

# Corporate information

## Investec Limited

### Secretary and Registered Office

Selwyn Noik  
100 Grayston Drive  
Sandown Sandton 2196  
PO Box 785700 Sandton 2146

#### Telephone

(27 11) 286 7957

#### Facsimile

(27 11) 286 7966

### Investor Relations

Ursula Munitich  
Tanya Reid  
Natalie van der Bijl  
Margaret Arnold

#### Telephone

(27 11) 286 7070

#### Facsimile

(27 11) 286 7014

#### e-mail

[investorrelations@investec.com](mailto:investorrelations@investec.com)

#### 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

### Investec offices - contact details

Refer to details at the end of the report

# Contents

Investec in perspective	01
Overview of Investec Limited activities	04
Commentary on the results of Investec Limited	08
Risk management and corporate governance	13
Additional information	18
Financial statements	23



## Niched

Our strategic goals and objectives are based on a strong aspiration to be recognised as a distinctive specialist banking group. Rather than try to be all things to all people, we aim to build well-defined, value-added businesses that serve the needs of select market niches where we can compete effectively.

Niched



# Overview of the Investec group

Investec (comprising Investec plc and Investec Limited) is an international, specialist banking group that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974, we acquired a banking licence in 1980 and were listed on the JSE Securities Exchange South Africa in 1986.

In July 2002, we implemented a Dual Listed Companies structure with linked companies listed in London and Johannesburg. A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, we have an efficient integrated international business platform, offering all our core activities in South Africa and the UK and select activities in Australia.

We are organised as a network comprising five business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities. Our head office provides certain group-wide integrating functions and is also responsible for our central funding and the Trade Finance business.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist banking group. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

## Mission statement

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

## Values

- Outstanding talent - empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

Distinctive Performance

Dedicated Partnerships

Client Focus

Cast-iron Integrity

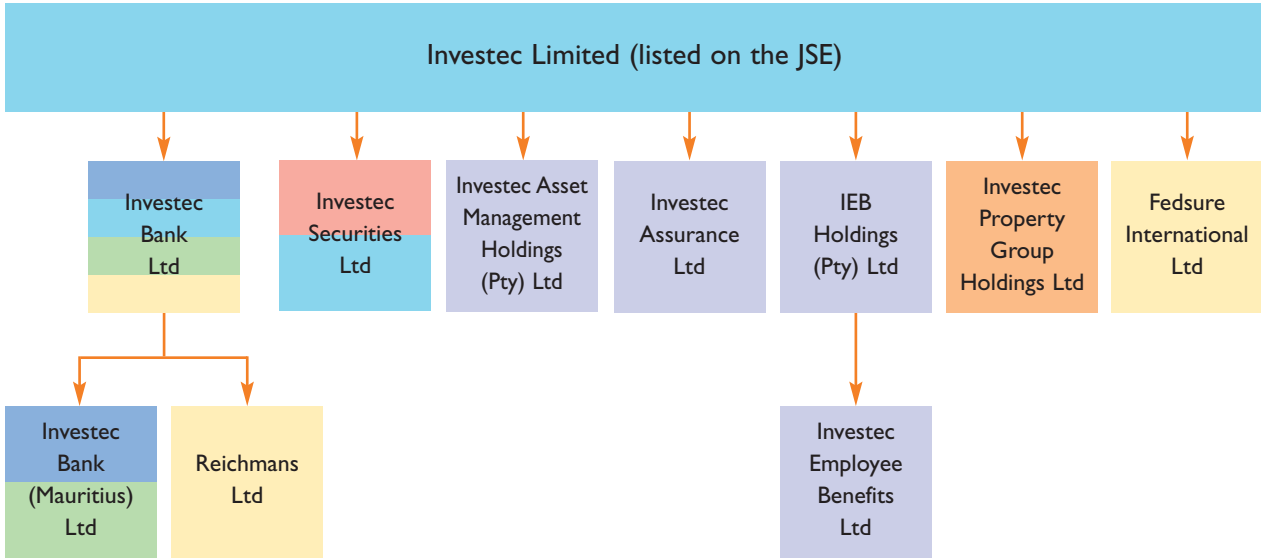
- Distinctive offering
- Leverage resources
- Break china for the client

- Moral strength
- Risk consciousness
- Highest ethical standards

# Investec Limited organisational structure

In terms of the implementation of the DLC structure (refer to page 3), Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius. Investec Limited is listed on the JSE Securities Exchange South Africa.

As at 31 March 2005



**Key: activities conducted**

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

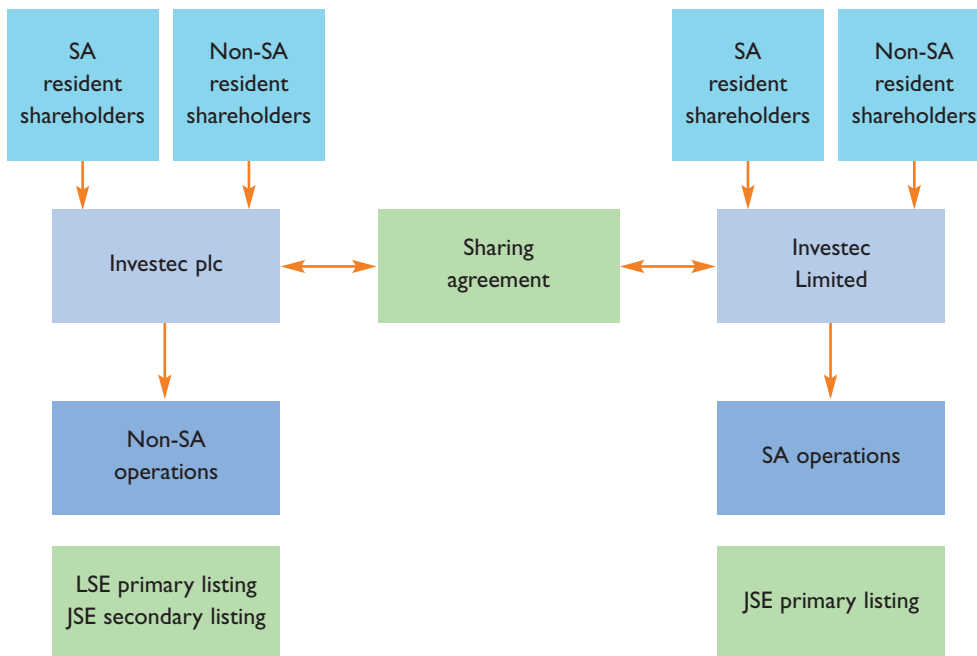
**Note:** All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

# Overview of Investec's Dual Listed Companies structure

## Introduction

During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore businesses on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002.

### DLC structure:



### Salient features:

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms.
- Investec operates as if it is a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company.
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Further information on our DLC structure is available 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 our website at

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





## Partnership

We encourage internal partnerships between business units, smaller teams and individuals, and undertake external partnerships with clients, corporates, communities and other stakeholders. At the core of these partnerships are internal networks that use the skills across our businesses.

Through close cooperation, we ensure that our clients and other stakeholders benefit to the maximum from the expertise of an integrated international banking group.



Partnership



# Overview of Investec Limited activities

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

## I. Investec Bank Limited

Investec Bank Limited's structure comprises three principal business units: Private Banking, Treasury and Specialised Finance and Investment Banking. Each division provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions, including Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisation Development. The office is also responsible for our central funding as well as other activities such as trade finance.

### Private Banking

Investec Private Bank provides a range of private banking services, targeting select high income and net worth individuals in chosen niche markets. These services include:

- Banking Products and Services
- Structured Property Finance
- Growth and Acquisition Finance
- Investment Management and Advisory Services
- Trust and Fiduciary Services

We position ourselves as "an investment bank for private clients" in the high value advisory market, striving to "out-think" not "out-muscle" our competitors. The division's distinctive focus is on wealth creation through gearing, driven by the predominance of active over passive high net worth individuals in South Africa, while also delivering bespoke wealth management solutions to select private clients.

One of our key strengths is the ability to originate new business by leveraging off our strong client relationships, which we establish through our lending activities. This sets us apart from other private banks that are dependent on the more traditional asset-gathering model.

In South Africa, we are represented in the major centres which are integrated with the UK and Australian operations. We provide banking products and services to high income earning clients. In addition, clients with a high net asset value gain access to structured property and growth and acquisition finance. Ultra high net worth clients receive these products and services, as well as a comprehensive wealth management, advisory and trust and fiduciary service.

This unique offering has a strong franchise among successful entrepreneurs, high earning employees and self-directed internationally mobile clients.

Our principal private banking products and services are described in further detail below.

#### Banking Products and Services

This offering comprises a wide range of onshore and offshore banking services from a range of jurisdictions in multiple currencies. These include lending, foreign exchange, daily transactional banking, short-term insurance and treasury. The treasury area spans currency deposits, money market deposits, structured deposits and cash management services.

#### Structured Property Finance

Structured property finance, a key part of our business, provides senior debt, mezzanine and equity to high net worth individuals involved in residential and commercial property markets.

