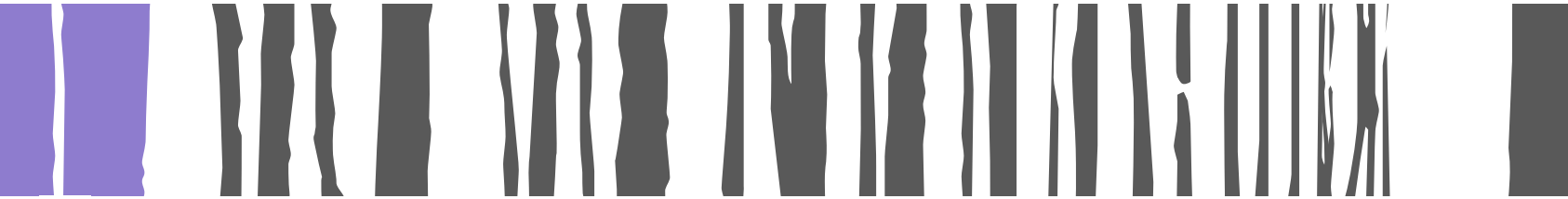


Investec Limited Group and Company Annual Financial Statements  
for the year ended 31 March 2004



Investec Limited 2004

# Corporate information

## Investec Limited

### Secretary and Registered Office

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100 Grayston Drive  
Sandown Sandton 2196  
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e-mail: [investorrelations@investec.co.za](mailto:investorrelations@investec.co.za)  
Internet address: [www.investec.com/grouplinks/investorrelations](http://www.investec.com/grouplinks/investorrelations)

### Internet Address

[www.investec.com](http://www.investec.com)

### Registration Number

Investec Limited Reg. No.1925/002833/06

### Auditors

Ernst & Young  
KPMG Inc.

### Transfer Secretaries in South Africa

Computershare Investor Services 2004 (Pty) Limited  
70 Marshall Street Johannesburg 2001  
PO Box 61051 Marshalltown 2107  
Telephone (27 11) 370 5000

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Investec in perspective

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## Investec in perspective

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# Mission statement, philosophies and values

## Mission statement

We strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values

## Philosophies

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

## Values

- We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.
- We will break china for the client, having the tenacity

and confidence to challenge convention.

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

## An overview of the Investec group



Investec (comprising Investec Limited and Investec plc) is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the UK and South Africa, as well as certain other geographies including Australia and the US.

Investec is organised as a network comprising four business divisions, Investment Banking, Private Client Activities, Treasury and Specialised Finance, and Asset Management. In addition, Investec's head office provides certain group-wide integrating functions including 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 its Property business, Trade Finance and Traded Endowments Operations.

Since inception in Johannesburg in 1974 Investec has expanded through a combination of substantial organic growth and a series of strategic acquisitions in South Africa, the UK and other geographies in which it operates. Investec employs approximately 4 400 people in 11 countries.

Investec's strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in its four principal business

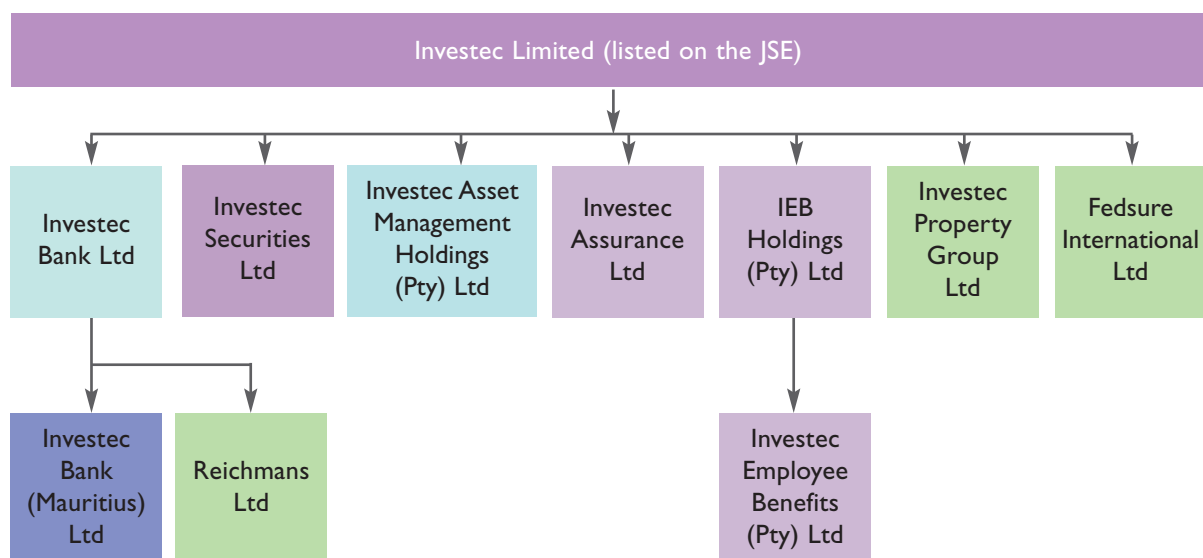
areas. Investec does not seek to be all things to all people and aims to build well-defined, value-added businesses focused on serving the needs of select market niches where the group can compete effectively.

### Investec Limited

In November 2001, Investec received permission from the Minister of Finance and the South African Reserve Bank to establish a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg.

In terms of the implementation of Investec's DLC structure (refer to page 4), 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.

## Investec Limited organisational structure as at 31 March 2004



### Key: Activities conducted

- Private Banking, Investment Banking, Treasury and Specialised Finance, Other Activities
- Asset Management and Assurance Activities
- Private Client Portfolio Management and Stockbroking, Investment Banking
- Private Banking, Treasury and Specialised Finance
- Other Activities

*Note: All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.*



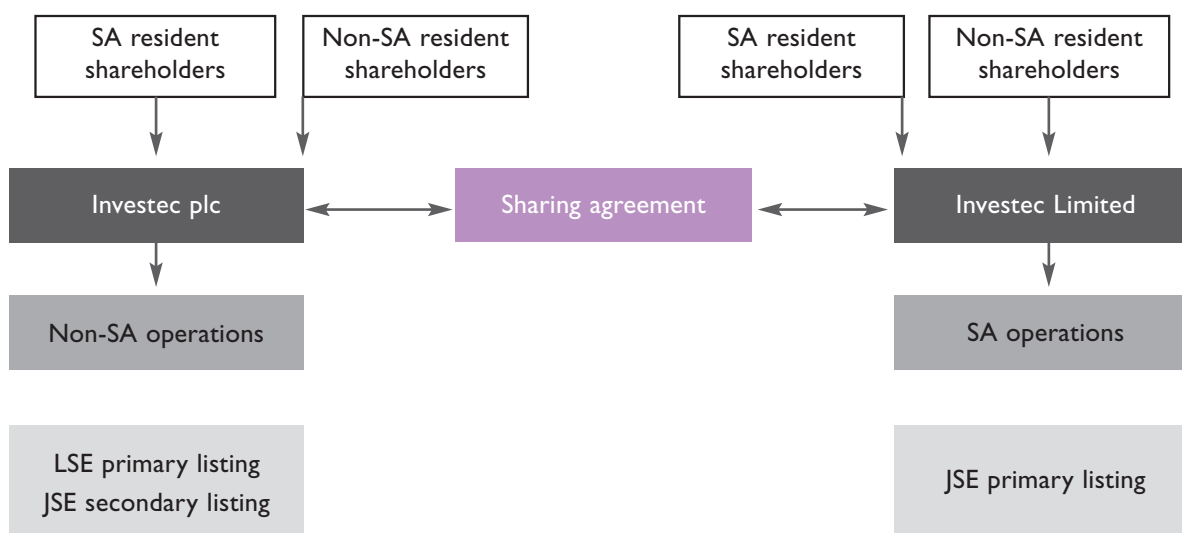
# An overview of Investec's dual listed companies structure

## Introduction

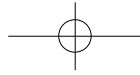
During July 2002 Investec Group Limited (since renamed Investec Limited), which is headquartered in South Africa, implemented a Dual Listed Companies (DLC) structure and listed its offshore businesses on the London Stock Exchange.

A circular regarding the establishment of a DLC structure was issued on 20 June 2002.

## A simplified illustration of the DLC structure

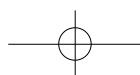


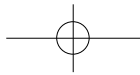
Further information on the group's DLC structure can be found in the circular mentioned above as well as in the preliminary offering circular issued on 8 July 2002. A copy of these circulars can be found on the group's website at [www.investec.com/grouplinks/investorrelations](http://www.investec.com/grouplinks/investorrelations).



# 02

An overview of the activities conducted by  
Investec Limited





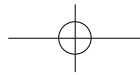
# 02

## An overview of the activities conducted by Investec Limited

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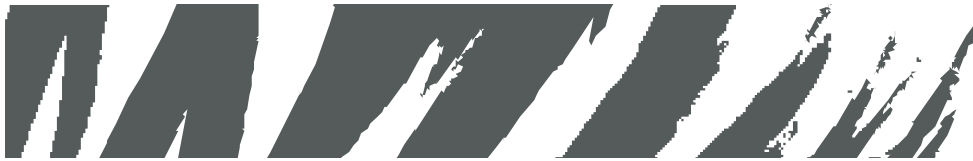
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005

Investec Limited

## An overview of the activities conducted by 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 principal business units: 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 including 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

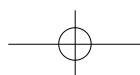
Investec Bank Limited provides a range of private banking services, targeting select, high income and high net worth individuals. The products and services provided by the Private Banking business principally comprise structured finance and specialised lending activities; trust and fiduciary services; 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's Treasury and Specialised Finance division provides a wide range of products, services and solutions to select corporate clients, public sector bodies and financial institutions. The division undertakes the bulk of Investec's proprietary trading activities. Furthermore, all non-private client deposit taking, corporate and public sector lending, project finance, advisory and structuring activities are transacted through the division.



## 006

Investec Limited

Investec Bank Limited's Treasury and Specialised Finance division comprises a number of activities that can be described as either banking or trading operations.

Banking activities comprise: structured and asset finance; project and resource finance; financial products; corporate treasury and balance sheet management.

Trading activities comprise: commodities; foreign exchange; equity derivatives and interest rates. These units are mainly involved in the execution of client driven transaction flow, structuring and proprietary trading. Speculative proprietary trading is limited.

### 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 large and mid-capitalisation companies. In addition, as a result of the local knowledge and expertise it has developed, Investec Bank Limited has been well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which it has been involved.

### Corporate Finance

Since 1999, there has been relatively little domestic capital market activity in South Africa. Accordingly, Investec Bank Limited has focused on the development of its domestic financial advisory business, in particular with respect to mergers and acquisitions, divestitures, restructurings, spinoffs and joint ventures, 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 take direct positions in predominantly JSE listed shares where the group believes that the market is mispricing the value of underlying portfolio of assets. These investment positions would be carefully researched with the intent to stimulate corporate activity.

### Private Equity

Investec Bank Limited also actively seeks and selects expansion and buy-out investments as principal in unlisted South African companies. Investments are selected based on the track record of the management, the attractiveness of the industry and the ability to build value on top of the existing business by affecting an agreed strategy.

### Group Services and Other Activities

Comprises central services, central funding and other activities.

#### Central Services

Central Services is made up of functional areas that provide services centrally across all of the group's business operations. Consistent with Investec's philosophy of operating as a single organisation, Central Services provide integrating mechanisms between the business operations.

Investec's principal Central Services, relating to the operations and control of its business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisational Development. Other group support services include: Head office, Internal Audit and Compliance, Legal, 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 those 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. As at 31 March 2004, Investec Asset Management's South African sourced assets under management amounted to R143 billion.

Investec Asset Management is one of the largest managers of third party institutional assets in South Africa. Investec Asset Management is an active specialist manager and a market leader in specialist equity, fixed interest, balanced and absolute return funds. It is also a key player in the institutional funds market in Botswana and Namibia.

Investec Asset Management is a leading player in the South African unit trust and portfolio product industry with a dominant retail market position. Product areas include a comprehensive range of domestic and offshore unit trusts, portfolio products and absolute return products.

## 3. The activities of Investec Securities Limited

### 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).

### Institutional Research, Sales and Trading

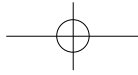
Investec offers an integrated research, sales and execution capability in South African stocks for domestic and international fund managers with an interest in, and exposure to, South Africa. The South African operations are complemented by a London-based team that promotes South African stocks to a 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, property assets under administration had grown to approximately R12.5 billion by the financial year-end, an increase of 43.8%, making the business one of the largest property managers in South Africa.

## 5. The activities of Traded Endowment Policies Limited (a subsidiary of Fedsure International Limited)

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. Although this business operates out of the UK, it is owned by Investec Limited.



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Investec Limited

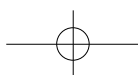
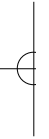
## 6.The activities of Investec Employee Benefits

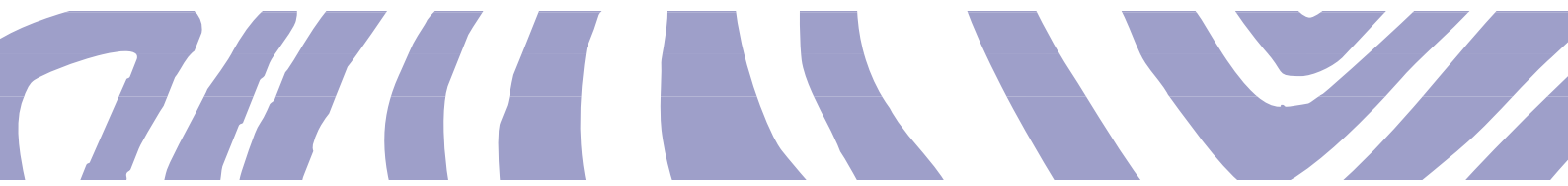
Investec Employee Benefits mainly comprises:

- A Risk Only business.
- An Investment Only business.

The Risk Only business provides death and disability benefits on a standalone basis, while another company is responsible for member administration. The business also manages disability claims and provides various disability and underwriting services.

The Investment Only business designs and manufactures specialised investment products, together with other divisions within the group, which then distribute these products to their clients.





# 03

Financial overview





# 03

## Financial overview

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# Commentary on the results of Investec Limited (excluding Investec plc) for the year ended 31 March 2004

## Introduction

Investec Limited posted an operating profit before exceptional items and amortisation of goodwill of R1 324 million, representing an increase of 10.4%. The operations benefited from a solid performance from the Investment Banking and Private Banking divisions. This strong performance however, was partially offset by a poor performance from the Treasury and Specialised Finance division and a decline in the earnings of the group's Assurance Activities.

An analysis of the performance of each business unit within Investec Limited is provided below.

## Financial highlights

As at 31 March	2004	2003
Operating profit before exceptional items and amortisation of goodwill (R millions)	1 324	1 199
Headline earnings (R millions)	950	952
Total capital resources (R millions)	8 745	6 172
Total shareholders' funds (R millions)	5 784	3 371
Total assets (R millions)	114 411	102 809
Cost to income ratio (%)	57.8%	52.3%
Capital adequacy ratio (%)	15.1%	12.2%
Number of employees	2 627	2 899

## Business unit review

### Investment Banking

#### Overview of performance

Operating profit before exceptional items and amortisation of goodwill increased from R68 million to R324 million. The Investment Banking division benefited from a better market environment and a significant improvement in the performance of its trading investments held within the direct investment and private equity portfolios.

#### Developments

Key business developments over the past year are outlined below.

#### Corporate Finance

- The Corporate Finance division maintained its strong positioning with a steady level of activity.
- The division focused on corporate restructuring activities, black economic empowerment (BEE) transactions, de-listings, and two high profile investment banking deals, namely NAIL and AMB.
- All of the division's major clients were retained and several new mandates were gained during the period, particularly for BEE transactions.
- Statistics:
  - o The number of corporate finance transactions completed during the period increased to 93 (2003: 55), with the value decreasing to R20 billion (2003: R56.0 billion).
  - o The number of sponsor broker deals completed during the period increased to 82 (2003: 45), with the value decreasing to R17.5 billion (2003: R57.8 billion).