#### Growth and Acquisition Finance

We provide private empowerment consortia, family businesses, entrepreneurs and management teams with senior, mezzanine or composite debt funding and minority equity investment solutions. Flexible and bespoke finance is available for implanting acquisition and organic growth strategies for South African based, privately owned, mid-market companies with a net asset value of less than R125 million.

#### Investment Management

We offer ultra high net worth private clients an independent wealth management service. Driven by an individual's specific requirements, the offering represents a bespoke strategic asset allocation where a dedicated investment practitioner proactively partners clients in line with their changing needs.

Through an open architecture, this highly disciplined yet personal service encapsulates a wide range of asset types, blending both traditional and alternative investments in accordance with the targeted risk profile and agreed objectives.

Our investment methodology, detailed qualitative and quantitative due diligence process and access to the expertise of some of the world's leading financial institutions enable us to offer clients products and services that are often exclusive and institutional in nature.

#### Trust and Fiduciary Services

Critical to our offering is the ability to implement appropriate structures on behalf of clients. Investec Trust operates in a unique space in the fiduciary market, as a bank owned trust company with the independence to work with partners best suited to client needs. Working alongside these partners, the focus is on the delivery and administration of complex and effective international financial structures.

## Treasury and Specialised Finance

Our Treasury and Specialised Finance division provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. We undertake 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 us.

Our activities can be described as either Banking or Financial Markets operations.

Banking Activities comprise structured and asset finance, project finance, commodity and resource finance, financial products, corporate treasury and balance sheet management.

Financial Markets Activities consist of 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.

The breadth of activities allows us to provide a portfolio whereby sustained growth should be achievable.

### Banking Activities

#### Treasury - corporate treasury and asset and liability management

Treasury provides Rand, Pounds Sterling, Euro and US Dollar funding to the group, and manages liquidity and interest rate risk on behalf of the group. We offer a broad range of treasury products and services to the corporate and public sector markets.

#### Financial Products

We are involved in commercial paper, bond origination, securitisation, financial engineering, preference share investments and structures, equities scrip lending, credit structuring, credit derivatives and the development of investment products.

#### Structured and Asset Finance

This focuses on structured and conventional lending, bond origination, securitisation and advice, asset leasing and finance, preference share finance, mezzanine debt financing, leveraged buy-out funding, executive share schemes and financing solutions for corporate, government and public sector clients.

#### Project Finance

We provide advisory services, debt arranging and underwriting and equity raising in infrastructure and industrial sectors with a focus on roads, ports, healthcare, defence projects, transport and power.

### Commodities and Resource Finance

We are a participant in the precious and base metals markets, and provide hedging and structured trades for clients in the spot and derivatives markets.

We also offer advisory services, debt arranging and underwriting, equity raising in the mining resources industry and structured hedging solutions.

### Financial Markets Activities

#### Interest Rates

This unit is involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements.

#### Foreign Exchange

We are a participant in the spot, forward exchange, currency swaps and currency derivatives markets, principally in Rand and G7 currencies and certain emerging markets currencies.

#### Equity Derivatives

Our focus is on major equity index options, certain single stock options, equity structured products, futures index arbitrage and equity warrants. We provide hedging and structuring services to financial intermediaries, institutions and companies.

## Investment Banking

We engage in a range of investment banking activities, including corporate finance, direct investments and private equity.

We are established 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 our local knowledge and expertise, we are well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which we have been involved.

### Corporate Finance

Since 1999, domestic capital market activity in South Africa has been limited. Accordingly, we have focused on the development of our domestic financial advisory business, in particular regarding black economic empowerment transactions, mergers and acquisitions, divestitures, restructurings and the provision of innovative and creative deal structures and advice.



# Overview of Investec Limited activities

## Direct Investments

As a result of our in-depth market knowledge and local expertise, we are well positioned to take direct positions in predominantly JSE listed shares where we believe that the market is mispricing the value of underlying portfolio of assets. These investment positions will be carefully researched with the intent to stimulate corporate activity. We also pursue opportunities to help create and grow black owned and controlled companies.

## Private Equity

We actively seek and select 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 for the existing business by implementing an agreed strategy.

## Group Services and Other Activities

### Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations. While these services do not form part of the operating divisions, we recently adopted a policy of allocating a portion of these costs to the divisions.

Our principal Central Services, relating to the operations and control of our business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisation Development. Other group support services include: Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information Centre, Regulatory and Facilities. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

### Central Funding

Our business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. We use various sources of funding, depending on the specific financial and strategic requirements we face at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to our principal operating divisions.

## Other Activities

Other Activities include those operations that 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 yet fall into one of our principal business divisions and that we have grown organically or retained following acquisition due to their profitability and diversifying effect on our income streams.

### International Trade Finance

We acquired our International Trade Finance business, ReichmansCapital, in South Africa in 1990. Clients are small to medium-sized owner managed businesses. We offer trade, asset and debtor finance to provide clients with working capital and funding for the acquisition of assets, and to facilitate growth.

## 2. Investec Asset Management

Investec Asset Management provides a comprehensive range of portfolio management services and products to institutional and retail clients.

We have grown significantly since inception in South Africa in 1991 with R225 million of assets under management. Today, we are one of the largest managers of third party assets in Southern Africa, managing funds on behalf of individuals, retirement funds, insurance companies, government bodies, universities, corporations and other institutions. We are a multi-specialist investment manager and a market leader in specialist equity, fixed interest, balanced and absolute return funds. As at 31 March 2005, our South African sourced assets under management amounted to R173 billion.

We are committed to achieving excellent investment performance, delivering quality client service and creating appropriate investment solutions that fulfill the needs of clients.

## 3. Investec Securities Limited

### Private Client Portfolio Management and Stockbroking

Private Client Portfolio Management and Stockbroking offers a selection of personal investment and stockbroking services to a client base comprising predominantly high net worth individuals.

We began operating in South Africa in 1996 through the acquisition of Fergusson Bros, and now operate under the

name of Investec Securities Limited.

Measured by assets under management, we are one of the largest private client stockbrokers and one of the largest private client portfolio managers in South Africa. We grew primarily through strategic acquisitions. These include the purchase in June 1999 of HSBC's Johannesburg private client operation (resulting in the addition of approximately R4.5 billion in assets under management), in October 2000 of Quyn Martin Asset Management (adding R1.8 billion in assets under management) and in January 2002 of Merrill Lynch South Africa's private client operation in Cape Town (adding R4.3 billion in assets under management). As at 31 March 2005, funds under management were R42.0 billion. In March 2005, we purchased the remaining private client business of HSBC in South Africa, resulting in additional funds under management of approximately R15.8 billion.

#### **Institutional Research, Sales and Trading**

Institutional Securities 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. We are also represented in the UK and USA to promote South African stocks to a global emerging market client base.

We recently introduced a Prime Broking offering to target the growing South African hedge fund market.

#### **4. Investec Property Group Limited**

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.

Property assets under administration grew to approximately R14.7 billion (2004: R12.5 billion) by financial year-end, an increase of 17.8%, making us one of the largest property managers in South Africa.

#### **5. Investec Employee Benefits**

The group risk business has been sold to Capital Alliance Holdings Limited through a reinsurance contract executed on 31 December 2004.

#### **6. Traded Endowments (a subsidiary of Fedsure International Limited)**

During the year we exited from the Traded Endowments business.

## Entrepreneurial

Entrepreneurship is inspired through a flat integrated management structure that encourages individuality and fosters the constant creativity needed to capture growth opportunities. We promote entrepreneurial flair and the freedom to operate within the context of risk consciousness, sound judgement and the obligation to do things properly. This mind-set together with our strong values system creates a working environment that encourages extraordinary performance.







Entrepreneurial



# Commentary on the results of Investec Limited (excluding Investec plc) for the year ended 31 March 2005

## Introduction

Investec Limited posted an operating profit, before headline adjustments and amortisation of goodwill, of R1 923 million - an increase of 45.2%. We benefited from continued strict focus on driving profitable growth in our core businesses supported by favourable economic conditions.

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

## Financial highlights

As at 31 March	2005	2004
Operating profit before exceptional items and amortisation of goodwill (R'million)	1 923	1 324
Headline earnings (R'million)	1 256	928
Total capital resources (R'million)	11 264	8 745
Total shareholders' funds (R'million)	8 303	5 784
Total assets (R'million)	125 653	114 411
Cost to income ratio	49.5%	57.8%
Capital adequacy ratio	20.1%	15.1%
Tier 1 ratio	13.1%	8.3%
Number of employees	2 648	2 627

## Business unit review

### Private Client Activities

#### Overview of performance

The Private Client Activities, comprising Private Banking and Private Client Portfolio Management and Stockbroking, posted an operating profit, before headline adjustments and amortisation of goodwill, of R422 million - an increase of 70.2%. Strong performances were recorded across the majority of Private Banking activities and Private Client Securities benefited from the rising and more buoyant equity market and a healthy flow of net new business.

### Private Banking

#### Developments

- Notable performances from Structured Property Finance, Growth Finance and Investment Management activities.

- Since 31 March 2004:
  - The private client lending book has grown by 30.2% to R29.0 billion.
  - The retail deposit book has increased by 30.6% to R13.5 billion.
- Our Growth and Acquisition Finance capability expanded into all regions.
- Significant progress was achieved in our wealth management specialisation.
- We provided funding of more than R1.45 billion in support of black economic empowerment initiatives.

## Outlook

We have carefully planned growth strategies, which include increased distribution capability, a pipeline of new initiatives and existing deal flow that will support the current momentum. Although the Structured Property Finance specialisation grew strongly over the last three years, we reduced dependency on this business by developing scale in our Growth and Acquisition Finance and Investment Management areas.

## Strategic focus

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

#### What is our strategy?

- Our strategy is to provide both financial leverage and acumen necessary to achieve our clients' financial dreams.
- It is our intent to be recognised as a leading, distinct and specialist wealth generator.
- In the pursuit of risk adjusted returns for our clients, partners and shareholders, we seek to differentiate ourselves by leveraging our core competence in risk management to create, hold and provide privileged access to niched credits and niched investment opportunities.

#### How is it implemented?

- Identified specialisations leverage off our core competence and exploit distinct value and margin opportunity.
- We achieve this through a chosen talent pool delivering distinctive value through partnerships and a diagnostic approach to our select clients.
- We concentrate on growth markets and client segments where we have an affinity and can establish and maintain a leadership position.
- Adherence to our core philosophies and brand values underpin our platform for growth and aspiration.
- The focus for the forthcoming period will be to:
  - Establish scale in each of the existing specialisations.
  - Invest in new specialisations.

# Commentary on the results of Investec Limited (excluding Investec plc) for the year ended 31 March 2005

## Private Client Portfolio Management and Stockbroking

### Developments

- Total funds under management increased by 41.1% to R42.0 billion (excluding HSBC funds acquired).
- The cost cutting exercise over the last few years and the scalability built into the business model translated into increased revenues.
- The Corporate Broking business is now fully established and performed exceptionally well over the last financial year.
- The Staff Share Incentive Scheme business, which offers fully outsourced administration services to corporate clients who run staff share schemes, is established, with a number of clients using the service.
- The offshore offering (Investec World Axis) targeting amnesty and asset swap money was launched towards the end of the financial year and achieved breakeven in funds.
- Private Client Securities purchased the private client business of HSBC, resulting in additional discretionary funds under management of approximately R2.3 billion and non-discretionary funds under management of R13.5 billion. The transaction was effective from 1 March 2005, and regulatory approval was obtained on 29 March 2005.

### Strategic focus

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

- To focus on amnesty moneys through our Investec World Axis offering and we have launched an extensive marketing campaign to bring new funds and to convert existing asset swap moneys into the offering.
- To focus on bedding down the HSBC acquisition and introducing the client base to the broader Investec product offerings in an endeavor to extract more value out of the relationship with this new client base.
- To seek out opportunities to diversify our revenue base by looking to introduce additional products and service offerings for our clients
- To actively grow our non-discretionary client base.
- To grow our discretionary client base, both from a new client perspective, and in the conversion of existing non-discretionary clients to discretionary.

### Outlook

- Prospects remain good.
- We anticipate continued private client interest in the market as well as significant corporate activity, which will benefit both our corporate broking and private client activities.

## Treasury and Specialised Finance

### Overview of performance

The Treasury and Specialised Finance division posted operating profit before headline adjustments and amortisation of goodwill of R314 million - marginally ahead of the prior year. We benefited from a relatively stable interest rate environment and an improvement in dealing profits, following a disappointing performance in the prior period.

### Developments

#### Banking Activities

The advisory and structuring businesses performed well, with notable performances from the Structured Finance and Financial Products divisions.

#### Treasury

- Liquidity remained well managed and we performed strongly in a more stable interest rate environment.

#### Financial Products

- A specialist derivative sales and structuring team was created to focus on providing customers with specialist solutions across all trading book products. Product innovation remains high and the commercial paper conduit was successfully launched, with R1.5 billion of assets added in the last nine months of the year.

#### Structured and Asset Finance

- The acquisition finance business had a good year, completing a number of successful large corporate deals.
- The debt origination and securitisation business was moved from the Financial Products team to enhance synergies in the two areas and a number of new initiatives were implemented, focusing on black economic empowerment, the mid corporate market and property finance.

#### Project and Infrastructure Finance

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

#### Commodities and Resource Finance

- A number of deals were successfully closed, although the strong Rand meant that deal flow was slow.

### Financial Markets Activities

The performance of the trading activities improved as the move away from proprietary trading to a more client centric trading and structuring approach reduced volatility on the trading desks.

### Interest Rates

- Liquidity and flow levels in the market remained low and performance was acceptable given market conditions.

### Foreign Exchange

- Successful corporate foreign exchange marketing initiatives contributed to the achievement of good profitability.

### Equities Derivatives

- A difficult year was experienced as equity volatilities reached their lowest level. This was offset by successes in the structuring area.

## Outlook

There is a good level of positive momentum in the business, which is more apparent than at the same time last year. Line of sight income is good. Initiatives with potential benefit in the year ahead relate to leveraging off existing platforms, with greater penetration of the existing client base and active measures to increase this. On balance, we have built a strong platform and are well positioned to target significant and sustainable growth.

## Strategic focus

### Our objectives include:

- Continuing to remain a focused and specialised business, targeting markets and products where we can be distinctive and competitive.
- Ensuring, through strong discipline centred on clients and delivery of structured products:
  - Asset creation opportunities
  - Product structuring and distribution
  - Trading, hedging and proprietary market opportunities
  - Advisory business
- Developing our market leading position, focusing on growth initiatives and growing a portfolio of quality term assets.
- Continuing to concentrate on systems, processes and automation, particularly in the trading businesses, to ensure maximum competitive advantage and long-term cost savings.
- Taking advantage of a significant opportunity to use our skill to launch specialist funds. A number of initiatives are under way which should ensure significant annuity fees in time.
- Targeting significant and sustainable growth.

## Investment Banking

### Overview of performance

Operating profit, before headline adjustments and amortisation of goodwill, decreased slightly from R324 million to R300

million. The Private Equity and Direct Investments activities benefited from a good performance from the underlying portfolios. Institutional Stockbroking had a strong performance against a backdrop of favourable equity markets while Corporate Finance experienced steady levels of activity although transactions have taken longer to complete.

## Developments

### Corporate Finance

- We maintained our strong positioning with a steady level of activity.
- Our focus was on corporate restructuring activities, black economic empowerment transactions, de-listings and the high profile hostile bid by Harmony for Goldfields.
- All major clients were retained and several new mandates were gained during the period, particularly for black economic empowerment transactions.
- Statistics:
  - Number of corporate finance transactions completed during the period decreased to 88 (2004: 93), with the value increasing to R32.4 billion (2004: R20.0 billion).
  - Number of sponsor broker deals completed during the period increased to 94 (2004: 83), with the value increasing to R25.8 billion (2004: R17.3 billion).
- The Corporate Finance division was ranked second in the volume of M&A transactions and second in general corporate finance by volume in the Dealmakers Magazine Survey for Corporate Finance (March 2005).
- The Sponsor division was ranked first in the volume of M&A transactions and second in general corporate finance by volume in the Dealmakers Magazine Survey for Sponsors (March 2005).

### Institutional Research, Sales and Trading

- During the period, the Institutional Securities business was strategically re-aligned. As a result, a global presence was established in the USA to create an improved platform to leverage the South African product into select international markets.
- The agency business performed well as improved JSE volumes translated into geared bottomline revenues.
- Simultaneously, the achievement of top tier rankings with our target client base enabled us to grow market share.
- The Prime Broking initiative was launched early in 2005.

### Private Equity and Direct Investments

- The Private Equity portfolio increased to an aggregate value of R366 million (2004: R217 million), mainly driven by good performance from existing investments, a number of acquisitions and improved equity markets.
- The Direct Investments portfolio at year end was approximately R460 million.

# Commentary on the results of Investec Limited (excluding Investec plc) for the year ended 31 March 2005

## Outlook

Our outlook is naturally geared towards the state of global equity markets.

- The corporate finance pipeline is reasonable, which will maintain the current momentum and we expect black economic empowerment transactions to continue to drive activity.
- Institutional Securities is well positioned to take advantage of the current buoyant market and we are leveraging our position as the top local securities house. Furthermore, our focus will be on distributing the South African product into the UK and the US markets.
- The outlook for Private Equity for the next six months remains positive, based on the quality pipeline in place. We continue to look for value creation opportunities.
- We remain active in looking for direct investment opportunities, while continuing to unlock further value from the portfolio and building quality black economic empowerment platforms.

## 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.**

Our primary objectives are to secure our current positionings and to continue building our operations, with a strong focus on enhancing overall profitability.

### Corporate Finance

- Leverage leading position in the South African market.
- Identify appropriate investment banking transactions and IPO candidates.
- Continue with strategy relating to black economic empowerment.
- Improve cross-border activity.