- The division was ranked first in the volume of M&A transactions and second in general corporate finance by volume and value in the *Dealmakers Magazine Survey* for Corporate Finance (March 2004). It was also lead adviser on four of the top 10 deals of the year.
- The division was also ranked first for advising on the highest value of M&A transactions and second for advising on the highest volume, in the *Ernst & Young Survey* (March 2004).

#### Institutional Research, Sales and Trading

- The lower average volumes traded on the JSE Securities Exchange South Africa (JSE) continued to have a negative impact on the agency business of Investec Securities.
- The Structured Equity Desk also struggled as a result of Rand volatility and uncertain market trends.
- The division's league table recognition was not accompanied by any commensurate increase in revenue because of an ongoing lack of market volumes.
- As a result, the division underwent a restructuring and realignment in the second half of the financial year, with the team downsized and the research focus streamlined.
- Noteworthy client rankings indicate that Investec Securities Limited is well positioned to leverage off the credible platform that was created.
- BEE is an important weighting in allocation and Investec Securities Limited is regarded as the only black empowered firm with a credible full service value proposition.

#### Private Equity and Direct Investments

- Improved equity market levels during the financial year benefited the values of the Private Equity and Direct Investments portfolios.
  - o Realised gains amounted to approximately R120 million (e.g. Growthpoint, NAIL, PG Bison).
  - o Unrealised gains amounted to approximately R120 million (e.g. AMB, Cadiz, Growthpoint, Metboard, Chlorchem).
- The aggregate book value of the trading investments held in the division's Private Equity portfolio was R207.0 million (2003: R134.0 million).

#### Outlook

The outlook for the Investment Banking division is naturally geared towards the state of global equity markets.

#### Strategic focus

**Mission: To be a premier international investment bank distinguished by our leadership in chosen niches; our people and their approach; and our bond with our clients.**

The primary objective of the division is to secure its current positions and continue to build its operations in each of the

markets in which it operates, with a strong focus on enhancing overall profitability.

#### Corporate Finance

- Leverage leading position in local market with traditional corporates to increase share of parastatals and government advisory mandates.
- Improve size and profile of client base.
- Identify appropriate investment banking transactions to leverage structuring skills and market knowledge.
- Build on group's increasingly strong international banking presence to participate in cross-border transactions with South African corporates.
- Continue with strategy relating to BEE.

#### Institutional Research, Sales and Trading

- Establish niche as uniquely South African house, with selective international capability.
- Research-centric, characterised by the most in depth, insightful, innovative and independent South African coverage.
- Leverage off current client base.
- Continue to be a significant contributor of ideas/transactions within the group.

#### Private Equity

- Leverage off the Investec brand and network.
- Focus on quality not quantity in selected industries.
- Concentrate on closer co-operation with empowerment partners.

### Private Client Activities

#### Overview of performance

Private Client Activities, comprising Private Banking and Private Client Portfolio Management and Stockbroking, posted operating profit before exceptional items and amortisation of goodwill of R248 million, an increase of 32.6%. The Private Banking operations performed particularly well, while the performance of Investec Securities was impacted by subdued market volumes.

#### Private Banking

##### Developments

Key business developments over the past year are outlined below.

- The Private Bank produced strong performance despite a decline in interest rates during the period.
- Since March 2003, the Private Banking lending book grew 26.4% to R22.5 billion.
- The private client investment banking portfolio had a

particularly good performance, after benefiting from the sale of certain investments held by the division and an increase in the value of others.

- The developments during the period include the following:
  - o In December 2003, R1.4 billion of residential mortgage loans were securitised to enhance the effective use of capital.
  - o A specialist advisory team was established to focus on advice for high net worth individuals applying for amnesty in excess of \$1 million.
  - o The division focused on black economic empowerment transactions as it leverages off the group's empowerment transaction.
- The division was rated the number one private bank for the fourth consecutive year in the *PriceWaterhouseCoopers SA Banking Survey (2003)*.

### Outlook

The Private Bank comprises of a range of diversified, niched business units and geographies. The property activities in South Africa remain core to the private bank operations as a critical asset class for the high net worth community. These activities are balanced by the continued growth and development of the alternate business streams. In this light, private client investment banking, investment management and specialised lending activities are beginning to achieve varying scale as we further penetrate the identified target markets.

### Strategic focus

**Mission: To be the specialist banking partner of choice in the creation of distinctive value for our targeted clientele.**

Core to this mission, the Private Bank identifies specialised areas of differentiation. These vary according to the demographics and maturity of each business unit within each geography. The selected competitive space, is therefore niched and looks to explore opportunities which are often less crowded and more value add in nature. The target market, talent pool and infrastructure are developed in sync with this strategy.

## Private Client Portfolio Management and Stockbroking

### Developments

Key business developments over the past year are outlined below.

- Poor stock market volumes in South Africa restricted the performance of Investec Securities.

- Total funds under management grew by 17.2% to R30.0 billion from R25.6 billion in 2003.
- Of the R30.0 billion, R24.7 billion and R5.3 billion were managed on a discretionary and non-discretionary basis, respectively.
- Many efforts were taken to reduce costs during the period, with headcount declining from 144 to 117 at year-end. Costs declined by 8.8%.
- During the period, a campaign commenced to increase the awareness of Investec Securities Online, with the overall objective to move clients onto the electronic platform as a means of communicating with clients, to provide further cost savings.

### Outlook

The outlook for the Private Client Portfolio Management and Stockbroking businesses is susceptible to the overall performance of global equity markets and the division is poised to take advantage of any pick-up in market volumes.

### Strategic focus

The group continues to investigate opportunities to enhance its competitive positioning and profitability.

**Mission: To entrench Investec as the premier South African wealth creation and management stockbroking house.**

- Achieve revenue diversification through alternative products and services.
- Focus on revenue generation by extracting more value from existing clients and attracting new clients.
- Drive towards annuity income.
- Enhance cross-divisional relationships.

## Treasury and Specialised Finance

### Overview of performance

The Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of R302 million down from R395 million. A weak performance by the currency and interest rate desks together with a margin squeeze - which was inadequately hedged by the positioning of the interest rate book - were the key causes of the decline in operating profit. The general slow down in infrastructural finance moderated the performance of the Banking Activities although the division experienced sound growth in structured finance fees.

### Developments

Key business developments over the past year are outlined below.

## Banking Activities

A general slowdown in infrastructural finance subdued the performance of the division's Banking Activities.

### Treasury

- The performance of the treasury desk was negatively impacted by unprecedented interest rate cuts of 5.5% from July 2003 to December 2003. The desk experienced a margin squeeze resulting from its assets repricing quicker than its liabilities.

### Financial Products

- Performance was commendable, with reasonable activity in all areas, including securities origination, financial engineering and preference share investment and the second successful securitisation of the Private Bank loan book.

### Structured and Asset Finance

- Structured finance increased the size of its core advances book from R7.6 billion to R9.1 billion. The division concluded approximately 80 new deals during the period, with particularly strong results from the mezzanine debt team.

### Project and Resource Finance

- The strong Rand and a slowdown in government spending had a negative impact on the performance of the division.

## Trading Activities

A number of strategic and structural changes were made during the period, with a substantial reduction in proprietary trading and increased focus on client flow transactions and structured trade opportunities. The group's overall value at risk declined considerably over the period.

### Interest Rates

- The trading books were positioned for interest rate cuts that occurred over the period, but not aggressively enough to cover the margin squeeze that emanated from the decline.

### Foreign Exchange

- The division posted a disappointing performance as a result of trading losses incurred in the first half of the year. Speculative interest rate positions taken on this desk were reduced significantly as the business is more focused on client business. Investec was rated the leading forex service provider in the niche banks category in South Africa for the fourth year running (*PMR Golden Arrow Awards*, 2004).

### Equities Derivatives

- Activity continued to be subdued in the South African market, reflected in the decline in the volume of warrants. A reduction in market volatility resulted in a decrease in institutional business, which impacted performance negatively.

### Commodities

- The strategy of the commodities division was revised with the closure of the sales desk in January 2004.

### Outlook

The division did not perform as well as expected in the past financial year. Major changes were made through cost-cutting initiatives, staff changes and scaling down of certain activities. The division expects better performance this year.

### Strategic focus

The division's objectives include:

- Remaining specialised and competing only in areas where it can be distinctive and competitive.
- Ensuring intense management of capital usage and related return, balancing growth with return on capital.
- Pursuing diversification in order to reduce the risks inherent in operating as principal, through product breadth, skills depth and geographic spread.
- Targeting business areas which show potential for significant and sustainable growth.

## Asset Management

### Overview of performance

Investec Asset Management delivered operating profit before exceptional items and amortisation of goodwill of R274 million. Assets under management increased by 22.5% to R143 billion over the year. The key feature of the year was ongoing strong investment performance across the product range.

### Developments

Key business developments over the past year are outlined below.

- Solid performance from a resilient business.
- Excellent specialist investment performance, with Value, Growth and Equity prominent over all periods.
- Unit trust investment performance was particularly good (Plexus and S&P awards).
- Significant new institutional mandates of R3.9 billion affected by former Fedsure outflows of R5.3 billion.
- Successful strengthening of key IFA/fund distributor relationships.
- Outsourced investment administration.
- Excellent South African specialist investment

performance (Plexus award for best mutual fund company and dominating specialist surveys).

- South African balanced investment performance:
  - o Long-term (13 years) Excellent, second since inception
  - o Medium-term (3-5 years) Not yet out of the woods
  - o Short-term (1 year) Improving (above median)

### Outlook

The business has developed in line with management expectations over the past year. Investec Asset Management's position as the leading multispecialist investment business must be further enhanced. It is important for the brand position of Investec Asset Management in South Africa that the restoration of the balanced product range continues. The challenges of transformation in this market and the onus on Investec to contribute to this process will be pursued with vigour. Talent management will be a key area of focus in the coming year. The implementation of the outsourcing of the back offices is another important objective. The Investec Asset Management team looks forward with confidence to meeting the competitive challenges of the coming year.

## Assurance Activities

### Overview of performance

For the year ended 31 March 2004, the group's life assurance activities conducted by Investec Employee Benefits (IEB), reported operating profit before exceptional items and amortisation of goodwill of R47 million - a decline of 93.5%. In the comparative period the previous year, IEB generated substantial non-recurring operational earnings from the restructuring and rationalisation of its activities.

### Developments and outlook

- There are still opportunities for IEB in the market to grow the Risk Only business as the division does not link product to administration and thus does not compete directly with specialist administrators.
- The objective is to manage and wind down the following discontinued businesses, to protect the maximum value for shareholders and policyholders:
  - o Industrial Business.
  - o Guaranteed Funds.
  - o Linked Funds - the majority are to be transferred to Investec Asset Management.
- The headcount was significantly reduced to 156 at the end of the year, from 490 in the previous year.

## Group Services and Other Activities

### Overview of performance

The Group Services and Other Activities division posted an operating profit before exceptional items and amortisation of goodwill of R129 million (2003: a loss of R415 million).

The positive variance in earnings is largely as a result of:

- The recovery in market values of certain investments held in the corporate portfolio.
- A decrease in the overall funding cost as a result of the issue of R1.5 billion perpetual preference shares (the cost thereof is shown as part of dividends paid i.e. below the line).
- A strong growth in net fees and commissions receivable by the Property division, largely as a result of the significant increase in total assets under management. Furthermore, the division continued to benefit from high levels of activity.
- An improvement in the performance of the Traded Endowments division.
- A significant increase in shareholders' funds for the life assurance company, Investec Employee Benefits (IEB). This occurred as a result of retained profits (as no dividend has been paid out of IEB), together with a decrease in inter-company loans between IEB and its holding company. In terms of life assurance accounting, the increased return generated on these assets has to be reflected as an increase in the return on shareholders' funds.

### Developments

Key business developments over the past year are outlined below.

### Property

- The Property division continued to perform well, with total assets under management increasing by 43.8% to R12.5 billion.
- Developments during the period include:
  - o Primegro and Growthpoint merger.
  - o Acquisition and successful integration of Provest.
  - o Growthpoint's acquisition of Investec's Sandton and Cape Town properties, which was facilitated by Investec Property Group .
- For the Property Trading and Development division, opportunities for structured transactions declined during the period but it was successful in developing vacant land on behalf of the funds managed by Investec Property Group.

- The Property division will continue to focus on increasing the size of existing funds through strategic acquisitions and, consequently, grow properties under administration and enhance the quality of the fund portfolios.

#### **International trade finance**

- ReichmansCapital produced commendable results, with good growth in the division's book of 11.8% to R604 million.
- All three areas of business, particularly Trade Finance which benefited from lower interest rates and the strong Rand, reported good performances.
- The division will continue its strategy of pursuing organic growth and exploiting opportunities in existing target markets.

#### **Traded Endowments**

- The Traded Endowments business resides in the UK but is still owned by Investec Limited.
- The negative publicity surrounding endowment policies in the UK market continued during the year and the narrowly based IFA intermediary network remains price sensitive.
- There was an improvement in the retail market for traded endowment policies during the period and retail sales picked up as a result of improved activity in the second half of the financial year.
- Nevertheless, the trading environment continues to be uncertain and the division remains under strategic review.



# 04

Risk management and governance





# 04

## Risk management and governance

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# Risk management and governance



## Risk Management

Effective risk management is critical to Investec's operations. Taking international best practice into account, the group follows a comprehensive risk management process, which involves identifying, understanding and managing the risks associated with each of its businesses.

Investec monitors and controls risk exposure through focused, yet complementary, market, credit, liquidity, operational and legal risk reporting teams. This approach is core for assuming a tolerable risk and reward profile, helping Investec to pursue growth across its business. In addition, a culture of risk awareness, control and compliance is embedded in Investec's day-to-day activities. While each business unit retains primary responsibility for managing the risks that come with its business, a centralized division, Group Risk Management (part of Group Services), independently monitors, manages and reports on Investec's risk, as mandated by the Board of Directors. Group Risk Management has established operational divisions in South Africa and the UK, and smaller risk divisions in other regions.

### Group Risk Management's key objectives are to:

- Be the custodian of Investec's risk management culture.
- Set and approve risk parameters and limits across the group and ensure they are implemented and adhered to consistently.
- Aggregate and monitor Investec's exposure across risk classes.
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions.
- Give the boards reasonable assurance that the risks Investec is exposed to are identified and, to the best extent possible, managed and controlled.
- Facilitate various risk committees, as mandated by the Board of Directors.

Investec has established various committees and forums to identify and manage risk at both a business unit level in

various locations and at a group level. These committees and forums operate together with Group Risk Management.

In the ordinary course of business operations, Investec is exposed to a number of risks, including credit, market, asset and liability management, operational, legal and reputational risk. A detailed analysis of the group's risk management philosophies and processes can be found in the group's Annual Report for the year ended 31 March 2004.

## Internal Audit

An Internal Audit division is based in each significant jurisdiction in which the group operates. Internal Audit operates independently from executive management, with unrestricted access to the Chairmen of the various Audit Committees. The Audit Committees review the mandate, authority, resources, scope of work and effectiveness of Internal Audit annually. The review also includes an assessment of the work conducted by internal and external audit. Further details on the group's Internal audit division can be found in the group's Annual Report for the year ended 31 March 2004.

## Compliance

Investec has an independent Group Compliance function within its risk management framework, which is responsible for assisting management in complying with statutory, regulatory, supervisory and policyholder protection rule requirements. The Compliance division has unrestricted access to the Chairmen of the various Audit Committees. The group responds proactively and pragmatically to new regulatory developments in order to promote sound practices and minimise the impact of regulatory risk. Further details on the group's Compliance division can be found in the group's Annual Report for the year ended 31 March 2004.

## 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. However, in terms of the implementation of Investec's Dual Listed Companies structure, Investec Limited and Investec plc are treated separately from a credit point of view. As a result the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank Limited, Investec Bank (UK) Limited and Investec Bank (Australia) Limited. Certain rating agencies have also continued to rate Investec Limited (formerly Investec Group Limited). The ratings as at 31 March 2004 are set out below.