### Institutional Research, Sales and Trading

- Establish niche as uniquely South African house, with selective international capability.
- Leverage the South African product into the UK and USA markets.
- Diversify our revenue stream by growing into related business areas and creating centres of excellence.
- Continue to be a significant contributor of ideas/transactions within the group.

### Private Equity and Direct Investments

- Focus on quality, not quantity, in selected industries.
- Concentrate on closer co-operation with empowerment partners.
- Convert on current transaction pipeline.
- Expand selected platforms and exit non-core and smaller holdings.
- Cover overheads from dividends and fees.

## Asset Management

### Overview of performance

Investec Asset Management delivered operating profit before headline adjustments and amortisation of goodwill of R372 million – an increase of 35.8%. Assets under management increased by 18.4% to R173 billion over the year. A highlight of the year was ongoing strong investment performance across the product range.

### Developments

- There was outstanding specialist equity investment performance over all periods.
- Superior retail funds performance was recognised by numerous industry awards.
- We achieved successful retention of assets (with improved margins) in the institutional client restructuring process from balanced to specialist mandates.
- There were strong net inflows of R1.7 billion into the retail funds due to excellent retail investment performance and a focused marketing strategy.
- The African initiative continued to gain momentum, with Botswana generating significant net flows.
- Our commitment to clients remains paramount as demonstrated through the closure of certain of the best selling propositions, such as value equities, to new business.
- A focused talent and transformation programme is under way, supporting one of our key objectives.

## Outlook

Prospects remain good and although our business is dependent on market levels, we have built a solid foundation to grow confidently.

The primary objectives of the business are:

- Investment performance.
- Client satisfaction.

The focus for the coming year will be to:

- Maintain and grow the momentum with a key focus on transformation.
- Leverage our unique Africa link.

## Strategic focus

- To deliver sound investment performance across all propositions.
- To provide a superior experience in terms of client service and product innovation.
- To continue to attract and retain the kind of people who built the division from scratch to one of the top 100 providers of third party asset management in the world.



## Property Activities

### Overview of performance

The Property business delivered operating profit before headline adjustments and amortisation of goodwill of R83 million, down from R100 million. Funds under management increased by 17.8% to R14.7 billion over the year. The division took advantage of the favourable operating environment and sold a number of properties during the year, although trading revenue declined year on year.

### Developments

- We took advantage of the favourable operating environment and sold a number of properties during the year, although trading revenue declined year on year.

### Outlook

- Activity in the property market is favourable, given the low interest rate environment and we expect to continue to perform well, leveraging off our market share and dominant positioning.
- There is opportunity to continue to realise our trading portfolio, given the buoyancy in the market.
- There is a reasonable pipeline of property projects and developments and we are actively and continually reviewing opportunities to grow the fund business.

### Strategic focus

#### Fund Management

- Grow assets under management through strategic acquisitions of individual properties or portfolios of properties.
- Transform listed property company Growthpoint into an ALSI 40 stock.

#### Listed Property Portfolio Management

- Increase assets under management to R4.5 billion or 10% of the listed property sector, whichever is greater.
- Drive securitisation into the South African listed property sector.

#### Property Management

- Expected to grow in line with the growth in fund management.

#### Property Trading and Development

- As the entrepreneurial, opportunistic division of Investec Property Group, we seek to exploit development or trading opportunities that may exist from time to time.

## Assurance Activities

### Overview of performance

For the year ended 31 March 2005, our life assurance activities conducted by Investec Employee Benefits, reported operating profit before headline adjustments and amortisation of goodwill of R65 million - an increase of 38.3%.

We benefited from an increase in embedded value as a consequence of improved efficiencies. The group risk business was sold to Capital Alliance Holdings Limited through a reinsurance contract executed on 31 December 2004, and the earnings reflect income to the date of sale.

## Group Services and Other Activities

### Overview of performance

The Group Services and Other Activities division posted a significant increase in operating profit from R29 million to R367 million, largely as a result of a solid performance by the Central Funding division which benefited from an improved capital structure. Furthermore, there was substantial growth in the return on shareholder's funds in the long-term assurance business conducted through Investec Employee Benefits. This resulted from a large increase in the average long-term assurance assets attributable to the shareholder; from R2.4 billion to R3.1 billion, supported by favourable capital market conditions.

### Developments

#### International Trade Finance

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

#### Traded Endowments

- During the period, we exited from the traded endowments market.

## Passionate

We employ individuals of the highest calibre, who have integrity, intellect and the ability to innovate. The quality of our people is a definitive aspect of our success and it is their passion to succeed and persistent dedication that allows us to provide distinctive service for our clients.







Passionate



## Risk management

Effective risk management is critical to Investec. Taking international best practice into account, we follow a comprehensive risk management process, which involves identifying, understanding and managing the risks associated with each of our businesses.

We monitor and control risk exposure through focused market, credit, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue growth across our business.

A culture of risk awareness, control and compliance is also embedded in our day-to-day activities.

While each business unit retains primary responsibility for managing the risks that come with its business, a centralised division, Group Risk Management (part of Group Services), independently monitors, manages and reports on our risk, as mandated by the Board of Directors through the Board Risk Review Committee. Group Risk Management has established operational divisions in South Africa and the UK, and smaller risk divisions in other regions.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives.

Group Risk Management continually seeks new ways to enhance its risk management techniques. However, no bank can completely or accurately predict or fully assure the effectiveness of its policies and procedures for managing risk.

A detailed account of our risk management philosophies and processes can be found in the group's Annual Report for the year ended 31 March 2005.

## Internal Audit

Internal Audit provides objective assurance to the board that management processes are adequate to identify the significant risks which the business is subject to and that the control environment is effective enough to manage those risks. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

An Internal Audit charter, approved by the Group Audit Committees and reviewed annually, governs internal audit activity within the group. The charter defines the role, objectives, authority and responsibilities of the function.

As a result of the silo specific regulatory responsibilities arising from the Dual Listed Companies structure, there are essentially two group Internal Audit divisions located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. All the Internal Audit departments use similar risk based methodologies.

The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the chairman of their entity's Audit Committee. They operate independently of executive management but have ready access to their local Chief Executive Officer and the Chairman of the Audit Committee. For administrative and co-ordination purposes, they also report to the Global Head of Corporate Governance and Compliance.

Further details on our Internal Audit division can be found in the group's Annual Report for the year ended 31 March 2005.

## Compliance

In order to meet the regulatory requirements arising from the implementation of the Dual Listed Companies structure, independent Group Compliance functions exist within both Investec plc and Investec Limited. These functions operate under terms of reference approved by the board and the Audit Committee. A Group Compliance Officer, who operates independently from executive management and is responsible for ensuring adequate management of compliance risk within each silo, heads each function. Each Group Compliance Officer reports directly to the Chief Executive Officer and the Global Head of Compliance, with unrestricted access to the Chairman of the Audit Committee. The Global Head of Compliance is responsible for management of the compliance function across the Dual Listed Companies structure.

Group Compliance functions work closely to ensure consistent management of compliance risk group-wide. A key responsibility of the Group's Compliance Officers is to develop and maintain constructive working relationships with regulators and supervisors in all our geographies.

Further details on our Compliance division can be found in the group's Annual Report for the year ended 31 March 2005.

# Risk management and governance

## Credit ratings

In general, we were assigned strong ratings for credit quality, capacity for timely repayment and financial strength. In terms of our Dual Listed Companies structure, Investec plc and Investec Limited 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 (UK) Limited, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

The ratings as at 31 March 2005 are set out as follows:

### Ratings for Investec Limited

#### CA Ratings

Local currency short-term rating	A1+
Local currency long-term rating	A+

#### Fitch

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

### Ratings for Investec Bank Limited - a subsidiary of Investec Limited

#### CA Ratings

Local currency short-term rating	A1+
Local currency long-term rating	A+

#### 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	2
Foreign currency short-term rating	F3*
Foreign currency long-term rating	BBB*
Local currency short-term rating	F1
Local currency long-term rating	A+

#### Global Credit Rating Co.

Local currency short-term rating	A1+
Local currency long-term rating	A+

#### Moody's

Financial strength rating	C-
Foreign currency short-term deposit rating	Prime-2*
Foreign currency long-term deposit rating	Baa1*
National scale short-term rating	Prime-1
National scale long-term rating	Aa3

\* Constrained by the sovereign rating for South Africa.

## Corporate governance

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the group's Annual Report for the year ended 31 March 2005.

Our values and philosophies form the framework against which behaviour, practices and activities are measured, to assess the characteristics of good governance. Our values require directors and employees to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

Accordingly sound corporate governance is implicit in our values, culture, processes, functions and organisational structure and the structures designed to formalise oversight of and to ensure that the values remain embedded in all businesses and processes. We continue to refine both these structures, and a written Statement of Values, which serves as our Code of Ethics and has always been a pillar of our culture.

### Governance highlights and achievements

- CA Ratings reaffirms extremely sound corporate governance rating of Aag.
- We embarked on the initial phase of a comprehensive stakeholder engagement process. The aim of this process is to obtain a broad understanding of the issues that are of material interest to stakeholders regarding our sustainability performance.
- We were included in the JSE Socially Responsible Investment (SRI) Index for the second consecutive year.
- We continued to receive recognition for our ongoing commitment to provide timeous, detailed and relevant disclosure to stakeholders and were 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.
- We were awarded first place for our remuneration practices in the 2004 South African Deloitte Good Governance Awards.

### Board statement

The board is of the view that Investec complied with the Principles of Good Governance and Code of Best Practice contained in the South African King II "Code of Corporate Practices and Conduct" (King II) during the period under review, except as follows:

- The Chairman of the board is not considered to be independent, but has distanced himself from any executive authority and status, thus enhancing his status as a non-executive director.

## Financial reporting and going concern

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

The financial statements have been prepared on a going concern basis. The board is of the opinion, based on its knowledge of the company, key processes in operation and specific enquiries, that there are adequate resources to support the company 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 21 and 22.

The board is responsible for reviewing and guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks we face, and determining our risk tolerance and the processes in operation to mitigate these.

The board has defined the limits of delegated authority and is ultimately responsible for assessing and managing risk policies and philosophies; overseeing major capital expenditures, acquisitions and disposals; approving the establishment of businesses; and approving the introduction of new products and services.

In fulfilling its responsibilities, the board is supported by management, who are required to implement the plans and strategies approved by the board. The board monitors management's progress on an ongoing basis.

The majority of the board members are non-executive directors. The board is of the view, that the majority of the non-executive directors are independent and 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.

### Board committees

The board is supported by specialist committees, as follows:

- Audit Committee
  - Audit sub-committees
  - Audit and Compliance Implementation Forum

# Risk management and governance

- Board Risk Review Committee
  - Executive Risk Review Forum
  - Group Credit Committee
  - Asset and Liability Committees
  - Group Market Risk Forum
  - Group Deal Forum
  - Operational Risk Forum
  - Legal Risk Forum
  - Country Risk Forum
- Directors Affairs Committee
- Nomination Committee
- Remuneration Committee
- Capital 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 necessary.

## 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. Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network.

Furthermore, each strategic business unit has an 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.

## Internal control

We continued to embed the principles of 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, throughout the group during the year under review. We also took cognisance of the King II requirements in South Africa.

Risks and controls are reviewed regularly for relevance and effectiveness. The Board Risk Review Committee assists the board in this regard. Sound 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 we face and was in place for the year

under review. It is recognised that such a system can only provide reasonable, and not absolute, assurance against material error, omission, misstatement or loss. This is achieved through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums and assurance and control functions such as Risk Management, Internal Audit and Compliance. These ongoing processes were in place for the year under review.

As part of the process, risk and control identification is completed and assessed at business unit level. Each business unit has responsibility and accountability for management of its own risk, following a consistent risk assessment process through workshops facilitated by Group Risk Management. Risks to 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.

Senior management reviews these risk assessments regularly.

Internal Audit reports control recommendations to senior management, Risk Management, the relevant Audit Committee and relevant Sub-Audit Committees. Appropriate processes 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. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk Review Committee and the Audit Committee. Reports from the Audit Committees, Board Risk Review Committee and risk and control functions are reviewed at each board meeting.

## Internal financial control

Our financial controls focus on critical risk areas. These areas are, as appropriate, identified by operational management, confirmed by group management, reviewed by Group Risk Management, and assessed by the risk control functions of Internal Audit and Compliance. Group Risk Management reports to the Board Risk Review Committee, while the latter functions report to the Audit Committee. Accordingly the information may be conveyed to the board from one or more quarters to enable the latter to monitor the process of identifying these risks.

## External audit

Our external auditors are Ernst & Young and KPMG Inc. The independence of the external auditors is recognised, and reviewed with the auditors by the Audit Committee on an annual basis.

The Audit Committee meets with the external auditors to review the scope of the external audit, budgets and any audit matters arising.

Non-audit services are dealt with in terms of an agreed policy.

### **Regulation and supervision**

We are 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 recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders. The purpose is to help these stakeholders make meaningful assessments and informed decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We also seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of the risks. Another objective is to show a balance between the positive and negative aspects of our activities, in order to achieve a comprehensive and fair account of our performance.

### **Sustainable business practices**

In keeping with our entrepreneurial spirit, our sustainability efforts focus on issues that are most relevant to our business.

As people are our most important asset, we have comprehensive policies and procedures in place, aimed at providing a stimulating work environment that attracts, nurtures and retains high-calibre individuals. We strive to inspire entrepreneurship through a flat integrated structure

that encourages individuality. Material employee ownership is one of our fundamental philosophies. The staff share schemes enable employees to participate in our long-term growth, encouraging motivation, commitment and loyalty. By aligning our employees' interests with those of our shareholders, we aim to stimulate the entrepreneurial spirit, growing a culture dedicated to creating wealth for all stake holders and employees. New employees across all gender and race groups participate in the staff share schemes, by being allocated options to acquire equity.

This, together with our culture, values and human resources practices, creates a working environment that stimulates extraordinary performance. In this way, employees are able to be positive contributors to the group, clients and their communities.

For further information on sustainable business practices, refer to the 2005 Sustainability Report.

## Client centric

Our approach is firmly client centric, prioritising the delivery of products and services that fulfil each client's needs, while acting with integrity. The satisfaction of our clients is integral to our business, hence we consistently strive to exceed their expectations.







Client centric



# Shareholder analysis

The group operates under a Dual Listed Companies structure in terms of which it has primary listings both in Johannesburg and London. 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 2005 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 2005

### Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
11 967	1 to 500	87.2%	959 106	2.2%
616	501 - 1 000	4.5%	459 614	1.0%
651	1 001 to 5 000	4.7%	1 483 739	3.4%
175	5 001 to 10 000	1.3%	1 253 004	2.8%
230	10 001 to 50 000	1.7%	5 127 793	11.7%
37	50 001 to 100 000	0.3%	2 422 157	5.5%
52	100 001 and over	0.3%	32 294 114	73.4%
<b>13 728</b>		<b>100.0%</b>	<b>43 999 527</b>	<b>100.0%</b>

## Shareholder classification

	Investec Limited number of shares	% holding
Public*	32 729 120	74.5%
Non-public	11 270 407	25.5%
Non-executive directors of Investec Limited**	102 562	0.2%
Executive directors of Investec Limited	1 514 354	3.4%
Investec staff share schemes, leveraged ownership schemes and treasury shares	4 242 380	9.6%
Tiso Group**	2 800 000	6.4%
Peu Group (Proprietary) Limited**	2 611 111	5.9%
<b>Total</b>	<b>43 999 527</b>	<b>100.0%</b>

\* As per the JSE listing requirements.

\*\* In November 2003, Investec Limited implemented an empowerment transaction. The shareholdings held by F Titi and MP Malungani are shown under the holdings of Tiso Group and Peu Group (Proprietary) Limited, respectively.

# Shareholder analysis

## Largest beneficial shareholders as at 31 March 2005

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 (ZA)	6 341 147	14.4
2 Investec Ltd Security Purchase and Option Scheme Trust 2003 (ZA)**	2 832 770	6.4
3 Entrepreneurial Development Trust (ZA)**	2 800 000	6.4
4 Tiso INL Investments Pty Ltd (ZA)**	2 800 000	6.4
5 Peu INL Investments I Pty Ltd (ZA)**	2 611 111	5.9
6 Old Mutual Life Assurance (ZA)	2 183 295	5.0
7 Spurwing-L Investments Ltd (BVI)	1 291 179	2.9
8 Sanlam Investment Management (ZA)	1 115 064	2.5
9 Fintique Three (BVI)*	755 392	1.7
10 Investec Bank Channel Islands Ltd (CI)	654 218	1.5
<b>Cumulative total</b>	<b>23 384 176</b>	<b>53.1</b>

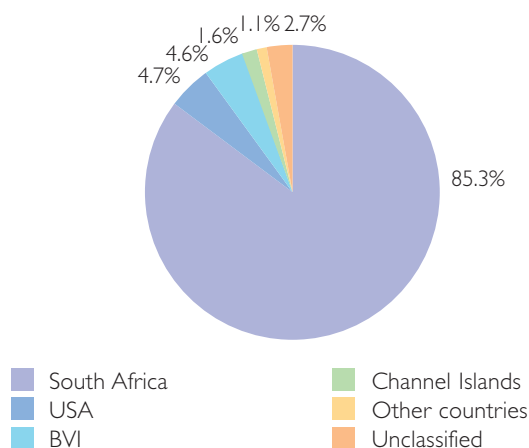
The top 10 beneficial shareholders account for 53.1% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

\* A small group of senior and executive management, including certain Investec plc/Investec Limited 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. Fintique III matured on 15 December 2004.

\*\* In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners, a broad-based development trust and an employee trust collectively acquired 25.1% of the issued share capital of Investec Limited.