### Ratings for Investec Limited

#### Capital Intelligence Ratings

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

#### CA Ratings

Short-term local currency debt rating	A1+
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

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

#### Fitch

Individual rating	B/C
Support rating	3
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 - Foreign

Bank financial strength	C-
Short-term bank deposit	Prime 2*
Long-term bank deposit	Baa2*

#### Moody's - National

Bank financial strength	A3
Short-term bank deposit	Prime 1
Long-term bank deposit	A1

\* constrained by the sovereign rating for South Africa

## Corporate governance

*Investec has long had an entrenched corporate culture, which emphasises above all the need to conduct the affairs of the group in accordance with the highest standards of corporate ethics. Good corporate governance is shown in the group's values of integrity, responsibility and risk consciousness. Each of the group's operations is governed by a comprehensive set of policies and procedures aimed at promoting the highest standards of corporate responsibility based on the legislative requirements of the regions in which we operate.*

The following review provides an overview of the group's corporate governance practices; a more detailed review is provided in the group's Annual Report for the year ended 31 March 2004.

### Corporate governance practices

While the **board retains responsibility** for the overall process and structure of corporate governance of the group, each business area and all employees worldwide are also responsible for adherence to good corporate governance practices.

During the year under review Investec continued to refine its corporate governance practices with the aim of ensuring that the directors and employees of the group conduct all internal and external dealings with complete integrity, and with full regard for the legal requirements of the regions in which they operate. Sound corporate governance continues to be instilled in the group's values, culture, processes, functions and organisational structure. The group's values and philosophies form the framework against which behaviour, practices and activities are measured, to assess the characteristics of good governance.

### Board statement

The board is of the view that the group complied with King II principles during the period under review, except as follows:

- The Chairman of the board is not considered to be independent but has further enhanced his non-executive status.
- The Chairman of the Investec Limited Audit Committee and the combined group Audit Committee is not independent, but is considered by the board to be the most appropriate non-executive director to chair the Audit Committee.

### Corporate governance achievements

During the year under review, the following governance achievements were realised:

- Aag rating received - Investec Limited was assigned an extremely sound corporate governance rating by CA Ratings in an independent governance rating, based on the principles of King II and on international practices.
- Internal assessments were conducted to evaluate the effectiveness and performance of the boards and the Audit Committees of Investec Limited and Investec plc, against the requirements of King II, the London Combined Code (1998), Blue Ribbon and OECD guidelines. Matters identified in these reviews are being addressed by the respective Chairmen of the board and Audit Committee.
- Investec Limited senior management actively participated in the development of the Financial Sector Charter in South Africa.
- The risk management expectations of the revised Basel Capital Accord (Basel II) - planned for implementation in 2007 - were reviewed.
- Investec Limited concluded a groundbreaking shareholding transaction with three empowerment partners and an employee trust, which resulted in an empowerment consortium acquiring 25.1% of the issued share capital of the company.
- Investec Limited was included in the JSE Socially Responsible Investment Index, which was launched in May 2004.
- The group continued to receive recognition for its ongoing commitment to provide timeous, detailed and relevant disclosure to stakeholders and was rated in the excellent category (just outside the top 10) of the top 100 listed companies on the JSE in terms of the *Ernst & Young Excellence in Financial Reporting Awards*.

### Internal control issues

During the period under review the following issue with respect to internal controls is noted:

- As advised at the time of the group's interim results a dealer suppressed dealing information, which action was facilitated by a manipulation of controls resulting in a loss. The relevant controls have been remedied and enhanced by senior management.

Executive management has reviewed the incident and has implemented corrective action and enhanced control processes to mitigate these risks from reoccurring.

## Organisational integrity and the group's Code of Ethics

The group has a strong organisational culture of entrenched values, which forms the cornerstone of expected behaviour of the group towards all stakeholders, both internal and external. These values are embodied in a written Statement of values, which serves as the group's Code of Ethics and is continually reinforced. The group's Code of Ethics is updated from time to time. Investec's values demand that the directors and employees of the group conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

## Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited consolidated financial statements, accounting policies and the information contained in the Annual Report. The financial statements of the group were prepared on the going concern basis. The board is of the opinion that adequate resources exist to support the group on a going concern basis over the next year.

## Board of directors

The composition of the board of Investec Limited is set out on pages 23 to 24. The boards of Investec plc and Investec Limited are separate and subject to legal obligations particular to each company. The boards comprise the same persons who are authorised, as board members, to manage Investec as if it were a unified economic enterprise. The roles of the **Chairman** (Hugh Herman) and the **Chief Executive Officer** (Stephen Koseff) are separate. During the year, the Chairman further distanced himself from any executive authority and status, thus enhancing his status as a non-executive director.

The majority of the board members are non-executive directors. An assessment of the board of Investec Limited based on the King II criteria for **independence**, was completed and reviewed by the board. In terms of this evaluation, the following persons are **not considered to be independent non-executive directors**: Messrs HS Herman, DE Jowell, IR Kantor, P Malungani and F Titi.

The board is of the view, however, that the **majority** of the non-executive directors are **independent** of management in order to promote the interests of stakeholders. The balance of executive and non-executive directors is such that no one person or group can dominate the board processes.

The board is considered to be **appropriately skilled** with regard to their responsibilities and the activities of the group. The skill and experience profile of the board is regularly considered, to ensure an appropriate and relevant board

composition. The board profile on pages 23 to 24 provides brief biographies of the members of the board. Board meetings are scheduled annually in advance and are held equally in South Africa and the UK in any calendar year. A review of Board meeting attendance is provided on page 108 of the group's Annual Report for the year ended 31 March 2004.

The board retains full and effective control of the group and is ultimately accountable and responsible for the performance and affairs of the group. **The board is accountable to all Investec's stakeholders** for exercising leadership, integrity and judgement in pursuit of its strategic goals and objectives. This is to achieve long-term sustainable growth and prosperity for the group. In discharging its responsibilities, the board is supported by members of Investec management, who are required to implement the board plans and strategies. The board monitors management's progress in this regard on an ongoing basis.

## Board committees

The board is supported in its activities by the following specialist committees:

- Chairman's Committee
- Audit Committees
  - Audit and Compliance Implementation Forum
- Board Risk Review Committee
  - Executive Risk Review Forum
  - Group Asset and Liability Committee
  - Group Credit Committee
  - Country Risk Forum
  - Group Market Risk Forum
  - Group Deal Forum
  - Operational Risk Forum
- Directors Affairs Committee
- Nomination Committee
- Remuneration Committee

These committees have specific terms of reference, appropriately skilled members, independent non-executive director membership, senior management participation and access to specialist advice when considered necessary. A detailed review of the composition and activities of each of these committees is provided in the group's Annual Report for the year ended 31 March 2004.

## Directors' remuneration

Directors' remuneration is determined by an independent Remuneration Committee, comprising non-executive directors. The board believes that a properly constituted and effective remuneration committee is key for improving the link between directors' pay and performance, with the ultimate aim of enhancing the group's competitiveness. The remuneration report, in the group's Annual Report for the year ended 31 March 2004, is intended to comply with the provisions of the London Combined Code (1998), the UK Directors' Remuneration Report Regulations 2002, the UK

Financial Services Authority Listing Rules, King II and the JSE Listing Rules.

Details on directors' interests and remuneration are provided in the group's Annual Report for the year ended 31 March 2004.

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

## Management and succession planning

Global business unit heads, geographic management, and heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Investec's management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network.

Furthermore, each strategic business unit has its own executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision. Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent. As at the year end, the Executive Committee and Group Management Forum in South Africa were augmented with selected senior management appointments.

## Internal control

The group adopted the **Turnbull guidance** ("Internal Control: Guidance for Directors on the Combined Code"), issued by the Institute of Chartered Accountants of England and Wales in 1999, and continued to embed the principles throughout the group during the year under review.

Risks and controls are reviewed regularly for appropriateness and effectiveness. The Board Risk Review Committee assists the board in this regard. Leading risk management practices are promoted by the Group Risk Management function, which is independent of operational management.

The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

The system of internal control is designed to manage, not eliminate, significant risks faced by the group and was in place for the year under review. It is recognised that such a system can only provide a reasonable, and not absolute, assurance against material misstatement or loss.

This is achieved within the group through a combination of risk identification, evaluation and monitoring process, appropriate decision and oversight forums and control functions such as Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review. As part of the process, the overall Investec business was broken down into strategic business units. Through establishment of a network of local risk champions, each unit was empowered with the responsibility and accountability for management of its own risk. Each business unit now follows a consistent risk assessment process through workshops facilitated by Group Risk Management. Objectives to achieve shareholder value are defined, and the risks to these objectives and controls for each risk are identified and evaluated. The action plans and risk and control issues arising from this process are reviewed regularly at the relevant executive and management committees based at a business unit level.

These risk assessments are reviewed regularly by senior management and at least annually by the Board Risk Review Committee. Internal Audit reports any control recommendations to senior management, risk management and the relevant Audit Committee. Appropriate processes exist to ensure that timely corrective actions are taken on matters raised by Internal Audit. Significant risks are reviewed weekly by the Executive Risk Review Forum and monthly by the Board Risk Review Committee. Significant and material breaches of prescribed controls are reported to the Board Risk Review Committee and the Audit Committee. Reports from the Audit Committees, Board Risk Review Committee and control functions are reviewed at each board meeting.

## External audit

Investec Limited's external auditors are Ernst & Young and KPMG Inc. The independence of the external auditors is recognised. The Audit Committee meets with the external auditors to review the scope of the external audit, budgets and any audit matters arising. The external auditors attend the Audit Committee meetings and have access to the Chairmen of the various Audit Committees. Non-audit services are dealt with in terms of an agreed policy.

## Regulation

The group is subject to external regulation and supervision by various supervisory authorities - the main ones being the South African Reserve Bank (SARB), the Financial Services Board and the Bank of Mauritius.

## Communication and stakeholder relations

The Board of Directors subscribes to a philosophy of providing meaningful, transparent, timely and accurate financial and non-financial information to its primary stakeholders, which include employees, shareholders, government, regulatory bodies, clients, rating agencies, the media and industry investment analysts. The board recognises the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them. The Investor Relations area continues to be enhanced and interaction with major stakeholders is ongoing. The Investor Relations division reports back regularly to the operating divisions, the group executive and the board on various matters and concerns raised by stakeholders. The group was again considered by independent evaluations of the annual report to have excellent stakeholder communication.

The **Annual General Meeting** is considered a forum in which all stakeholders can raise matters of concern. Various shareholder representative organisations in the UK raised a number of matters with the group during the year. These were all responded to and, where appropriate, adopted in the practices of the group. The group will continue to engage these bodies, to remain informed of emerging governance issues.

## Sustainable business practices

Sound governance at Investec covers economic, social and environmental performance and practices. The group's 2004 Sustainability Report details Investec's initiatives, programmes, activities and successes in demonstrating the group's commitment to corporate social responsibility. The 2004 Sustainability Report has been published as a separate document and has been packaged with the Annual Report. It is also available on request and on the group's website: [www.investec.com/grouplinks/investorrelations](http://www.investec.com/grouplinks/investorrelations)



# 05

Additional information



# 05

## Additional information

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## Shareholder analysis

The group has implemented a Dual Listed Companies structure in terms of which it has primary listings both in Johannesburg and London (see page 4). Investec plc, which houses the majority of the group's non-South 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 2004 Investec plc and Investec Limited had 74,633,746 and 43,999,527 ordinary shares in issue, respectively.

### Spread of ordinary shareholders as at 31 March 2004

#### Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
13 880	1 to 500	88.9%	1 102 275	2.5%
700	501 - 1 000	4.5%	516 490	1.2%
759	1 001 to 5 000	4.8%	1 706 558	3.9%
159	5 001 to 10 000	1.0%	1 177 167	2.7%
8	10 001 to 50 000	0.1%	5 675 636	12.9%
46	50 001 to 100 000	0.3%	3 170 556	7.2%
59	100 001 and over	0.4%	30 650 845	69.6%
<b>15 611</b>		<b>100.0%</b>	<b>43 999 527</b>	<b>100.0%</b>

### Share statistics as at 31 March 2004

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

For the year ended 31 March	2004	2003	2002	2001	2000
Closing market price per share (cents)					
- year end	12 530	7 650	13 000	19 700	26 020
- highest	15 100	17 440	24 580	27 800	30 000
- lowest	7 750	7 650	13 000	19 200	18 440
Number of ordinary shares in issue (million)	44.0 <sup>1</sup>	38.4 <sup>1</sup>	96.2	81.0	80.6
Market capitalisation (R millions) <sup>2</sup>	14 860	8 645	14 196	19 286	24 095
Number of shareholders	15 611	17 957	19 445	3 454	3 070
Monthly average volume of shares traded ('000) <sup>3</sup>	98.99	–	–	–	–

#### Notes:

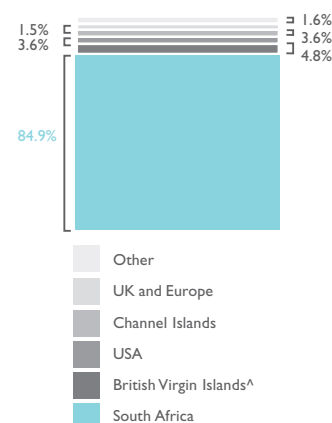
- <sup>1</sup> The number of shares in issue has reduced significantly following the implementation of the DLC structure, in terms of which Investec plc was unbundled from Investec Group Limited (now Investec Limited).
- <sup>2</sup> The JSE has agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 118.6 million shares in issue for the year ended 31 March 2004.
- <sup>3</sup> Information prior to the implementation of the DLC structure is not comparable.

## Shareholder classification as at 31 March 2004

	Investec Limited number of shares	% holding
Public*	34 900 947	79.32%
Non-public	9 098 580	20.68%
Non-executive directors of Investec Limited**	102 562	0.23%
Executive directors of Investec Limited	1 312 363	2.98%
Investec staff share scheme and leveraged ownership schemes	2 272 544	5.17%
Tiso Group**	2 800 000	6.36%
Peu Investment Group**	2 611 111	5.94%
<b>Total</b>	<b>43 999 527</b>	<b>100.00%</b>

\* As per the JSE listing requirements. \*\* In November 2003, Investec Limited implemented an empowerment transaction as announced in May 2003. The shareholdings held by F Titi and MP Malungani are shown under the holdings of Tiso Group and Peu Investment Group, respectively.

## Geographic holding by beneficial owner as at 31 March 2004



^ Represents the holding in Fintique III as discussed below.

## Largest beneficial shareholders as at 31 March 2004

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 as disclosed below.

## Investec Limited

Beneficial owner	Number of shares	% holding
1 Public Investment Commissioner (SA)	5 390 850	12.25%
2 ED Trust International Investments (SA)**	2 800 000	6.36%
3 Tiso International Investments Pty Ltd (SA)**	2 800 000	6.36%
4 Peu International Investments Pty Ltd (SA)**	2 611 111	5.94%
5 Old Mutual Life Assurance (SA)	2 366 830	5.36%
6 Fintique III (BVI)*	2 111 259	4.80%
7 Sanlam (SA)	1 375 072	3.13%
8 Spurwing Investments Ltd (CI)	915 000	2.08%
9 Momentum Life Assurance (SA)	906 673	2.06%
10 Investment Solutions (SA)	853 086	1.94%
<b>Cumulative total</b>	<b>22 129 881</b>	<b>50.28%</b>

The top 10 beneficial shareholders account for 50.28% 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.

\*\* In November 2003, Investec Limited implemented an empowerment transaction as announced in May 2003.

# Directorate Investec Limited



## Executive Directors

### Stephen Koseff (52)<sup>6,7</sup>

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 (54)<sup>6,7</sup>

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 (47)<sup>6,7</sup>

BAcc CA(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 (57)<sup>7</sup>

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. He recently stepped down as 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 (63)<sup>5,6</sup>

BA LLB LLD (Honoris CAUSA)  
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 N Abell (72)<sup>1,2,4,7</sup>

MA (Hons)

John was the former Chairman and Chief Executive of Orion Royal Bank and former Chairman of CIBC Wood Gundy Europe. His directorships include Investec Bank (UK) Limited. *Passed away 26 May 2004.*

### Sam E Abrahams (65)<sup>1,2,3,5,7</sup>

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 F O Alford (55)<sup>1,2,4</sup>

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.