## Geographic holding as at 31 March 2005

Investec Limited - total non-SA shareholding excluding group share schemes is 11.5%



## Share statistics

### Investec Limited ordinary shares in issue

For the year ended 31 March	2005	2004	2003	2002	2001	2000
Closing market price per share (cents)						
- year end	17 800	12 530	7 650	13 000	19 700	26 020
- highest	19 000	15 100	17 440	24 580	27 800	30 000
- lowest	10 780	7 750	7 650	13 000	19 200	18 440
Number of ordinary shares in issue (million)	44.0 <sup>1</sup>	44.0 <sup>1</sup>	38.4 <sup>1</sup>	96.2	81.0	80.6
Market capitalisation (R'million) <sup>5</sup>	21 111	14 860	8 645	14 196	19 286	24 095
Daily average volume of shares traded ('000) <sup>6</sup>	102.1	98.99	105.4	-	-	-
Number of shareholders	13 728	15 611	17 957	19 445	3 454	3 070

#### 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 2005.
- <sup>3</sup> Information prior to the implementation of the DLC structure is not comparable.

# Directorate Investec Limited

## Executive Directors

### Stephen Koseff (53)<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 (55)<sup>6,7</sup>

Managing Director

Bernard joined Investec in 1980. He has had varied 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 (48)<sup>6,7</sup>

BAcc CA(SA) H Dip BDP MBL

Executive Director responsible for Finance and Risk.

Glynn joined Investec in 1980. His positions within Investec have included Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa. His directorships include Investec Bank Limited.

### Alan Tapnack (58)<sup>6,7</sup>

BCom CA (SA)

Alan is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Buntun Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and has held the positions of CFO and CEO of Investec Bank (UK) Ltd, and Chief Executive Officer of Investec's UK operations. His directorships include Investec Bank (UK) Limited.

## Non-Executive Directors

### Hugh S Herman (64)<sup>5</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.

### Sam E Abrahams (66)<sup>1,2,3,5,6,7</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 (56)<sup>1,2,3,4,6</sup>

BSc (Econ) FCIS FIPD MSI

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

### Cheryl A Carolus (46)

BA (Law) B Ed

Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was the Chief Executive Officer of South African Tourism. She is Chairperson of South African National Parks. Her directorships include the International Crisis Group and WWF International.

### Haruko Fukuda OBE (58)

MA (Cantab) DSc

Haruko was previously Chief Executive of the World Gold Council. Her directorships include, AB Volvo, The Foreign and Colonial Investment Trust PLC and Aberdeen Asian Smaller Companies Investment Trust PLC. She is an advisor to Metro AG and Lazard.

## Non-Executive Directors (continued)

### Geoffrey M T Howe (55) <sup>1,2,3,4,6</sup>

MA (Hons)

Geoffrey is a former Managing Partner of Clifford Chance LLP and was a 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 Fleming Overseas Investment Trust plc, and Nationwide Building Society. He is also an advisor to a number of leading professional and financial service organisations.

### Donn E Jowell (63) <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 directorships include Investec Bank Limited and various other Investec companies.

### Ian R Kantor (58)

BSc (Eng) MBA

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

### Sir Chips Keswick (65) <sup>1,2,3,4,5,6</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 (47)

BCom MAP LDP

Peter is Chairman and founder of Peu Group (Proprietary) Limited. He is Chairman of Super Group Limited, Phumelela Gaming and Leisure Limited, and deputy Chairman of Capital Alliance and Capital Alliance Life Limited. His directorships include, Investec Bank Limited, BACSA (Business against Crime South Africa) and he holds directorships on a number of Peu subsidiaries.

### Peter R S Thomas (60) <sup>3,6</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:

- Mrs CA Carolus was appointed as an independent non-executive director to the boards of Investec Limited and Investec plc, on 18 March 2005.

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> Board Risk Review Committee
- <sup>7</sup> DLC Capital Committee

## Sustainability

While short term performance is important, we believe that our long term success is dependent on building a sustainable track record. Consequently, we have set financial targets that challenge and inspire us to perform. We recognise that doing the right thing for our employees, clients, shareholders and communities over a long period of time will enable us to meet the aspirations of all our stakeholders.





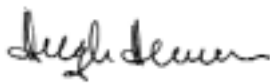
Sustainability



# 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 25 of the 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 25 to 67 were approved by the Board of Directors on 17 June 2005 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 24.

## 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 2005, 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  
17 June 2005

# Investec Limited

## Report of the independent auditors

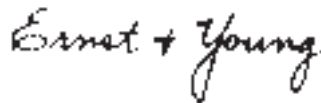
We have audited the annual financial statements and group annual financial statements of Investec Limited set out on pages 25 to 67 for the year ended 31 March 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2005, and of 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 the manner required by the Companies Act in South Africa.



KPMG Inc.  
Chartered Accountants (SA)  
Registered Accountants and Auditors



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

Johannesburg  
17 June 2005

## Nature of business

Investec Limited is a specialist banking group that provides a diverse range of financial products and services, including Private Banking, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities. A review of the operations for the year can be found on pages 8 to 12.

## Authorised and issued share capital

Details of the share capital are set out in note 12 to the financial statements.

On 1 April 2004, Investec Limited issued 131 variable rate redeemable cumulative preference shares of R0.60 each at a premium of R999 999.40 per share.

On 12 May 2004, Investec Limited issued a further 600 variable rate redeemable cumulative preference shares of R0.60 each at a premium of R999 999.40 per share.

On 16 February 2005, Investec Limited issued 22 182 000 non-redeemable non-cumulative non-participating preference shares of one cent each for a total consideration of R2 318 million.

## Financial results

The results of Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2005.

## Ordinary dividends

An interim dividend of 335 cents per share (2004: 309 cents) was declared to shareholders registered on 17 December 2004 and was paid on 24 December 2004. A dividend amounting to 179 cents was declared on the SA DAS share.

The directors have proposed a final dividend of 437 cents per share (2004: 360 cents) to shareholders registered on 29 July 2005 to be paid on 15 August 2005. The final dividend is subject to the approval of members of Investec Limited at the Annual General Meeting scheduled for 11 August 2005.

The holder of 740 000 Investec Limited shares has agreed to waive its rights to the proposed final dividend.

## Preference dividend

Preference dividend number 1 on the non-redemable non-cumulative non-participating preference shares amounting to 92.82 cents per share was declared on 18 May 2005 to shareholders registered on 1 July 2005 and will be paid on 4 July 2005.

## Directors and secretary

Details of directors and the secretary of Investec Limited are reflected on pages 21 to 22 and the corporate information page.

- Mr J N Abell, a non-executive director, passed away on 26 May 2004.
- Mrs Cheryl Ann Carolus was appointed as a non-executive director to the board with effect from 18 March 2005.

## Directors and their interests

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Directors' shareholdings and options to acquire shares are set out in the group's 2005 Annual Report.

## 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. Further details on the role and responsibility of the Audit Committee are set out in the group's 2005 Annual Report.

Mr S E Abrahams was appointed as chairman of the Investec Limited Audit Committee on 12 October 2004.

## Auditors

Ernst & Young and KPMG Inc. have expressed their willingness to continue in office as joint auditors. A resolution to re-appoint Ernst & Young and KPMG Inc. as joint auditors will be proposed at the next Annual General Meeting to be held on 11 August 2005.

# Directors' report

## Subsidiary and associated companies

Details of principal subsidiary and associated companies are set out in Note 7 on page 42.

## Major shareholders

At 31 March 2005 the following were the beneficial owners of 3% or more of the issued ordinary shares of the company:

Public Investment Commissioner	14.4%
Investec Ltd Security Purchase and Option Scheme Trust 2003	6.4%
Entrepreneurial Development Trust	6.4%
Tiso INL Investments Pty Ltd	6.4%
Peu INL Investments 1 Pty Ltd	6.0%
Old Mutual Life Assurance	5.0%

## Special resolutions

At the Annual General Meeting held on 19 August 2004, special resolutions were passed in terms of which:

- a renewable general authority was granted until the next Annual General Meeting for Investec Limited and its subsidiaries to acquire shares in Investec Limited.
- Article 10 of the articles of Association was replaced in its entirety to provide for payments by Investec Limited to its shareholders as provided for in Section 90 of the Companies Act No 61 of 1973, as amended.

At the Extraordinary General Meeting held on 2 December 2004, special resolutions were passed in terms of which:

- the authorised share capital was increased, by the creation of 100 000 000 non-redeemable non-cumulative non-participating preference shares of one cent each, with the Memorandum of Association being amended to reflect the increased authorised share capital.
- Article 152 of the Articles of Association was added to incorporate the terms attaching to the new preference shares.
- Articles 5.1 (a) (i), 5.2 and 151.1 of the Articles of Association were replaced in their entirety as a consequence of the creation of the new preference shares.

## 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 by Investec Bank Limited on 23 September 2004:

- the authorised share capital was increased by the creation of 55 000 000 new non-redeemable non-cumulative non-participating preference shares of one cent each.

- the Memorandum of Association was amended to reflect the increase in authorised share capital.

## Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with South African Statements of Generally Accepted Accounting Practice. These policies are set out on pages 32 to 37.

## 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 in the group's performance by means of Employee Share Schemes.

## Donations

During the year, the Investec Limited made donations for charitable purposes, totalling R18 million. Investec Limited made no political donations during the year.

## 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 2005 Sustainability Report was produced as a separate report accompanying the Annual Report for 2005.

By order of the board.