### 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 Metro AG and Lazard.

## Directorate Investec Limited

### Non-Executive Directors (continued)

#### Geoffrey MT Howe (54)<sup>2,7</sup>

MA (Hons)

Geoffrey is a former Managing Partner of Clifford Chance LLP and Director and Group General Counsel of Robert Fleming Holdings Ltd. He is also a former Chairman of Railtrack Group plc. His current directorships include Jardine Lloyd Thompson Group plc, The JP Morgan Overseas Investment Trust plc and Ahli United Bank plc. He is also an advisor to a number of leading professional and financial service organisations.

#### Donn E Jowell (62)<sup>1,3,6,7</sup>

BCom LLB

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

#### Ian R Kantor (57)

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 (64)<sup>1,2,4,5,7</sup>

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

#### Mangalani Peter Malungani (46)

BCom MAP LDP

Peter is Chairman of Peu Investment Group (Proprietary) Limited. He is Chairman of Phumelela Gaming and Leisure Limited and is a Director of Super Group Limited, BACSA (Business Against Crime South Africa) and Investec Bank Limited. He is deputy Chairman of Capital Alliance Holdings Limited and Capital Alliance Life Limited.

#### Peter R S Thomas (59)<sup>3,7</sup>

CA (SA)

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

#### Fani Titi (42)

BSc (Hons) MA MBA

Fani is currently Chief Executive Officer of Tiso Group, a former Chairman of the Armaments Corporation of South Africa Limited and a Director of The Bidvest Group Limited and Kumba Resources Limited.

#### Notes:

- Mr Geoffrey MT Howe and Miss Haruko Fukuda were appointed as independent non-executive directors to the boards of Investec Limited and Investec plc, on 21 July 2003.
- Mr Fani Titi was appointed as a non-executive director to the boards of Investec Limited and Investec plc on 30 January 2004.

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

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

Details on these committees can be found in the group's Annual Report for the year ended 31 March 2004.



06

Financial statements



# 06

## Investec Limited 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, except for changes in accounting policies as detailed in note 22 of the annual financial statements 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 28 to 72 were approved by the Board of Directors on 28 June 2004 and are signed on its behalf by

Hugh Herman  
Chairman

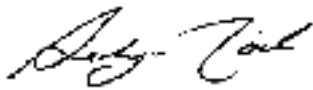
Stephen Koseff  
Chief Executive Officer

Furthermore, the group's external auditors have audited the financial statements and their unqualified report appears on page 27.



## 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 2004, 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  
28 June 2004

## Report of the independent auditors

We have audited the financial statements and group annual financial statements of Investec Limited set out on pages 28 to 72 for the year ended 31 March 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

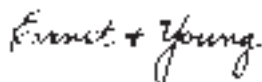
### Scope

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


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

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

In our opinion, the financial statements fairly present in all material respects, the financial position of the company and of the group at 31 March 2004 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



KPMG Inc  
Chartered Accountants (SA)  
Registered Accountants and Auditors

Johannesburg  
28 June 2004

## Directors' report

### Nature of business

Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the United Kingdom and South Africa, as well as certain other geographies including Australia. Investec is organised into four principal divisions, namely Investment Banking, Private Client Activities, Treasury and Specialised Finance and Asset Management. In addition, Investec's head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as the group's property business, trade finance and traded endowment operations. A review of the operations for the year can be found on pages 9 to 14.

#### Authorised and issued share capital

Details of the share capital are set out in note 11 in the financial statements.

Pursuant to the black economic empowerment deal which was announced during 2003, Investec Limited issued 5 600 000 ordinary shares for cash at R90.00 per share on 27 November 2003.

On 30 March 2004, Investec Limited issued 877 variable rate redeemable cumulative preference shares of 60 cents each for a total consideration of R877 million.

### Financial results

The results of Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2004.

### Ordinary dividends

An interim dividend of 309 cents per share (2003: 395 cents) was declared to shareholders registered on

19 December 2003 and paid on 5 January 2004. Dividends in aggregate amounting to R107 592 008 were declared on the SA DAN and SA DAS shares. Together with the interim dividend of 13.5 pence per ordinary share declared by Investec plc, this equated to a total interim distribution to shareholders of Investec Limited of 309 cents per share.

The directors have proposed a final dividend of 360 cents per share (2003: 356 cents) to shareholders registered on 30 July 2004, to be paid on 23 August 2004. The final dividend is subject to the approval of members of Investec Limited at the Annual General Meeting scheduled for 19 August 2004.

The holder of 2 111 259 Investec Limited shares has agreed to waive its rights to the proposed final dividends

### Preference dividends

Preference dividends of R22 million were accrued by Investec Limited.

### Directors and secretaries

Details of the directors and secretaries of Investec Limited are reflected on page 23 to 24 and the corporate information page.

Ms H Fukuda OBE and Mr GMT Howe were appointed to the board with effect from 21 July 2003 and Mr F Titi was appointed with effect from 30 January 2004.

With regret, Mr J Abell, a non-executive director, died unexpectedly on 26 May 2004.

### 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).

## Directors' report

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 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 page 69 for details of contracts with directors.

### Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on page 73.

### Special resolutions

At the Annual General Meeting held on 7 August 2003, a special resolution was passed granting a renewable general authority, until the next Annual General Meeting, for Investec Limited or its subsidiaries to acquire shares in Investec Limited.

### Investec Limited subsidiary companies

In addition to amendments to the Articles of Association and name changes of various subsidiary companies, the following special resolutions were passed:

Investec Limited Subsidiary	Effective date	Special resolution
Barfold Investments Limited	23 July 2003	Reduction of R967 554 652 in stated capital. Reduction in the number of authorised no par value shares from 300 000 000 to 100 Consolidation of issued share capital from 76 066 076 ordinary no par value shares to 100 ordinary no par value shares
Grayinvest Limited	4 February 2004	Acquisition and cancellation of 14 990 000 ordinary shares of the company at R0.50 per share
Investec Bank Limited	10 June 2003	Increase in authorised share capital by the creation of 15 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each
Investec International Holdings (Pty) Limited	9 February 2004	Amendment to Articles of Association to allow for acquisition of own shares Acquisition and cancellation of 500 986 ordinary shares of the company at R4.26 per share
Investec Investments Limited	9 February 2004	General authority for the company or its subsidiaries to acquire shares in Investec Investments Limited and for Investec Investments Limited to acquire shares in its holding company
Investec Private Trust Limited	29 September 2003	Stated capital account reduced by R8 538 626.80 Consolidation of issued share capital from 9 833 018 000 ordinary no par value shares into 100 ordinary no par value shares
SIB Investments Limited	4 February 2004	Acquisition and cancellation of 80 000 000 ordinary shares of the company at R7.00 per share
Secfin Finance Limited	9 March 2004	Acquisition and cancellation of 799 900 ordinary shares of the company at R1.00 per share
Sibvest Limited	25 September 2003	Acquisition and cancellation of 2 666 567 ordinary shares of the company at R40.00 per share
Vesque Limited	16 October 2003	Acquisition and cancellation of 223 619 900 ordinary shares of the company at R0.01 per share

## Directors' report

### Major shareholders

At 31 March 2004 the following were the beneficial owners of 5% or more of the issued ordinary shares of the company:

Public Investment Commissioner	12.25%
Ed Trust International Investments	6.36%
Tiso International Investments Pty Ltd	6.36%
Peu International Investments Pty Ltd	5.94%
Old Mutual Life Assurance	5.36%

### Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with South African Statements of Generally Accepted Accounting Practice.

### Creditor payment policy

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

### Employees

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

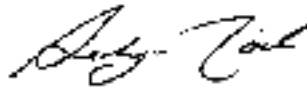
### Donations

Investec Limited made donations for charitable purposes, totalling R13.4 million. Furthermore, Investec Limited made political donations of R2.5 million to the two main political parties in South Africa.

### Environment

The group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates. Investec's 2004 Sustainability Report was produced as a separate report accompanying the Annual Report for 2004.

By order of the board



Selwyn Noik  
Secretary - Investec Limited

28 June 2004.

# Balance sheets

At 31 March

(R millions)	Notes	Group		Company	
		2004	2003	2004	2003
<b>Assets</b>					
Cash and short-term funds	2	13 442	15 643	-	-
Short-term negotiable securities	3	6 469	8 427	-	-
Investment and trading securities	4	17 542	10 083	19	3
Other assets	5	2 323	1 882	28	43
Advances	6	35 733	27 488	-	-
Loans and advances to Investec plc and its subsidiaries		-	1 894	-	918
Subsidiary companies		-	-	4 486	2 057
Associated companies	7	643	576	-	-
Property and equipment	8	1 327	1 646	-	-
Goodwill	9	1 348	1 738	-	-
Long-term assurance assets attributable to the shareholder	10.1	3 133	1 696	-	-
		81 960	71 073	4 533	3 021
Long-term assurance assets attributable to policyholders	10.2	32 451	31 736	-	-
		<b>114 411</b>	<b>102 809</b>	<b>4 533</b>	<b>3 021</b>
<b>Equity and Liabilities</b>					
<b>Capital and Reserves</b>					
Ordinary share capital	11	1	1	1	1
Perpetual preference shares	12	1 491	-	-	-
Compulsorily convertible debentures	13	322	334	379	379
Reserves	14	3 673	2 749	2 405	1 760
		5 487	3 084	2 785	2 140
Interest of minority shareholders in subsidiaries		297	287	-	-
Total shareholders' funds		5 784	3 371	2 785	2 140
Subordinated debt	15	2 961	2 801	-	-
		8 745	6 172	2 785	2 140
<b>Liabilities</b>					
Redeemable preference shares		1 740	1 995	1 652	775
Deposits and other accounts	16	71 129	62 612	29	50
Loans and advances from Investec plc and its subsidiaries		31	-	-	-
Taxation	17	315	294	67	56
		73 215	64 901	1 748	881
Long-term assurance liabilities attributable to policyholders	10.3	32 451	31 736	-	-
		<b>114 411</b>	<b>102 809</b>	<b>4 533</b>	<b>3 021</b>

# Income statements

For the year ended 31 March

(R millions)		Group		Company	
		2004	2003	2004	2003
Interest received	18.1	5 721	6 143	76	498
Interest paid	18.2	(5 207)	(5 498)	(374)	(409)
<b>Net interest income before impairment of advances</b>		<b>514</b>	<b>645</b>	<b>(298)</b>	<b>89</b>
Impairment of advances	6	(109)	(235)	-	-
<b>Total interest related income</b>		<b>405</b>	<b>410</b>	<b>(298)</b>	<b>89</b>
Other income	19	2 948	3 043	758	(1 519)
<b>Total income</b>		<b>3 353</b>	<b>3 453</b>	<b>460</b>	<b>(1 430)</b>
Reorganisation and restructuring costs		-	(9)	-	-
Operating expenses	19	(1 966)	(2 006)	(3)	(11)
<b>Operating profit/(loss) before goodwill amortisation and impairment</b>		<b>1 387</b>	<b>1 438</b>	<b>457</b>	<b>(1 441)</b>
Goodwill amortisation and impairment		(395)	(1 470)	-	-
<b>Operating profit/(loss)</b>		<b>992</b>	<b>(32)</b>	<b>457</b>	<b>(1 441)</b>
Share of income of associated companies	20	134	160	-	-
<b>Operating profit/(loss) before taxation</b>		<b>1 126</b>	<b>128</b>	<b>457</b>	<b>(1 441)</b>
Taxation	21	(223)	(130)	(12)	(39)
<b>Operating profit/(loss) after taxation</b>		<b>903</b>	<b>(2)</b>	<b>445</b>	<b>(1 480)</b>
Earnings attributable to minority shareholders		(15)	(2)	-	-
<b>Earnings/(loss) attributable to ordinary shareholders</b>		<b>888</b>	<b>(4)</b>	<b>445</b>	<b>(1 480)</b>
<b>Headline earnings attributable to ordinary shareholders</b>					
<b>Calculation of headline earnings</b>					
Earnings/(loss) attributable to ordinary shareholders		888	(4)		
Headline adjustments		332	1 231		
Goodwill amortisation and impairment		395	1 470		
Revaluation of investment properties		(167)	(239)		
Loss on sale of subsidiaries		108	-		
Disposal of available for sale instruments		(4)	-		
<b>Headline earnings attributable to shareholders</b>		<b>1 220</b>	<b>1 227</b>		
Compulsorily convertible debenture interest		(270)	(275)		
<b>Headline earnings attributable to ordinary shareholders</b>		<b>950</b>	<b>952</b>		

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) annual financial statements.

# Cash flow statements

For the year ended 31 March

(R millions)	Notes	Group		Company	
		2004	2003	2004	2003
<b>Cash flows from operating activities</b>					
Cash generated by operating activities	24.1	1 488	1 502	612	1 122
Dividends received from associated companies	24.2	55	36	-	-
Taxation paid	24.3	(200)	(72)	(1)	(10)
Cash available from operating activities		1 343	1 466	611	1 112
Dividends paid	24.4	(247)	(536)	(235)	(553)
Compulsorily convertible debenture interest paid		(270)	(275)	(34)	(37)
Net cash inflow from operating activities		826	655	342	522
<b>Cash flows from investing activities</b>					
Net funds utilised on acquisition of group businesses	24.5	(5)	(9)	-	-
Net funds arising on disposal of group businesses	24.5	1 071	-	-	-
Net funds movement on unbundling	24.6	-	(55 844)	-	-
Net investment in fixed assets		(47)	(36)	-	-
Net cash inflow/(outflow) from investing activities		1 019	(55 889)	-	-
<b>Cash flows from banking activities</b>					
Movement in deposits and other accounts		8 325	(38 331)	(1 712)	762
Movement in income earning assets	24.7	(12 927)	(1 623)	878	(1 207)
Net cash outflow from banking activities		(4 602)	(39 954)	(834)	(445)
<b>Cash flows from assurance activities</b>					
Movement in long term assurance fund and other liabilities		(1 557)	(709)	-	-
Net cash outflow from assurance activities		(1 557)	(709)	-	-
<b>Cash flows from financing activities</b>					
Proceeds on issue of ordinary shares		492	7	492	7
Repayment of debentures		(12)	-	-	-
Cashflow on cancellation of shares		-	(85)	-	(84)
Purchase of own shares		(18)	(162)	-	-
Issue of perpetual preference shares		1 491	-	-	-
Issue of bonds		160	556	-	-
Net cash inflow/(outflow) from financing activities		2 113	316	492	(77)
<b>Net decrease in cash and short-term funds</b>					
Cash and short-term funds at beginning of year		(2 201)	(95 581)	-	-
Cash and short-term funds at end of year		15 643	111 224	-	-
		13 442	15 643	-	-



# Statements of changes in shareholders' funds

For the year ended 31 March

(R millions)	Notes	Group		Company	
		2004	2003	2004	2003
<b>Ordinary share capital</b>					
Balance at beginning of year		1	58	1	58
Issue of shares		_*	7	-	7
Repurchase and cancellation of shares during the year		-	(3)	-	(3)
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	1	1	1
<b>Capital Reserve</b>					
Balance at beginning of year		62	-	62	-
Reduction of Investec Limited's share par value		-	62	-	62
Balance at end of year	14	62	62	62	62
<b>Share premium</b>					
Balance at beginning of year		4 188	7 584	4 318	7 584
Issue of shares (net of issue expenses)		493	1 648	493	1 650
Repurchase and cancellation of shares		-	(879)	-	(751)
Unbundling of Investec plc		-	(4 555)	-	(4 555)
Conversion of preference shares		-	390	-	390
Adjustment on sale of shares		(1)	-	-	-
Balance at end of year	14	4 680	4 188	4 811	4 318
<b>Perpetual preference shares</b>					
Balance at beginning of year		-	-	-	-
Issued during the year		1 500	-	-	-
Less: Issue expenses		(9)	-	-	-
Balance at end of year	12	1 491	-	-	-
<b>Compulsorily convertible debentures</b>					
Balance at beginning of year		334	1 990	379	379
As previously reported		661	2 317	379	379
Prior year adjustment - consolidation of staff share scheme		(327)	(327)	-	-
Redemption of debentures		-	(1 656)	-	-
Repayment of debentures		(12)	-	-	-
Balance at end of year	13	322	334	379	379
<b>Convertible preference shares</b>					
Balance at beginning of year		-	385	-	385
Conversion to ordinary shares		-	(385)	-	(385)
Balance at the end year		-	-	-	-