S Noik  
Secretary - Investec Limited  
17 June 2005

# Income statements

For the year ended 31 March  
R'million

	Notes	Group		Company	
		2005	2004	2005	2004
Interest received	20.1	5 335	5 721	63	76
Interest paid	20.2	(4 476)	(5 207)	(313)	(374)
<b>Net interest income before impairment of advances</b>		<b>859</b>	<b>514</b>	<b>(250)</b>	<b>(298)</b>
Impairment of advances	6	(119)	(109)	-	-
<b>Total interest related income</b>		<b>740</b>	<b>405</b>	<b>(250)</b>	<b>(298)</b>
Other income	21	3 740	2 948	422	758
<b>Total income</b>		<b>4 480</b>	<b>3 353</b>	<b>172</b>	<b>460</b>
Operating expenses	21	(2 278)	(1 966)	(3)	(3)
<b>Operating profit before goodwill amortisation and impairment</b>		<b>2 202</b>	<b>1 387</b>	<b>169</b>	<b>457</b>
Goodwill amortisation and impairment	10.1	(529)	(395)	-	-
<b>Operating profit</b>		<b>1 673</b>	<b>992</b>	<b>169</b>	<b>457</b>
Share of income of associated companies	22	152	134	-	-
<b>Operating profit before taxation</b>		<b>1 825</b>	<b>1 126</b>	<b>169</b>	<b>457</b>
Taxation	23	(470)	(223)	(1)	(12)
<b>Operating profit after taxation</b>		<b>1 355</b>	<b>903</b>	<b>168</b>	<b>445</b>
Earnings attributable to minority shareholders		(2)	(15)	-	-
<b>Earnings attributable to ordinary shareholders</b>		<b>1 353</b>	<b>888</b>	<b>168</b>	<b>445</b>
<b>Headline earnings attributable to ordinary shareholders</b>	24	<b>1 256</b>	<b>928</b>	<b>126</b>	<b>411</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 2005 Annual Report of Investec plc (incorporating the results of Investec Limited).





# Cash flow statements

For the year ended 31 March  
R'million

	Notes	Group		Company	
		2005	2004	2005	2004
<b>Cash flow from operating activities</b>					
Cash generated by operating activities	27.1	1 986	1 488	121	612
Dividends received from associated companies	27.2	52	55	-	-
Taxation paid	27.3	(177)	(240)	-	(1)
Cash available from operating activities		1 861	1 303	121	611
Dividends paid	27.4	(502)	(247)	(376)	(235)
Compulsorily convertible debenture interest paid		(216)	(270)	(22)	(34)
Net cash inflow/(outflow) from operating activities		1 143	786	(277)	342
<b>Cash flows from banking activities</b>					
Movement in deposits and other accounts		7 862	8 325	(2 073)	(1 712)
Movement in income earning assets	27.6	(8 281)	(12 887)	56	878
Net cash outflow from banking activities		(419)	(4 562)	(2 017)	(834)
<b>Cash utilised in investing activities</b>					
Net funds utilised on acquisition of group businesses	27.5	-	(5)	-	-
Net funds arising on disposal of group businesses	27.5	-	1 071	-	-
Net investment in fixed assets		(104)	(47)	-	-
Net cash (outflow)/inflow from investing activities		(104)	1 019	-	-
<b>Cash flows from assurance activities</b>					
Movement in long-term assurance fund and other liabilities		57	(1 557)	-	-
Net cash inflow/(outflow) from assurance activities		57	(1 557)	-	-
<b>Cash flows from financing activities</b>					
Proceeds on issue of ordinary shares		-	492	-	492
Repayment of debentures		(40)	(12)	-	-
Purchase of own shares		(225)	(18)	-	-
Issue of perpetual preference shares		2 309	1 491	2 309	-
Issue of bonds		-	160	-	-
Payment to minority shareholders		(27)	-	-	-
Net cash inflow from financing activities		2 017	2 113	2 309	492
<b>Net increase/(decrease) in cash and short-term funds</b>					
Cash and short-term funds at beginning of year		13 442	15 643	-	-
<b>Cash and short-term funds at end of year</b>		<b>16 136</b>	<b>13 442</b>	<b>15</b>	<b>-</b>

# Statement of changes in equity

For the year ended 31 March

R'million

## Ordinary share capital

Balance at beginning and end of year

12 1 1 1 1

## Capital reserve

Balance at beginning and end of year

15 62 62 62 62

## Share premium

Balance at beginning of year

4 680 4 188 4 811 4 318

Re-issue of treasury shares

21 493 - 493

Adjustment on sale of shares

- (1) - -

Balance at end of year

15 4 701 4 680 4 811 4 811

## Perpetual preference shares

Balance at beginning of year

1 491 - - -

Issued during the year

2 318 1 500 2 318 -

Less: Issue expenses

(9) (9) (9) -

Balance at end of year

13 3 800 1 491 2 309 -

## Compulsorily convertible debentures

Balance at beginning of year

322 334 379 379

Acquisition of debentures by subsidiary

(40) (12) - -

Balance at end of year

14 282 322 379 379

## Treasury shares

Balance at beginning of year

(360) (399) - -

Switch of plc shares to Ltd Shares

- (95) - -

Net (purchase)/sale of treasury shares

(246) (134) - -

Balance at end of year

15 (606) (360) - -

## Retained earnings

Balance at beginning of year

(1 077) (1 247) (2 502) (2 678)

Earnings attributable to ordinary shareholders

1 353 888 168 445

Compulsorily convertible debenture interest

(216) (270) (22) (34)

Dividends paid

26 (502) (247) (376) (235)

Transfer from/(to) equity accounted reserves

244 (79) - -

Transfer from/(to) regulatory reserve

22 (122) - -

Transfer from other reserves

(353) - - -

Balance at end of year

15 (529) (1 077) (2 732) (2 502)

## Regulatory reserve

Balance at beginning of year

455 333 - -

Transfer (to)/from retained earnings

(22) 122 - -

Balance at end of year

15 433 455 - -

For the year ended 31 March  
R'million

**Other reserves**

	Group		Company	
Notes	2005	2004	2005	2004
Balance at beginning of year	(341)	(228)	34	58
Transfer from retained earnings	353	-	-	-
Movement in foreign currency translation reserve	(8)	(110)	1	(24)
Movement in equity revaluations	31	(3)	-	-
Balance at end of year	15 35	(341)	35	34

**Cash flow hedging reserve**

Balance at beginning of year	10	-	-	-
Cash flow hedge fair value adjustment	(27)	10	-	-
Balance at end of year	15 (17)	10	-	-

**Equity accounted reserves of associated companies**

Balance at beginning of year	244	177	-	-
Reduction in shareholding	-	(12)	-	-
Transfer (to)/from retained earnings	(244)	79	-	-
Balance at end of year	15 -	244	-	-
<b>Total</b>	<b>8 162</b>	<b>5 487</b>	<b>4 865</b>	<b>2 785</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 2004 annual report, except for the treatment of goodwill.

The group has adopted the revised standards on Business Combinations (AC 140), Impairment of Assets (AC 128) and Intangible Assets (AC 129). As a result of the revised standards, the net goodwill balance at 1 April 2004 is no longer amortised. Goodwill is tested on an annual basis for impairment. These changes to accounting policies have no effect on prior year financial statements.

## 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, except where they are held with a view to subsequent resale in the short term.

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 carried as detailed below.

## Goodwill

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

Goodwill is carried at cost less accumulated impairments (refer to changes to accounting policies for detail of prior year treatment). The carrying amount is reviewed annually for impairment. If such impairment exists, the carrying value of goodwill is written down to its recoverable amount. Any impairment raised on goodwill is not reversed in subsequent periods.

## 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 as held 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.

### 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.

# Accounting policies

## 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.

## 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 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 that are derivatives that are entered into for trading purposes are treated in the same way as instruments that are held for trading.

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 depreciated 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. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

## **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.

# Accounting policies

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

## Trust and fiduciary activities

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

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

## 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 of 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.

## 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 dividends received. Dividend income is recognised when the shareholders rights to receive the dividend 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.

#### **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 five 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 to changes in presentation and enhance comparability (refer to note 25).