\* less than R1 million

# Statement of changes in shareholders' funds

For the year ended 31 March

(R millions)	Notes	Group		Company	
		2004	2003	2004	2003
<b>Treasury shares</b>					
Balance at beginning of year		(399)	(1 035)	-	(670)
As previously reported		(189)	(825)	-	(670)
Prior year adjustment - consolidation of staff share scheme		(210)	(210)	-	-
Cancelled during the year		-	798	-	670
Switch of plc shares to Ltd Shares		(95)	-	-	-
Purchase of treasury shares		(18)	-	-	-
Sold during the year		152	-	-	-
Acquired and held during the year		-	(162)	-	-
Balance at end of year	14	(360)	(399)	-	-
<b>Retained earnings</b>					
Balance at beginning of year		(1 247)	1 398	(2 678)	432
As previously reported		(1 061)	1 535	(1 168)	1 778
Equity accounted earnings adjustment		-	-	(1 510)	(1 346)
Consolidation of staff share scheme		10	(137)	-	-
AC133 adjustment to opening retained earnings		137	-	-	-
Transfer to regulatory reserve		(333)	-	-	-
Earnings attributable to ordinary shareholders		888	(4)	445	(1 480)
As previously reported		-	(151)	-	(1 316)
Equity accounted earnings adjustment		-	-	-	(164)
Consolidation of staff share scheme		-	147	-	-
Compulsorily convertible debenture interest		(270)	(275)	(34)	(37)
Dividends	23	(247)	(536)	(235)	(553)
Investec plc		-	(1 517)	-	(1 040)
Transfer to equity accounted reserves		(79)	(123)	-	-
Transfer to regulatory reserve		(122)	-	-	-
Transfer from other reserves		-	6	-	-
Balance at end of year	14	(1 077)	(1 051)	(2 502)	(2 678)
<b>Regulatory reserve</b>					
Balance at beginning of year		333	-	-	-
As previously reported		-	-	-	-
AC133 adjustment to opening balance		333	-	-	-
Transfer from retained earnings		122	-	-	-
Balance at end of year	14	455	-	-	-

# Statement of changes in shareholders' funds

For the year ended 31 March

(R millions)	Notes	Group		Company	
		2004	2003	2004	2003
<b>Other reserves</b>					
Balance at beginning of year		(228)	3 604	58	1 793
Transfer to retained earnings		-	(6)	-	-
Movement in foreign currency translation reserve		(110)	(3 795)	( 24)	(2 002)
Movement in equity revaluations		7	(31)	-	267
Balance at end of year	14	(331)	(228)	34	58
<b>Equity accounted reserves of associated companies</b>					
Balance at beginning of year		177	54	-	-
Reduction in shareholding		(12)	-	-	-
Transfer from retained earnings		79	123	-	-
Balance at end of year	14	244	177	-	-
<b>Total</b>		<b>5 487</b>	<b>3 084</b>	<b>2 785</b>	<b>2 140</b>

# Accounting policies

## Basis of preparation

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

## Changes to accounting policies

Accounting policies applied are consistent with those applied in the 31 March 2003 annual report, except for the changes as a result of the adoption of the accounting statement on recognition and measurement of financial instruments (AC 133), the change in the recognition of the subsidiaries in the company's financial statements and the consolidation of staff share scheme trusts.

In terms of AC 133, all financial assets and financial liabilities are required to be classified into prescribed categories which determine their recognition and measurement criteria. Further, the statement has introduced principles in relation to impairments of financial instruments carried at amortised cost which replaces previous methodologies of determining specific and general provisions.

In prior years, the results of operating subsidiaries were equity accounted in the company's financial statements, in the current year the investment in subsidiaries has been recorded at cost.

The group employee equity based compensation schemes are administered by trusts. These trusts were previously not consolidated into the consolidated financial statements of the group. In the current financial year, all employee share incentive scheme trusts have been consolidated.

Except for the adoption of AC 133 comparative information has been restated for changes in accounting policies. AC 133 provides that changes resulting from adoption of the standard

be applied prospectively and therefore adjustment at 1 April 2003 have been accounted for as an adjustments to opening retained income.

The effect of these changes to accounting policies is detailed in note 22.

## 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 and up to the effective dates of disposal.

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

The company's investment in subsidiaries is reflected at the original acquisition cost. The cost of the investment is reviewed annually for an indication of impairment.

## Accounting for associates

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

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

## Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets

# Investec Limited

## notes to the financial statement

arising out of business combinations at the date of acquisition, including the acquisition of interests in subsidiaries or associates.

Goodwill is carried at cost less accumulated amortisation and impairments. The carrying amount is reviewed annually for impairment. If such impairment exists, the carrying value of goodwill is written down to its recoverable amount.

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 difference 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 denominated in the currency of the acquiree.

### 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 liability incurred. The results of foreign operations are translated at average rates of exchange for the relevant period. The translation

differences arising are included in income for the period. Goodwill arising on the acquisition of foreign operations is denominated in the currency of the acquiree.

### Foreign currency transactions

All foreign currency transactions are translated at the exchange rates ruling at the time of the transactions. Any profit or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange profit or loss in the income statement, except for those relating to a hedging instrument used as a cash flow hedge or hedge of a net investment.

### Financial instruments

Financial instruments in relation to the group include fixed maturity and equity securities, derivative positions, private equity investments, loans and advances, deposits and other financial liabilities, equity instruments issued by the group, convertible instruments issued by the group and long term debt funding issued by the group. The accounting policies in relation to each of the above are noted below, followed by the policy adopted in relation to the application of hedge accounting.

Classification of financial instruments and related measurement on balance sheet:

Financial assets are classified as held for trading, designated as held for trading, held to maturity, loans and receivables originated by the group, or available for sale instruments.

### Assets held for trading or designated for trading

Financial assets classified as held for trading or designated as held for trading are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial assets are classified as trading when they are held with the intention of short term disposal, held with intention of generating short-term profits, or are derivatives. Financial assets classified as held at fair value are designated as such on initial recognition of the asset (or on initial adoption of AC 133) and remain in this classification until derecognition.

# Accounting policies

## Held-to-maturity assets

Financial assets that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortised cost on the balance sheet. These include certain purchased loans and certain debt investments.

## Loans and receivables originated by the group

Originated loans and receivables are loans and receivables created by the group by providing money to a debtor other than those created with the intention of short term profit taking (which are designated as trading). Originated loans and receivables comprise loans and advances to customers other than purchased loans. Originated loans and receivables are initially recorded at cost, which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

## Available-for-sale assets

Financial assets classified as available for sale are recorded at fair value on the balance sheet, with unrealised gains and losses recognised in equity. Realised gains and losses are recognised in income in the period in which the asset is realised. If an available for sale instrument is determined to be impaired, the respective cumulative unrealised gains and losses previously recognised in equity are included in the income statement for the period. To the extent that there is a reversal of any impairment recognised in the income statement, this reversal is first recognised in income to a maximum of any impairment previously recognised in income.

## Financial liabilities

Financial liabilities are classified as non trading, held for trading or designated as held for trading. Non trading liabilities are recorded at amortised cost where maturity dates exist. Where no maturity date exists, these instruments are carried at cost. Held for trading or liabilities designated as held for trading are recorded at fair value, with changes in fair value recognised in the income statement. Liabilities designated as held for trading are designated as such on initial recognition of the liability (or on initial adoption of AC 133) and remain in this classification until derecognition.

## Regular way transactions

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date, being the date the group is committed to the purchase or sale of the asset.

## Valuations of financial instruments

The following financial instruments are held at fair value:

- Fixed maturity securities classified as trading, held at fair value or available for sale,
- equity securities,
- private equity investments,
- derivative positions,
- loans and advances designated as held at fair value, and
- financial liabilities classified as trading or designated as held at fair value

Where available, market prices provide the best basis of fair value. Where market prices are not available, the fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment. In certain instances model pricing may be used to determine fair values. For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

## Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cashflows according to the original contractual terms or equivalent value. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or on a portfolio of similar, homogeneous loans. An impairment allowance is credited against the carrying value of financial assets. The impairment allowance is calculated as the difference between the carrying value of the asset and the expected cashflows discounted at

## Accounting policies

the original effective rate. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non distributable reserves. The non distributable regulatory provision reserve ensures that minimum regulatory provisioning requirements are maintained.

### Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group loses control over the contractual rights that comprise the asset. This occurs when the rights are realised, expire or are surrendered.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

### Derivative instruments and hedge accounting

All derivative instruments of the group are recorded on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to apply offset and a legal right to offset exists.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on trading derivatives are recognised in the income statement as part of trading income.

The group applies either fair value or cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To meet hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and

hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction

- The hedge is expected to be highly effective at inception and throughout the period that hedge accounting is applied. A hedge is regarded as highly effective if at inception and throughout the life of the hedge, the group expects changes in the fair value or cash flows of the hedged item to be almost fully offset by the changes in fair value or cash flows of the hedging instrument, and actual results are within a range of 80% to 125%.
- At inception it is determined that hedge effectiveness can be reliably measured and the basis for measuring hedge effectiveness is documented.
- Hedge effectiveness is measured at least at each reporting date cumulatively from the inception of the hedge and is determined to be effective throughout the period.
- In the case of hedging forecasted transactions, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported income.

Hedge accounting is discontinued when it is determined that the derivative ceases to be highly effective as a hedge; the derivative expires, or is sold, terminated or exercised; when the hedge item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges, the change in fair value of the hedging derivative is initially recognised in equity and is released to the initial cost of any asset/liability recognised or in all other cases, to the income statement when the hedged firm commitment or forecasted transaction affects net profit.

Derivative instruments transacted as economic hedges but which do not qualify for hedge accounting and derivatives entered into for trading purposes are treated in the same way as instruments that are held for trading.

# Accounting policies

To the extent that a derivative may be embedded in a host contract and the host contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The hybrid (combined) instrument is not measured at fair value with changes in fair value reported in net profit or loss.

## Offsetting of assets and liabilities

Assets and liabilities are offset when there is both an intention to apply offset and a legal right to offset exists.

## Instalment credit, lease and rental agreements

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

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

## Property and equipment

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

The annual rates used to depreciate assets are as follows:

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

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

## Trading properties

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

## Deferred taxation

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

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

## Impairments of non-financial assets

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

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

## Trust and fiduciary activities

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



## Accounting policies

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 shareholder's fund. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related long-term assurance fund. Any surplus, which is determined annually by the appointed actuary after taking account these items, may either be distributed between the shareholder and the policyholders according to a predetermined formula or retained within the long-term assurance fund. The shareholder will also levy investment management and administration charges upon the long-term assurance fund.

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

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

#### 2) Investec Assurance

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

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

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

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

# Accounting policies

## Income

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

### Interest income

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

### Other income

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

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Fees and commissions include fees earned from providing advisory services, portfolio management and the arranging of financing for clients. All commissions and fees are recognised as income when the related services are performed.

Investment income includes realised profits and losses on disposal of investments and dividend income. Dividend income is recognised when the shareholders rights to receive the dividends is established.

### 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

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

The group also offers the optional benefits of a defined contribution provident fund and a deferred compensation

fund. The funds are administered by Alexander Forbes Consultants and Actuaries (Tvl) (Pty) Limited and are registered in South Africa. The group has no liabilities for other post retirement benefits.

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

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

### 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.

### Segmental reporting

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

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

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

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

### Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation and enhance comparability (refer to note 22).

## Notes to the financial statements

For the year ended 31 March 2004

(R millions)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance Activities	Other	Group
<b>I. Segmental information - business analysis</b>						
Net operating income	767	686	515	787	535	3 290
Net operating expenses	(519)	(384)	(191)	(466)	(406)	(1 966)
<b>Operating profit before headline adjustments and taxation</b>	<b>248</b>	<b>302</b>	<b>324</b>	<b>321</b>	<b>129</b>	<b>1 324</b>
Headline adjustments	(24)	-	-	(196)	(112)	(332)
Share of income of associate companies	-	-	-	134	-	134
<b>Operating profit before taxation</b>	<b>224</b>	<b>302</b>	<b>324</b>	<b>259</b>	<b>17</b>	<b>1 126</b>
Total assets	22 619	39 748	1 799	19 983	30 262	114 411
Cost to Income Ratio (%)	60.8%	54.7%	37.1%	59.3%	74.6%	57.8%

For the year ended 31 March 2003

(R millions)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance Activities	Other	Group
Net operating income	665	847	223	1 457	22	3 214
Net operating expenses	(478)	(452)	(155)	(493)	(437)	(2 015)
<b>Operating profits/(loss) before headline adjustments and taxation</b>	<b>187</b>	<b>395</b>	<b>68</b>	<b>964</b>	<b>(415)</b>	<b>1 199</b>
Headline adjustments	(24)	(145)	-	(1 001)	(61)	(1 231)
Share of income of associate companies	-	-	-	160	-	160
<b>Operating profit/(loss) before taxation</b>	<b>163</b>	<b>250</b>	<b>68</b>	<b>123</b>	<b>(476)</b>	<b>128</b>
Total assets	17 395	43 565	1 121	34 907	5 821	102 809
Cost to Income Ratio (%)	58.6%	41.9%	63.2%	31.5%	124.3%	52.3%

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>2. Cash and short-term funds</b>				
Cash and gold coins	169	70	-	-
Balances with central banks	1 054	1 056	-	-
Balances with other banks	5 998	5 014	-	-
Loans under resale agreements	1 429	3 648	-	-
Other short-term funds	4 792	5 855	-	-
	13 442	15 643	-	-
All of the above are held at fair value				
<b>3. Short-term negotiable securities</b>				
Balances with central banks	241	527	-	-
Treasury and other bills	1 977	1 744	-	-
Commercial paper	1 743	3 384	-	-
Promissory notes	2 375	2 542	-	-
Traded endowment policies	133	230	-	-
	6 469	8 427	-	-
<b>Classification</b>				
Originated	726		-	-
Trading	1 917		-	-
At elected fair value	3 826		-	-
	6 469		-	-
<b>4. Investment and trading securities</b>				
<b>Category analysis</b>				
Government and government guaranteed debt instruments	2 374	1 636	-	-
Other debt instruments	1 025	985	-	-
Listed equity securities	1 137	927	-	-
Unlisted equity securities *	1 162	753	19	3
Equity shares in property companies	300	342	-	-
Other securities	427	486	-	-
Positive fair value of derivatives	11 117	4 954	-	-
	17 542	10 083	19	3
* Directors' valuation				
<b>Analysis by portfolio (Previous classifications)</b>				
Trading		7 127		-
Investment		2 956		3
<b>Analysis by portfolio (AC 133 classifications)</b>				
Originated	903		-	-
Held-to-maturity	159		-	-
Available for sale	38		-	-
Trading	16 427		4	-
At elected fair value	15		15	-
	17 542	10 083	19	3

## Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>5. Other assets</b>				
Settlement debtors	1 344	624	-	-
Deferred tax asset	46	45	-	-
Other debtors and prepayments	933	1 213	28	43
	2 323	1 882	28	43
All of the above are classified as originated by the entity				
<b>6. Advances</b>				
<b>Category analysis</b>				
Commercial property loans	7 670	5 734	-	-
Residential mortgages	8 285	5 896	-	-
Leases and instalment debtors	2 000	1 882	-	-
Corporate and public sector loans and advances	12 963	9 867	-	20
Other private bank lending	4 572	4 191	-	-
Other loans and advances	593	569	-	4
	36 083	28 139	-	24
Specific impairments (2003 specific provisions)	(285)	(266)	-	-
Portfolio impairments (2003 - general provisions)	(65)	(385)	-	(24)
	35 733	27 488	-	-
<b>Maturity analysis</b>				
On demand to one month	3 543	2 996	-	4
One month to six months	2 046	1 797	-	-
Six months to one year	2 610	1 935	-	-
One year to five years	12 966	9 322	-	20
Greater than five years	14 918	12 089	-	-
	36 083	28 139	-	24
<b>Classification</b>				
Originated by the entity	33 178		-	
At elected fair value	2 555		-	
	35 733		-	

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>6. Advances (continued)</b>				
<b>Specific and portfolio impairments (2003 - Specific and general provisions) 2004</b>				
Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.				
<b>Specific impairment</b>				
Balance at beginning of year	302		-	
As previously reported	266		-	
Change in accounting policy	36		-	
Charge to the income statement	79		-	
Bad debts written off	(96)		-	
Balance at end of year	285		-	
<b>Portfolio Impairment</b>				
Balance at beginning of year	35		-	
As previously reported	-		-	
Change in accounting policy	35		-	
Charge to the income statement	30		-	
Balance at end of year	65		-	
To meet minimum regulatory provision requirements, the following additional regulatory reserve is maintained	455		-	
<b>2003</b>				
<b>Specific and general provisions</b>				
Reconciliation of movements in group specific and general provisions for bad and doubtful debts				
Balance at beginning of year		1 038		-
Income statement charge		235		-
Bad debts written off against provisions		(73)		-
Provisions arising on acquisitions or disposal of subsidiaries		(432)		24
Arising on exchange adjustments		(117)		-
Balance at end of year		651		24

## Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>7. Associated companies</b>				
Shares at cost	563	563	-	-
Less: goodwill*	160	160	-	-
	403	403	-	-
Equity accounted share of retained earnings	240	173	-	-
Book value at end of year	643	576	-	-
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 8 years.				
CAL ordinary issued share capital at latest financial statement date	1 043	1 122		
Holding in CAL ordinary shares (%)	29.0%	29.2%		
The significant transactions between the group and CAL, all of which are on an arm's length basis are:				
1. Preference share investment	200	200		
2. Interest received on the preference share investment in CAL	19	22		
3. Re-insurance premiums paid by clients of Investec Employee Benefits and paid over to CAL	1 110	1 103		

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 R30.1 million (2003 : R 37.9 million) under an arm's length arrangement.

\* Included and amortised in the goodwill note. Refer to note 9.

# Notes to the financial statements

For the year ended 31 March

(R millions)	Cost or valuation	Accumulated depreciation	Carrying amount
<b>8. Property and equipment Group</b>			
<b>2004</b>			
Operational properties	17	-	17
Leasehold improvements	4	(2)	2
Investment properties	1 171	-	1 171
Furniture and vehicles	122	(73)	49
Equipment	300	(212)	88
	<u>1 614</u>	<u>(287)</u>	<u>1 327</u>
<b>2003</b>			
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>

(R millions)	Operational properties	Leasehold improvements	Investment properties	Furniture and vehicles	Equipment	Total group
<b>2004</b>						
Carrying amount at the beginning of year	447	2	1 007	73	117	1 646
Additions	10	1	25	18	37	91
Disposals	-	-	(8)	(31)	(5)	(44)
Revaluations	-	-	123	-	-	123
Business combinations	(435)	-	-	-	-	(435)
Reclassifications	-	-	50	-	-	50
Depreciation	(5)	(1)	-	(7)	(58)	(71)
Impairment losses	-	-	(26)	(4)	(3)	(33)
Carrying amount at end of year	<u>17</u>	<u>2</u>	<u>1 171</u>	<u>49</u>	<u>88</u>	<u>1 327</u>
<b>2003</b>						
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)
Business combinations	(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>



# Notes to the financial statements

For the year ended 31 March

(R millions)	Group	
	2004	2003
<b>9. Goodwill</b>		
<b>9.1 Goodwill reconciliation</b>		
Balance at beginning of year	1 738	6 967
Net amount on acquisitions	5	8
Unbundling of Investec plc	-	(3 979)
Fair value adjustment	-	212
Goodwill amortisation	(300)	(738)
Goodwill impairment	(95)	(732)
Balance at end of year	1 348	1 738

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 R95 million is as a result of the following:  
 An impairment review was conducted on the goodwill attributable to Traded Endowments Policies Ltd (formerly Fedsure Traded Endowments Ltd) using a combination of value in use and discounted cash flow valuations. This resulted in an impairment of R95 million. A discount rate of 12.5% was applied in discounting the cash flows of the income generating units.

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group	
	2004	2003
<b>10. Long-term assurance assets</b>		
<b>10.1 Long-term assurance assets attributable to the shareholder</b>		
Long-term assurance assets attributable to the shareholder	3 133	1 696
<b>Investec Employee Benefits Limited</b>		
The embedded value comprises:		
Net tangible assets of life company including surplus	4 144	3 577
Value of in-force business	98	86
Embedded value	4 242	3 663
Reallocated to investments in associated undertakings	(686)	(636)
Elimination of intercompany balances	(325)	(1 245)
Value of in-force business not recognised on balance sheet	(98)	(86)
Long-term assurance assets attributable to the shareholder	3 133	1 696
<b>Income from long-term assurance business comprises:</b>		
Premium income	3 178	4 350
Investment income	1 897	198
Total income	5 075	4 548
Operating expenses	(228)	(298)
Policyholders' benefits paid	(5 007)	(5 959)
Decrease in technical provisions	1 674	6 504
Re-insurance premium expense	(1 394)	(3 942)
Operating profit	120	853
Taxation charged to technical account	(67)	(118)
Surplus attributable to shareholders	53	735
No current taxation has been provided on the surplus attributable to shareholder due to the availability of brought forward taxation losses.		
<b>Assumptions</b>		
The economic assumptions are based upon a long-term view of economic activity and are therefore not adjusted for market movements which are considered to be short term. This approach is considered to be the most appropriate given the long-term nature of the portfolio of products. The principal economic assumptions which have been used are as follows:		
	%	%
Risk-adjusted discount rate	12.8	13.4
Return on equities (gross of tax)	11.8	12.4
Return on fixed interest securities (gross of tax)	9.8	10.4
Return on property investments (gross of tax)	10.8	11.4
Return on cash held (gross of tax)	7.8	7.4
Inflation rate	6.8	6.4

## Notes to the financial statements

For the year ended 31 March

(R millions)	Group	
	2004	2003
<b>10. Long term assurance assets (continued)</b>		
<b>10.1 Long term assurance assets attributable to the shareholder (continued)</b>		
<b>Balance Sheet</b>		
The assets of the long-term assurance fund attributable to the shareholder are detailed below:		
Investments	3 942	2 793
Intercompany loans due	325	1 093
Other assets	714	802
Assets of long-term assurance fund attributable to the shareholder	4 981	4 688
Current liabilities	(837)	(1 111)
	<u>4 144</u>	<u>3 577</u>
Investments shown above comprise:-		
Interest bearing securities	468	595
Stocks, shares and unit trusts	1 238	339
Investment properties	892	644
Associated undertaking	686	636
Deposits	658	579
	<u>3 942</u>	<u>2 793</u>
<b>10.2 Long-term assurance assets attributable to policyholders</b>		
Investec Employee Benefits Limited	14 677	16 702
Investec Assurance Limited	17 774	15 034
	<u>32 451</u>	<u>31 736</u>
<b>Investec Employee Benefits Limited</b>		
The assets of the long-term assurance fund attributable to policyholders	14 677	16 702
Investments shown above comprise:-		
Interest bearing securities	3 083	2 107
Stocks, shares and unit trusts	7 260	8 521
Investment properties	-	290
Deposits	4 334	5 784
	<u>14 677</u>	<u>16 702</u>
<b>Investec Assurance Limited</b>		
Investments	17 517	14 457
Debtors and prepayments	214	565
Other assets	43	12
	<u>17 774</u>	<u>15 034</u>
Investments shown above comprise:-		
Interest bearing securities	4 306	3 682
Stocks, shares and unit trusts	7 053	5 685
Investment properties	18	18
Deposits	6 140	5 072
	<u>17 517</u>	<u>14 457</u>

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>10. Long term assurance assets (continued)</b>				
<b>10.1 Long term assurance assets attributable to policyholders (continued)</b>				
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.				
<b>10.3 Long-term assurance liabilities attributable to policyholders</b>				
The liabilities to policyholders comprise:				
Technical provisions	4 000	8 028	-	-
Funds for future appropriations	10 677	8 323	-	-
Other liabilities	17 774	15 385	-	-
	32 451	31 736	-	-
Liabilities relating to Investec Employee Benefits of R16.3 billion have been reinsured with CAL (R12.5 billion) and Liberty Group Limited (R3.8 billion). Until such time as a formal s37 (of the South African Long-Term Assurance Act) transfer is concluded, there remains a potential contingent liability.				
<b>11. Ordinary share capital</b>				
<b>Authorised</b>				
55 500 000 (2003: 55 500 000) ordinary shares of R0.001 (2003: R0.001) cents each.				
<b>Issued</b>				
43 999 527 (2003: 38 399 527) ordinary shares of R0.001 (2003: R0.001) cents each.				
The unissued shares are under the control of the directors until the next annual general meeting.				
<b>12. Non-redeemable, non-cumulative, non-participating preference shares</b>				
15 000 000 (2003 - Nil) authorised and issued non-redeemable, non-cumulative, non-participating preference shares of 1 cent each, issued at a premium of R99,99 per share.	1 491	-	-	-

Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of prime of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the Company not ranking prior or pari passu with the preference shares.

## Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>12. Non-redeemable, non-cumulative, non-participating preference shares (continued)</b>				
An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. When declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.				
<b>13. Compulsorily convertible debentures</b>				
<b>13.1 Investec Limited Issued</b>				
880 000 (2003:880 000) Series I Class A unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R174.40 each, net of issue expenses.	12	20	152	152
980 000 (2003:980 000) Series II Class A unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R229.40 each, net of issue expenses	28	32	227	227
Details below relate to Series I & II Class A debentures: Interest is payable six monthly arrears on 1 May and 1 November of each year at a variable rate of 3% below the official rate as defined in the 7th schedule of the Income Tax Act of 1962.  The debentures convert into ordinary shares, on a one for one basis, at the election of the holders. If not converted by election, the Series I debentures will automatically convert on 1 October 2008. The Series II debentures will automatically convert on 4 December 2010.  The unissued debentures are under control of the directors until the next annual general meeting.				
<b>13.2 Subsidiary Issued</b>				
3 573 994 (2003:3 573 994) 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%.  The compulsorily convertible debentures will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date, but not before 31 July 2002.				

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>13. Compulsorily convertible debentures (continued)</b>				
<b>13.2 Subsidiary (continued)</b>				
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.				
<b>Total compulsorily convertible debentures</b>	322	334	379	379
<b>14. Reserves</b>				
Share premium and capital reserve	4 742	4 250	4 873	4 380
Treasury shares	(360)	(399)	-	-
Retained earnings	(1 077)	(1 051)	(2 502)	(2 678)
Other reserves	(331)	(228)	34	58
Regulatory reserve	455	-	-	-
Equity accounted reserves of associated companies	244	177	-	-
	3 673	2 749	2 405	1 760
Other reserves comprise:				
Fair value of cash flow hedges	10	-	-	-
Revaluation of investments	(72)	(69)	-	-
Foreign currency revaluation	271	381	34	58
Goodwill written off	(540)	(540)	-	-
	(331)	(228)	34	58
See note 24.2 for additional information on movements in equity accounted reserves of associated companies.				
<b>15. Subordinated debt</b>				
R1 961 million (2003 - 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	-	-
Nil (2003 - R284 million) Investec Bank Limited Class "E" 15% unsecured redeemable debentures due 2014. From the date of issue to the period ended 31 March 2007, interest is paid six monthly in arrears on 31 March and 30 September at a rate of 15% (nominal annual compounded). Thereafter to 31 March 2014, the interest is the floating rate of ZAR - JIBAR - SAFEX plus 250 basis points, payable quarterly on 31 March, 30 June, 30 September and 31 December.				
These Class "E" debentures were redeemed in April 2003 and replaced by issuing IV02 subordinated 12.55% unsecured callable bonds.	-	284	-	-

## Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>15. Subordinated debt (continued)</b>				
R1 000 million (2003 - R 556 million) 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 3 month JIBAR plus 300 basis points payable quarterly in arrears until maturity.	1 000	556	-	-
	2 961	2 801	-	-
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.				
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.				
<b>16. Deposits and other accounts</b>				
<b>Category analysis</b>				
Deposits and loans from banks	4 191	4 938	-	-
Demand and savings deposits	10 746	10 858	-	-
Fixed and notice deposits	34 399	32 260	-	-
Negotiable certificates of deposit	2 087	1 623	-	-
Other deposits and loan accounts	3 677	1 721	-	-
Liabilities in terms of repurchase agreements	1 024	994	-	-
Negative fair value of derivatives	8 933	3 954	-	5
Settlement liabilities	2 892	1 944	-	-
Creditors and other accounts	3 180	4 320	29	45
	71 129	62 612	29	50
<b>Classification</b>				
Trading	10 589	4 358	-	5
Non Trading	60 540	58 254	29	45
	71 129	62 612	29	50
	71 129	62 612	29	50

# Notes to the financial statements

For the year ended 31 March

(R millions)	2004	Group 2003	2004	Company 2003
<b>16. Deposits and other accounts (continued)</b>				
<b>Maturity analysis</b>				
On demand to one month		37 803	27 255	- 25
One month to six months		18 730	20 618	- 13
Six months to one year		9 071	5 522	29 -
Greater than one year		5 525	9 217	- 12
		71 129	62 612	29 50
<b>17. Taxation</b>				
Taxation payable		242	218	67 56
Deferred taxation liability		73	76	- -
		315	294	67 56
Deferred taxation liability (included in taxation)				
Income and expenditure accruals		(1)	(1)	- -
Equipment allowances		-	(1)	- -
Property allowances		-	(37)	- -
Unrealised gain on investments		(70)	(35)	- -
Other timing differences		(2)	(2)	- -
		(73)	(76)	- -
Deferred taxation asset (included in other assets)				
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income		-	6	- -
Income and expenditure accruals		46	37	- -
Other temporary differences		-	2	- -
		46	45	- -
Net deferred tax liability		(27)	(31)	- -
Reconciliation of net deferred tax liability				
Opening balance		(31)	194	- -
Charge to income statement		(57)	(12)	- -
Charge to profit and loss relating to long term assurance assets attributable to the shareholder		61	-	- -
Arising on acquisitions and disposals		-	(213)	- -
Closing balance		(27)	(31)	- -



## Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>18. Interest</b>				
<b>18.1 Interest received</b>				
Cash and short-term funds	783	1 665	-	-
Short-term negotiable funds	579	550	-	-
Investment and trading securities	26	158	-	-
Advances	4 220	3 402	67	82
Intergroup loans	237	-	36	77
	5 845	5 775	103	159
Foreign currency gains	120	2 233	126	339
Foreign currency losses	(244)	(1 865)	(153)	-
	5 721	6 143	76	498
<b>18.2 Interest paid</b>				
Demand and savings deposits	1 076	1 213	-	-
Fixed and notice deposits	2 969	3 840	-	-
Negotiable certificates of deposits	182	154	-	-
Repurchase agreements	3	23	-	-
Other deposits and loan accounts	2 048	837	76	16
Intergroup loans	-	-	298	393
	6 278	6 067	374	409
Funding costs allocated to trading profits	(1 071)	(569)	-	-
	5 207	5 498	374	409
<b>19. Other income, operating expenses and headline adjustments</b>				
<b>Other income comprises</b>				
Commissions and fees - annuity	1 183	1 080	-	-
Principal transactions and trading income	1 249	631	1	-
Gross principal translations and trading income	2 320	1 200	1	-
Funding costs allocated to trading profits	(1 071)	(569)	-	-
Commissions and fees - deal	277	290	-	14
Impairment of subsidiaries	-	-	65	(2 004)
Dividends from subsidiaries	-	97	602	1 030
Profit/(loss) on sale of subsidiaries	(108)	-	90	(559)
Gain on disposal of available for sale instruments	4	-	-	-
Return on shareholders funds - Life Business	290	210	-	-
Income from long-term assurance business	53	735	-	-
	2 948	3 043	758	(1 519)

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>19. Other income, operating expenses and headline adjustments (continued)</b>				
<b>Operating expenses comprise (continued)</b>				
<b>Operating expenses comprise</b>				
Personnel remuneration *	1 170	1 183	-	-
Pension and provident fund contributions^	62	66	-	-
Audit fees	34	21	-	-
-audit fees	26	21	-	-
-under provision from prior year	7	-	-	-
-fees for other services	1	-	-	-
^ Refer to note 29.				
* Aggregate directors remuneration for Investec DLC amounted to R33.9 million.				
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).				
Depreciation	71	68	-	-
Premises	131	80	-	-
Equipment	134	145	-	-
Business expenses	278	351	3	11
Marketing expenses	86	92	-	-
	1 966	2 006	3	11
<b>Headline adjustments comprise:</b>				
Goodwill amortised	300	738	-	-
Goodwill impairment	95	732	-	-
Revaluation of investment properties	(167)	(239)	-	-
Loss/(profit) on sale of subsidiaries	108	-	(90)	559
Gain on disposal of available for sale instruments	(4)	-	-	-
	332	1 231	(90)	559
<b>20. Share of income of associated companies</b>				
Operating income	134	160	-	-
<b>21. Taxation</b>				
<b>Normal taxation</b>	156	119	12	-
South Africa	142	119	12	-
-current tax on income for the period	102	91	12	-
-capital gains taxation	(3)	-	-	-
-adjustments in respect of prior periods	43	28	-	-
<b>Foreign current taxation</b>				
-Mauritius	11	11	-	-
-Botswana	9	4	-	-
-Other	(6)	(15)	-	-

## Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>21. Taxation (continued)</b>				
<b>Deferred tax</b>	57	(12)	-	-
-South Africa	58	(12)	-	-
-Other	(1)	-	-	-
<b>Secondary taxation on companies</b>	10	23	-	(39)
<b>Total tax charge for the period</b>	223	130	12	(39)
<b>Tax rate reconciliation</b>				
Income before taxation as per income statement	1,126	128	457	(1,441)
Less : Compulsorily convertible debenture interest	(270)	(275)	(34)	(37)
	856	(147)	423	(1,478)
Total taxation charge in income statement	223	130	12	(39)
Less: secondary taxation on companies	(10)	(23)	-	39
Total taxation on income	213	107	12	-
Effective rate of taxation	24.9%	(23.6%)	2.8%	0.0%
The standard rate of South African normal taxation has been affected by:				
-exceptional items	(13.7%)	97.2%	6.4%	12.8%
-dividend income	2.4%	(2.4%)	42.7%	(23.4%)
-accumulated tax losses	0.6%	1.3%	-	-
-foreign earnings *	(4.0%)	7.0%	-	-
-life income	3.2%	(48.6%)	-	-
-other permanent differences	16.6%	(0.9%)	(21.9%)	40.6%
	30.0%	30.0%	30.0%	30.0%
* Includes the effect of cumulative tax losses and other permanent differences.				
<b>Future tax relief</b>				
Estimated tax losses available for set-off against future taxable income				
South Africa	76	94	-	-
	76	94	-	-

# Notes to the financial statements

For the year ended 31 March

(R millions)	Company	
	2004	2003
<b>22. Changes in accounting policies and other prior year adjustments</b>		
<b>22.1 Accounting for investment in subsidiary companies</b>		
The group changed its accounting policy in relation to investment in subsidiary companies. The results of operating subsidiaries were equity accounted in the company's financial statements in prior years and have been recorded at cost in the current year. The comparative amounts have been appropriately restated.		
The effect of the change at 31 March 2003 and 2002 is as follows:		
-Decrease in subsidiary companies	(1 510)	(1 510)
-Effect on reserves	(1 510)	(1 510)
-Effect on opening reserves	(1 510)	(1 346)
-Effect on current year	-	(164)
-Effect on closing reserve	(1 510)	(1 510)

## 22.2 Adoption of the accounting statement on recognition and measurement of financial instruments (AC133)

### Fair value adjustments

- The statement requires all derivatives to be recorded on balance sheet at fair value, with changes in fair value being recognised in the income statement (except for fair value adjustments relating to the successful application of cash flow hedging principles, which result in fair value adjustments being recognised directly in equity until the occurrence of the cash flow being hedged). In prior years, non trading derivatives within the banking book were accounted for on the same basis as the underlying asset, liability or cash flow being hedged. On adoption of AC 133, all of these derivatives have been recognised on balance sheet at fair value. Except for the application of cash flow hedging, all changes in fair value are recognised in income. To the extent that hedge accounting principles have been successfully applied, changes in fair value relating to the hedged risk of the underlying hedged item have also been recognised in income.
- In certain instances where hedge accounting is impractical to apply, and Investec Limited deems it appropriate, related financial assets and financial liabilities are designated as held at fair value. This designation is made at inception of the financial asset or financial liability (or on adoption of AC 133) and cannot be changed.
- To the extent that derivatives have been identified as embedded in a host contract that is not carried at fair value and the economic characteristics of the embedded derivative are not closely related to that of the host contract, the embedded derivative has been separated from the host contract and accounted for as a stand alone derivative.

### Impairments

- Specific impairments are determined for non performing loans and advances based on a discounted cash flow methodology. This has resulted in specific impairments greater than the previous specific provisions due to the introduction of a discount factor in determining the present value of the expected cash flows.
- In prior years, the group's general provision had been determined taking into account the structure and risk characteristics of the group's loan portfolio and ensuring that the minimum requirements of the banking regulations in the jurisdictions in which the group operated were maintained. As a result of the adoption of AC133, portfolio impairments are determined for loans that are not specifically identified as impaired or non performing based on a discounted cash flow methodology, taking into

## Notes to the financial statements

account historical loss given defaults, probabilities of default and changes in the credit quality of loans and advances since inception. This has resulted in significantly lower portfolio impairments when compared to general provisions raised previously. The difference between portfolio impairments and regulatory minimum provisions per regulatory asset category has been met by transferring sufficient distributable reserves to a non distributable regulatory reserve.

### Opening transitional adjustments

AC 133 provides that changes resulting from the adoption of the standard be applied prospectively and therefore adjustments at 1 April 2003 have been accounted for as an adjustment to opening retaining income.

The impact of adopting AC 133 on the opening shareholders funds is detailed in the table below:

### At 1 April 2003

(R millions)	Retained income	Equity revaluation reserve	Non distributable regulatory reserve	Total shareholder's funds
<b>Adjustments:</b>				
-Fair value adjustments to derivatives and other financial instruments	(146)	-	-	(146)
-Reclassification of equity revaluations	20	(20)	-	-
- Present value adjustments to specific impairments	(36)	-	-	(36)
- Reversal of general bad debt provision	354	-	-	354
- Creation of portfolio impairment	(35)	-	-	(35)
	157	(20)	-	137
- Transfer to non distributable regulatory reserve	(333)	-	333	-
Change in total shareholders funds	(176)	(20)	333	137

The impact of AC 133 was to increase earnings for the year ended 31 March 2004 as follows:

	Group R millions
Net interest income	70
Impairments	58
Non interest income	(35)
Income before taxation	93
Taxation	(29)
Income after taxation	64

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group 2003
At 31 March 2004 a further transfer of R122 million for the group was made from retained earnings to the non distributable regulatory reserve.	
Interpretations relating to accounting, regulatory and taxation effects on adoption of AC 133 are currently subject to debate within a South African context. The group's financial reporting will be affected by further amendments to the International Financial Reporting Standards (IAS 39) when incorporated into AC 133.	
<b>22.3 Consolidation of the group employee equity based compensation schemes.</b>	
The group's employee equity based compensation schemes are administered by trusts. These trusts were previously not consolidated into the consolidated financial statements of the group. In the current financial year, all employee share incentive scheme trusts are consolidated.	
<b>The effect of the changes at 31 March 2003 is as follows:</b>	
<b>Assets</b>	
Investment and trading securities	363
Other assets	(888)
Advances	32
	(493)
<b>Equity and reserves</b>	
Compulsorily convertible debentures	(327)
Reserves	(201)
Deposits and other accounts	35
	(493)
<b>Income statement</b>	
Net interest income	(58)
Investment income	(62)
Total income	(120)
Operating expenses	(25)
Operating profit before goodwill, headline adjustments and taxation	(145)
Loss on the impairment of non-trading loans	263
Operating profit	118
Compulsorily convertible debenture interest	29
Profit attributable to ordinary shareholders	147

The effect on the opening reserves at 1 April 2003 is (R348) million.

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group 2003
<b>Restatements</b>	
<p>In the prior years, adjustments to headline earnings of R559 million (company) were separately identifiable in the income statement. In the current year headline adjustments have been reflected within the respective income and expenditure categories with a corresponding adjustment to the comparative year.</p> <p>In the prior year income on shareholders' funds within the life assurance business of R210 million was reflected as part of interest margin. In the current year, this return on shareholders' funds (R290 million) is disclosed as a separate line item in the note 19 to the financial statements, with a corresponding restatement to the prior year.</p> <p>Interest on compulsorily convertible debentures, which are classified as equity instruments, has been reflected in the statement of changes in equity. In the prior year the interest paid on the compulsorily convertible debentures of R275 million was reflected in the income statement. Comparative figures have been appropriately restated. As a result of this restatement, headline earnings attributable to ordinary shareholders has increased by R270 million (2003 - R275 million).</p> <p>Loans under resale agreements were classified under other assets in the prior year. The comparatives have been adjusted to reflect these assets as cash and short term funds.</p> <p>The effect of the restatements at 31 March 2003 is as follows:</p> <ul style="list-style-type: none"> <li>-Decrease in other assets</li> <li>-Increase in cash and short term funds</li> </ul> <p>There is no effect on reserves.</p>	<p>(3 648)</p> <p>3 648</p>

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>23. Dividends</b>				
on fully paid shares:				
Final for 2003 year of nil (2002: 450)	-	415	-	415
Interim of 309 cents (2003: 395 cents)	225	121	235	138
on perpetual preference shares: declared and paid	22	-	-	-
	247	536	235	553
A final dividend for 2004 will be declared by the company. The directors have proposed that the final dividend of 360 cents (2003:356 cents) will be satisfied by Investec Limited.				
<b>24. Cash flow information</b>				
<b>24.1 Cash generated by operating activities</b>				
Net profit/(loss) before taxation	1 126	128	457	(1 441)
Depreciation and impairment losses	71	68	-	-
Revaluation of investment properties	(90)	(239)	-	-
Provision for bad and doubtful debts	109	235	-	-
Impairment of subsidiaries	-	-	65	2 004
Goodwill amortisation and impairment	395	1 470	-	-
Loss on sale of subsidiaries	108	-	90	559
Gain on disposal of available for sale instruments	(4)	-	-	-
Equity accounted income of associates	(134)	(160)	-	-
AC133 adjustment	(93)	-	-	-
	1 488	1 502	612	1 122
<b>24.2 Dividends received from associated companies</b>				
Equity accounted reserves at beginning of year	177	54	-	-
Equity accounted income for the year	134	160	-	-
Unbundling of Investec plc	-	(1)	-	-
Change in shareholding	(12)	-	-	-
Equity accounted reserves at the end of year	(244)	(177)	-	-
	55	36	-	-
<b>24.3 Taxation paid</b>				
Taxation balances at beginning of year	(294)	(513)	(56)	(27)
Deferred tax asset raised acquisitions	-	48	-	-
Taxation balances arising on the disposal of subsidiaries	2	229	-	-
Amounts charged to income statement	(223)	(130)	(12)	(39)
Taxation balances at end of year	315	294	67	56
	(200)	(72)	(1)	(10)



## Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>24. Cash flow information (continued)</b>				
<b>24.4 Dividends paid</b>				
Current year dividend paid	(247)	(536)	(235)	(553)
<b>24.5 Net funds utilised on acquisitions</b>				
Deposits and other accounts	-	3	-	-
Property and equipment	-	(4)	-	-
Goodwill	(5)	(8)	-	-
Net cash (outflow)/inflow	(5)	(9)	-	-
<b>Net funds arising on disposal of group companies</b>				
Cash and short-term funds	87	-	-	-
Short-term negotiable securities	123	-	-	-
Investment and trading securities	(5)	-	90	-
Other assets	1	-	-	-
Advances	368	-	-	-
Loans to group companies	114	-	-	-
Property and equipment	435	-	-	-
Long-term assurance assets	160	-	-	-
Deposits and other accounts	(24)	-	-	-
Taxation	(2)	-	-	-
Foreign currency translation reserve	5	-	-	-
Net assets disposed of	1 262	-	90	-
Loss on disposal	(104)	-	(90)	-
Proceeds on disposal of group companies	1 158	-	-	-
Less cash on hand on date of disposal	(87)	-	-	-
Net cash inflow from disposal of group companies	1 071	-	-	-
<b>24.6 Net funds utilised on disposals and unbundling</b>				
Net assets unbundled	-	10 122	-	-
Reserves unbundled	-	(10 122)	-	-
Net cash unbundled	-	(55 844)	-	-
<b>24.7 Movement in income earning assets</b>				
Short term negotiable securities	2 049	(4 730)	-	-
Investment and trading securities	(8 145)	(1 402)	(31)	71
Advances	(8 209)	481	-	2
Other assets	(313)	4 028	15	(18)
Intergroup with Investec plc entities	1 691	-	894	(1 262)
	(12 927)	(1 623)	878	(1 207)

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group	
	2004	2003
<b>25. Assets under administration</b>		
Retail (includes unit trusts, mutual funds and linked products)	33 450	27 823
Institutional and investment trusts	91 764	73 543
Private clients	43 613	25 847
Private clients (discretionary)	5 318	4 552
Private clients (non-discretionary)	38 295	21 295
Other (including wills and estates)	-	3
Properties managed for third parties	11 080	5 300
	179 907	132 516
On balance sheet assets	114 411	102 809
Total assets under administration	294 318	235 325
<p>Note: The assurance assets (approximately R17.8 billion) are included in the on-balance sheet numbers but are managed by Investec Asset Management (2003:R15 billion).</p>		
<b>26. Contingent liabilities and commitments</b>		
Guarantees and letters of credit	1 319	1 450
Acceptances on behalf of clients	2 379	1 662
Other	14	27
	3 712	3 139
<b>Operating lease commitments</b>		
Annual commitments in respect of non-cancellable operating leases		
<b>Leasehold properties</b>		
Within one year	86	4
Between one and five years	581	12
Over five years	2 755	2
	3 422	18

The above represents gross rentals on operating leases which expire in April 2024.

## Notes to the financial statements

For the year ended 31 March

(R millions)	Group	
	2004	2003
<b>27. Earnings per compulsorily convertible debenture</b>		
<b>27.1 Company</b>		
880 000 (2003:880 000) Class A Series I unsecured subordinated debentures of 60 cents issued at a premium of R174,40 each		
Interest earned	14.0	15.0
Weighted average number of debentures (millions)	0.9	0.9
Earnings per debenture (cents)	1 590.9	1 705.0
980 000 (2003:980 000) Class A Series II unsecured subordinated debentures of 60 cents each issued at a premium of R229,40 each		
Interest earned	20.0	22.0
Weighted average number of debentures (millions)	1.0	1.0
Earnings per debenture	2 040.8	2 244.9
<b>27.2 Subsidiary</b>		
3 573 994 (2003:3 573 994) Unsecured subordinated debentures 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	1 203.1
5 000 000 (2003:5 000 000) Class A unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each.		
Interest earned	-	25.6
Weighted average number of debentures (millions)	-	1.1
Earnings per debenture (cents)	-	2 400.0
1 000 000 (2003:1 000 000) Class A Series II unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each.		
Interest earned	-	5.1
Weighted average number of debentures (millions)	-	0.2
Earnings per debenture (cents)	-	2 400.0
1 500 000 (2003:1 500 000) Class B unsecured subordinated debentures of 50 cents each issued at a premium of R199,50 each.		
Interest earned	-	7.7
Weighted average number of debentures (millions)	-	0.3
Earnings per debenture (cents)	-	2 400.0

# Notes to the financial statements

## For the year ended 31 March

(R millions)	Group	
	2004	2003
2 000 000 (2003:2 000 000) Class C unsecured subordinated debentures of 50 cents each issued at a premium of R199.50		
Interest earned	-	9.4
Weighted average number of shares (millions)	-	0.4
Earnings per debenture (cents)	-	2 200.0
<p>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.</p>		
<b>28. Related party transactions</b>		
<p>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.</p>		
<p>At year end, 5 directors had outstanding loans from Investec Bank Limited. For loans to related parties, normal credit parameters are applied.</p>		
Loans-Investec Bank Limited	82	113
<p>H. Herman has a 13.25% holding in Taaibos Square (Pty) Ltd. A loan was provided to the entity by Investec Bank Limited on an arms length, fully secured basis as follows:</p>		
Taaibos Square (Pty) Ltd	70	77
<p>F Titi has a 12.5% holding in Tiso Group. At 31 March 2004 Investec Bank Limited group provided the following to advances to Tiso Group on an arm's length basis</p>		
	97	-
<p>P Malungani has a 59.2% holding in Peu Investment Group. At 31 March 2004 Investec Bank Limited group provided the following total advances to Peu Investment Group on an arm's length basis.</p>		
	193	-
<p>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 arms length, fully secured basis as follows:</p>		
Spurwing P Investments Limited	71	96
Spurwing L Investments Limited	20	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.

# Notes to the financial statements

For the year ended 31 March

(R millions)	Group		Company	
	2004	2003	2004	2003
<b>28. Related party transactions (continued)</b>				
<p>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.</p> <p><b>Transactions with other related parties of the group</b> Any dealings with regards to investments in unit trusts or the asset management division occur at arms length.</p>				
<b>29. Pension costs</b>				
Pension and provident fund contributions	62	66		

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.

# 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.

### 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. Included in the table below are all derivative instruments entered into by the group at 31 March 2004.

In the year ended 31 March 2003, only derivatives entered into for trading purposes were brought on balance sheet at fair value and thus the disclosure in the table below for 2003 only represents trading derivatives.

### 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)	2004			2003		
	National Principal	Positive Fair Value	Negative Fair Value	National Principal	Positive Fair Value	Negative Fair Value
<b>Derivative positions</b>						
<b>Foreign exchange derivatives</b>						
Forward foreign exchange	42 418	3 114	3 244	53 738	3 419	3 557
Currency swaps	11 664	1 565	283	7 071	889	534
OTC options bought and sold	6 507	864	321	7 404	844	351
OTC derivatives	60 589	5 543	3 848	68 213	5 152	4 442
Exchange traded futures	-	-	-	-	-	-
<b>Total</b>	<b>60 589</b>	<b>5 543</b>	<b>3 848</b>	<b>68 213</b>	<b>5 152</b>	<b>4 442</b>
<b>Interest rate contracts</b>						
Caps and floors	7 136	27	40	15 489	47	59
Swaps	262 296	4 163	2 753	389 627	5 902	4 576
Forward rate agreements	726 482	744	552	1 335 697	713	723
OTC options bought and sold	7,321	23	38	20 752	97	105
Other interest rate contracts	-	-	-	595	-	3
OTC derivatives	1 003 235	4 957	3 383	1 762 160	6 759	5 466
Exchange traded futures	101 703	21	15	225 414	29	7
Exchange traded options	-	-	-	8 014	-	5
<b>Total</b>	<b>1 104 938</b>	<b>4 978</b>	<b>3 398</b>	<b>1 995 588</b>	<b>6 788</b>	<b>5 478</b>
<b>Equity and stock index derivatives</b>						
OTC options bought and sold	142 600	1 525	1 830	2 381	639	329
Equity swaps and forwards	-	-	-	3 986	333	781
OTC derivatives	142 600	1 525	1 830	6 367	972	1 110
Exchange traded futures	381	3	2	56	6	11
Exchange traded options	1 248	6	4	3 220	22	22
Warrants	-	-	-	-	-	-
<b>Total</b>	<b>144 229</b>	<b>1 534</b>	<b>1 836</b>	<b>9 643</b>	<b>1 000</b>	<b>1 143</b>
<b>Commodity derivatives</b>						
OTC options bought and sold	5 054	665	38	11 452	546	546
Commodity swaps and forwards	1 901	4	208	1 627	41	45
<b>Total</b>	<b>6 955</b>	<b>669</b>	<b>246</b>	<b>13 079</b>	<b>587</b>	<b>591</b>
Collateral paid/received		(195)	1 017		(185)	688
<b>Total trading derivatives</b>		<b>12 529</b>	<b>10 345</b>		<b>13 342</b>	<b>12 342</b>
Effect of netting		(1 412)	(1 412)		(8 388)	(8 388)
Trading derivatives included in assets/liabilities		11 117	8 933		4 954	3 954

Included in interest rate contracts are interest rate swaps entered into for fair value and cash flow hedging purposes. These specific derivatives form part of the group's management of its interest rate profile. The cash flow hedges have been entered into to hedge a portion of the anticipated future dividend payments on perpetual preference shares from 2014 to 2032.

# Principal subsidiary and associated companies

For the year ended 31 March

(R millions)	Nature of Business	Issued Ordinary Capital	Shares at book value Holdings %	Shares at book value		Net indebtedness	
				2004	2003	2004	2003
<b>Direct subsidiaries of Investec Limited</b>							
Investec Bank Ltd Ä	Bank	R15 850 000	100	6 433	6 401	(3 545)	(3 728)
Fedsure Investments Ltd Ä	Investment holding	R739 000 000	100	14	1034	(1)	(967)
Invigo Investments Ltd Ä	Investment holding	R1 044	100	20	256	(50)	(1 742)
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R200	100	(139)	(117)	-	22
Investec Assurance Ltd Ä	Insurance company	R10 000 000	100	10	31	-	-
Investec Employee Benefits Holdings (Pty) Ltd Ä	Investment holding	R 1	100	- *	(545)	1,334	735
Investec Hong Kong (Pty) Ltd _	Investment holding	HK\$2	100	(1)	1	-	(23)
Investec Int. (Gibraltar) (Ltd) §	Investment holding	£2	100	86	52	-	-
Investec Securities Ltd Ä	Stockbroking	R172 000	100	132	132	-	-
Sibvest Limited (Formerly Securities Investment Bank Ltd) Ä	Investment holding	R109 724 159	100	97	207	(95)	-
Fedsure International Ltd Ä	Investment holding	R354 480 252	100	231	403	-	(73)
Investec Property Group Holdings Ltd Ä	Investment holding	R3 000	100	- *	(1)	-	-
Other subsidiaries				(35)	(9)	(5)	(12)
				6 848	7 845	(2 362)	(5 788)
<b>Indirect subsidiaries of Investec Limited</b>							
Grayinvest Limited Ä	Investment holding	R100	100				
Barfold Investments Ltd Ä	Investment holding	R100	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	R102	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 Ä	Property trading	R1 174	100				
Reichmans Ltd Ä	Trade financing	R23 439 678	100				
Investec Employee Benefits Ltd Ä	Long-term Insurance	R2 418 523 071	100				
Traded Endowment Policies Ltd (Formerly Fedsure Traded Endowments Ltd) ^	Endowments trading	£28,530,787	100				
<b>Principal associated company of Investec Limited</b>							
Capital Alliance Ltd Ä	Long-Term Insurance	R716 163 703	29.0				

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

i Mauritius Ä South Africa \_ Hong Kong § Gibraltar ^United Kingdom

\* less than R1 million.



## Group currency profile

For the year ended 31 March 2004

(R millions)	ZAR	GBP	USD	EUR	OTHER	TOTAL
<b>Assets</b>						
Cash and short-term funds	10 584	129	2 449	130	150	13 442
Short-term negotiable securities	6 304	133	32	-	-	6 469
Investment in trading securities	18 706	305	(1 758)	145	144	17 542
Other assets	1 775	62	482	1	3	2 323
Advances	33 484	469	1 691	84	5	35 733
Associated companies	643	-	-	-	-	643
Property and equipment	1 310	14	-	-	3	1 327
Goodwill	1 348	-	-	-	-	1 348
Long term assurance assets attributable to the shareholder	3 133	-	-	-	-	3 133
	<u>77 287</u>	<u>1 112</u>	<u>2 896</u>	<u>360</u>	<u>305</u>	<u>81 960</u>
<b>Equity and Liabilities</b>						
Share capital and reserves	3 674	-	-	-	-	3 674
Compulsorily convertible debentures	322	-	-	-	-	322
Perpetual preference shares	1 491	-	-	-	-	1 491
Subordinated debt	2 961	-	-	-	-	2 961
Interest of minority shareholders in subsidiaries	297	-	-	-	-	297
Redeemable preference shares	1 740	-	-	-	-	1 740
Deposits and other accounts	66 893	387	3 514	241	94	71 129
Loans and advances to Investec plc and its subsidiaries	31	8	4	(6)	(6)	31
Taxation	322	(12)	-	-	5	315
	<u>77 731</u>	<u>383</u>	<u>3 518</u>	<u>235</u>	<u>93</u>	<u>81 960</u>

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

US Dollar \$1 = R6.366

British Pound £1 = R11.668

European Euro = R7.779

# Notes to the financial statements

For the year ended 31 March (R millions)	Group	
	2004	2003
<b>31. Asset quality, specific and general provisions</b>		
Total loans and advances to customers (gross of impairments/provisions)	35 733	29 003
Managed book	(998)	(791)
<b>Net loans and advances to customers</b>	<b>34 735</b>	<b>28 282</b>
Income statement impairment/(2003 - provision) charge	(109)	(235)
<b>Total provisions</b>		
Specific impairment	285	266
Total general provision	520	385
Regulatory reserve	455	—
Portfolio impairment/(2003 - general provision)	65	385
	805	651
Gross non-performing loans	740	379
Security	(552)	(145)
Net non-performing loans	188	234
<b>Adequacy of provisions</b>		
Specific impairment as a % of total loans and advances to customers	0.80%	0.92%
Total general provisions as a % of net loans and advances to customers	1.50%	1.36%
Total provisions as a % of total loans and advances to customers	2.25%	2.24%
Total provisions as a % of gross non-performing loans	108.78%	171.77%
Total provisions as a % of net non-performing loans	428.19%	278.21%
Specific impairment as a % of net non-performing loans	151.60%	113.68%
Gross non-performing loans as a % of net loans and advances	2.13%	1.34%

## Notes to the financial statements

For the year ended 31 March

(R millions)	0-1 Months	1-3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 Years	Total
<b>33. Supplementary risk information</b>							
<b>Liquidity gap at 31 March 2004</b>							
Cash and short-term funds	13 372	–	–	4	66	–	13 442
Short-term negotiable instruments	2 848	3 621	–	–	–	–	6 469
Investment and trading securities	14 888	167	1 350	214	574	349	17 542
Other assets	973	282	92	70	341	565	2 323
Advances	3 542	1 082	964	2 609	13 878	13 658	35 733
Associated companies	–	–	–	–	–	643	643
Property and equipment	34	–	–	–	250	1 043	1 327
Goodwill	–	–	–	–	–	1 348	1 348
Long-term assurance assets attributable to the shareholder	1 084	–	1 191	–	–	858	3 133
<b>Assets</b>	<b>36 741</b>	<b>5 152</b>	<b>3 597</b>	<b>2 897</b>	<b>15 109</b>	<b>18 464</b>	<b>81 960</b>
Equity	–	–	–	–	322	5 462	5 784
Subordinated debt	–	–	–	–	–	2 961	2 961
Liabilities	38 351	14 472	3 664	9 444	4 357	2 927	73 215
<b>Equity and liabilities</b>	<b>38 351</b>	<b>14 472</b>	<b>3 664</b>	<b>9 444</b>	<b>4 679</b>	<b>11 350</b>	<b>81 960</b>
Liquidity gap	(1 610)	(9 320)	(67)	(6 547)	10 430	7 114	–
<b>Cumulative liquidity gap</b>	<b>(1 610)</b>	<b>(10 930)</b>	<b>(10 997)</b>	<b>(17 544)</b>	<b>(7 144)</b>	<b>–</b>	<b>–</b>
<b>Liquidity gap at 31 March 2003</b>							
Cash and short-term funds	14 549	51	4	13	652	374	15 643
Short-term negotiable instruments	5 881	2 546	–	–	–	–	8 427
Investment and trading securities	6 145	73	3	101	3 200	561	10 083
Other assets	1 214	155	29	136	152	196	1 882
Advances	2 871	902	877	1 868	9 249	11 721	27 488
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
<b>Assets</b>	<b>30 660</b>	<b>3 727</b>	<b>913</b>	<b>2 118</b>	<b>16 843</b>	<b>16 812</b>	<b>71 073</b>
Equity	–	–	–	–	–	3 371	3 371
Subordinated debt	–	–	–	–	–	2 801	2 801
Liabilities	27 256	11 805	8 813	6 100	8 510	2 417	64 901
<b>Equity and liabilities</b>	<b>27 256</b>	<b>11 805</b>	<b>8 813</b>	<b>6 100</b>	<b>8 510</b>	<b>8 589</b>	<b>71 073</b>
Liquidity gap	3 404	(8 078)	(7 900)	(3 982)	8 333	8 223	–
<b>Cumulative liquidity gap</b>	<b>3 404</b>	<b>(4 674)</b>	<b>(12 574)</b>	<b>(16 556)</b>	<b>(8 223)</b>	<b>–</b>	<b>–</b>

# Notes to the financial statements

For the year ended 31 March

(R millions)	Total Trading	0-3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years	Non Int-Bearing	Total Non-Trading	Total
<b>33. Supplementary risk information (continued)</b>									
<b>Repricing gap at 31 March 2004</b>									
Cash and short-term funds	2 525	10 847	–	4	66	–	–	10 917	13 442
Short-term negotiable securities	1 917	2 458	22	58	738	1 242	34	4 552	6 469
Investment and trading securities	16 427	675	18	64	286	7	65	1 115	17 542
Advances	–	20 507	728	1 317	7 576	5 573	32	35 733	35 733
Other assets	1 344	1 084	–	–	–	–	6 346	7 430	8 774
<b>Assets</b>	<b>22 213</b>	<b>35 571</b>	<b>768</b>	<b>1 443</b>	<b>8 666</b>	<b>6 822</b>	<b>6 477</b>	<b>59 747</b>	<b>81 960</b>
Equity	–	1 813	–	–	–	–	3 971	5 784	5 784
Subordinated debt	–	–	–	–	–	2 961	–	2 961	2 961
<b>Liabilities</b>	<b>10 589</b>	<b>46 029</b>	<b>3 338</b>	<b>8 056</b>	<b>1 503</b>	<b>1 122</b>	<b>2 578</b>	<b>62 626</b>	<b>73 215</b>
<b>Equity and liabilities</b>	<b>10 589</b>	<b>47 842</b>	<b>3 338</b>	<b>8 056</b>	<b>1 503</b>	<b>4 083</b>	<b>6 549</b>	<b>71 371</b>	<b>81 960</b>
Hedges	–	7 889	316	1 190	(7 375)	(2 020)	–	–	–
Interest rate gap	11 624	(4 382)	(2 254)	(5 423)	(212)	719	(72)	–	–
<b>Cumulative repricing gap</b>	<b>11 624</b>	<b>7 242</b>	<b>4 988</b>	<b>(435)</b>	<b>(647)</b>	<b>72</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Repricing gap at 31 March 2003</b>									
Cash and short-term funds	5 421	10 222	–	–	–	–	–	10 222	15 643
Short-term negotiable securities	3 929	2 168	52	36	531	1 711	–	4 498	8 427
Investment and trading securities	7 091	–	–	–	–	–	2 992	2 992	10 083
Advances	315	11 609	678	1 470	5 800	6 803	813	27 173	27 488
Other assets	250	1 901	17	359	12	6	6 887	9 182	9 432
<b>Assets</b>	<b>17 006</b>	<b>25 900</b>	<b>747</b>	<b>1 865</b>	<b>6 343</b>	<b>8 520</b>	<b>10 692</b>	<b>5 4067</b>	<b>71 073</b>
Equity	–	379	–	–	–	282	2 710	3 371	3 371
Subordinated debt	–	–	–	–	–	2 801	–	2 801	2 801
<b>Liabilities</b>	<b>9 374</b>	<b>35 999</b>	<b>7 721</b>	<b>4 855</b>	<b>2 214</b>	<b>595</b>	<b>4 143</b>	<b>55 527</b>	<b>64 901</b>
<b>Equity and liabilities</b>	<b>9 374</b>	<b>36 378</b>	<b>7 721</b>	<b>4 855</b>	<b>2 214</b>	<b>3 678</b>	<b>6 853</b>	<b>61 699</b>	<b>71 073</b>
Hedges	–	1 009	1 346	5 712	(8 067)	–	–	–	–
Interest rate gap	7 632	(9 469)	(5 628)	2 722	(3 938)	4 842	3 839	–	–
<b>Cumulative repricing gap</b>	<b>7 632</b>	<b>(1 837)</b>	<b>(7 465)</b>	<b>(4 743)</b>	<b>(8 681)</b>	<b>(3 839)</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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