# Notes to the financial statements

For the year ended 31 March  
R'million

	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Asset Management and Assurance Activities	Property Activities	Other	Total group
<b>I. Segmental information - business analysis</b>							
<b>2005</b>							
Net operating income	1 061	740	529	949	238	672	4 189
Net operating expenses	(639)	(426)	(229)	(512)	(155)	(305)	(2 266)
<b>Operating profit before headline adjustments and taxation</b>	<b>422</b>	<b>314</b>	<b>300</b>	<b>437</b>	<b>83</b>	<b>367</b>	<b>1 923</b>
Headline adjustments	(12)	-	-	(167)	(32)	(39)	(250)
Share of income of associate companies	-	-	-	152	-	-	152
<b>Operating profit before taxation</b>	<b>410</b>	<b>314</b>	<b>300</b>	<b>422</b>	<b>51</b>	<b>328</b>	<b>1 825</b>
Total assets	16 493	55 219	2 317	18 111	243	33 270	125 653
Cost to income ratio *	56.1%	57.9%	42.7%	53.8%	65.1%	41.1%	49.5%
<b>2004</b>							
Net operating income	767	686	515	787	218	317	3 290
Net operating expenses	(519)	(384)	(191)	(466)	(118)	(288)	(1 966)
<b>Operating profit before headline adjustments and taxation</b>	<b>248</b>	<b>302</b>	<b>324</b>	<b>321</b>	<b>100</b>	<b>29</b>	<b>1 324</b>
Headline adjustments	(24)	-	-	(196)	-	(112)	(332)
Share of income of associate companies	-	-	-	134	-	-	134
<b>Operating profit/(loss) before taxation</b>	<b>224</b>	<b>302</b>	<b>324</b>	<b>259</b>	<b>100</b>	<b>(83)</b>	<b>1 126</b>
Total assets	22 619	39 748	1 799	19 983	562	29 700	114 411
Cost to income ratio *	60.8%	54.7%	37.1%	59.3%	54.0%	58.8%	57.8%

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

No geographical analysis has been presented as Investec Limited only operates in one geographical segment, namely Southern Africa.

\* Cost to income ratio is calculated as operating expenses expressed as a percentage of total income, before deducting impairment of advances

For the year ended 31 March  
R'million

## 2. Cash and short-term funds

Cash and gold coins  
Balances with central banks  
Balances with other banks  
Loans under resale agreements  
Other short-term funds

### Classification

Held at fair value

## 3. Short-term negotiable securities

Balances with central banks  
Treasury and other bills  
Commercial paper  
Promissory notes  
Traded endowment policies

### Classification

Loans and receivables  
Trading  
At elected fair value

	Group		Company	
	2005	2004	2005	2004
Cash and gold coins	-	169	-	-
Balances with central banks	1 112	1 054	-	-
Balances with other banks	6 620	5 998	15	-
Loans under resale agreements	2 148	1 429	-	-
Other short-term funds	6 256	4 792	-	-
	16 136	13 442	15	-
Held at fair value	16 136	13 442	15	-
Balances with central banks	451	241	-	-
Treasury and other bills	1 678	1 977	-	-
Commercial paper	-	1 743	-	-
Promissory notes	5 853	2 375	-	-
Traded endowment policies	-	133	-	-
	7 982	6 469	-	-
Loans and receivables	1 356	726	-	-
Trading	5 081	1 917	-	-
At elected fair value	1 545	3 826	-	-
	7 982	6 469	-	-





# Notes to the financial statements

For the year ended 31 March	Nature of business	Issued ordinary capital	Holding %	Shares at carrying value R'million		Net indebtedness R'million	
				2005	2004	2005	2004
<b>7. Subsidiaries</b>							
<b>Direct subsidiaries of Investec Limited</b>							
Investec Bank Ltd Ä	Bank	R 15 850 000	100	5 173	6 433	11	(3 545)
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R 200	100	(139)	(139)	-	-
Investec Assurance Ltd Ä	Insurance company	R 10 000 000	100	10	10	-	-
Investec Employee Benefits Holdings (Pty) Ltd Ä	Investment holding	R 1	100	*	*	708	1 334
Investec Hong Kong (Pty) Ltd_	Investment holding	HK\$2	100	(1)	(1)	-	-
Investec Int. (Gibraltar) (Ltd) §	Investment holding	£1 000	100	304	86	-	-
Investec Securities Ltd Ä	Stockbroking	R 172 000	100	132	132	-	-
Sibvest Limited Ä	Investment holding	R100	100	97	97	(94)	(95)
Fedsure International Ltd Ä	Investment holding	R 1 012 456	100	65	231	124	-
Investec Property Group Holdings Ltd Ä	Investment holding	R 3 000	100	*	*	-	-
Other subsidiaries				(48)	(1)	836	(56)
				5 593	6 848	1 585	(2 362)
<b>Indirect subsidiaries of Investec Limited</b>							
Grayinvest Limited Ä	Investment holding	R 1 000	100				
Investec Asset Management (Pty) Ltd Ä	Asset management	R 50 000	100				
Investec Insurance Brokers (Pty) Ltd Ä	Insurance broking	R 2	100				
Investec International Holdings (Pty) Ltd Ä	Investment holding	R 102	100				
Investec Fund Managers SA Ltd Ä	Asset management	R 8 000 000	100				
Investec Bank (Mauritius) Ltd i	Bank	R 281 630 447	100				
Investec Property Group Ltd Ä	Property trading	R 1 174	100				
Reichmans Ltd Ä	Trade financing	R 10	100				
Investec Employee Benefits Ltd Ä	Long-term Insurance	R 7 544 000	100				
Traded Endowment Policies Ltd (Formerly Fedsure Traded Endowments Ltd)^	Endowments trading	£28 530 787	100				

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 the R1 million

Loans to/from subsidiaries are classified as loans and receivables and are interest bearing, with no fixed terms of repayment.



# Notes to the financial statements

For the year ended 31 March  
R'million

## 9. Property and equipment (continued)

### 2005

	Operational properties	Leasehold improvements	Investment properties	Furniture and vehicles	Equipment	Total
Carrying amount at the beginning of year	17	2	1 171	49	88	1 327
Additions	-	2	5	15	25	45
Disposals	-	-	(89)	(14)	(3)	(106)
Revaluations	-	-	64	-	-	64
Business combinations	-	-	(31)	-	-	(31)
Depreciation	-	(1)	-	(5)	(34)	(40)
Impairment losses	(12)	-	-	-	-	(12)
Carrying amount at end of year	5	3	1 120	45	76	1 249

### 2004

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	17	2	1 171	49	88	1 327

For the year ended 31 March  
R'million

## 10. Goodwill

### 10.1 Goodwill reconciliation

	Group	
	2005	2004
Balance at beginning of year	1 348	1 738
Net amount on acquisitions	99	5
Net amount on disposals	(136)	-
Goodwill amortisation	-	(300)
Goodwill impairment	(569)	(95)
Balance at end of year	742	1 348

Impairments of R569 million comprise:

- R278.6 million in respect of the portfolio of businesses acquired from Fedsure Group.
- R233.8 million arising from the disposal of the risk business of Investec Employee Benefits Limited.
- R40.8 million arising from the closure of the traded endowment business.\*
- Other impairments of R15.8 million.

\* Included in other income.



For the year ended 31 March  
R'million

## 11. Long-term assurance assets

### 11.1 Long-term assurance assets attributable to the shareholder

Long-term assurance assets attributable to the shareholder  
**Investec Employee Benefits Limited**

#### The embedded value comprises:

Net tangible assets of life company including surplus  
Value of in-force business  
Embedded value  
Reallocated to investments in associated undertakings  
Elimination of intercompany balances  
Value of in-force business not recognised on balance sheet  
Long-term assurance assets attributable to the shareholder

#### Income from long-term assurance business comprises:

Premium income  
Investment income  
Total income  
Operating expenses  
Policyholders' benefits paid  
Decrease in technical provisions  
Re-insurance premium expense  
Operating profit  
Taxation charged to technical account  
Surplus attributable to shareholders

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

#### Assumptions

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  
Return on equities (gross of tax)  
Return on fixed interest securities (gross of tax)  
Return on property investments (gross of tax)  
Return on cash held (gross of tax)  
Inflation rate

	Group	
	2005	2004
	3 076	3 133
	3 330	4 144
	(60)	98
	3 720	4 242
	-	(686)
	(254)	(325)
	60	(98)
	3 076	3 133
	2 879	3 178
	1 667	1 897
	4 546	5 075
	(221)	(228)
	(4 132)	(5 007)
	1 267	1 674
	(1 339)	(1 394)
	121	120
	(56)	(67)
	65	53
	%	%
	11.3	12.8
	10.3	11.8
	8.3	9.8
	9.3	10.8
	6.3	7.8
	5.3	6.8



For the year ended 31 March  
R'million

### 11. Long-term assurance assets (continued)

#### 11.2 Long-term assurance assets attributable to policyholders

Investec Employee Benefits Limited  
Investec Assurance Limited

Investec Employee Benefits Limited  
The assets of the long-term assurance fund  
attributable to policyholders

Investments shown above comprise:-  
Interest bearing securities  
Stocks, shares and unit trusts  
Deposits

Investec Assurance Limited  
Investments  
Debtors and prepayments  
Other assets

Investments shown above comprise:-  
Interest bearing securities  
Stocks, shares and unit trusts  
Investment properties  
Deposits

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.

#### 11.3 Long-term assurance liabilities attributable to policyholders

The liabilities to policyholders comprise:

Technical provisions  
Funds for future appropriations  
Other liabilities

	Group	
	2005	2004
	13 128	14 677
	19 907	17 774
	33 035	32 451
	13 128	14 677
	1 252	3 083
	7 863	7 260
	4 013	4 334
	13 128	14 677
	19 469	17 517
	377	214
	61	43
	19 907	17 774
	4 152	4 306
	9 326	7 053
	-	18
	5 991	6 140
	19 469	17 517
	2 536	4 000
	10 592	10 677
	19 907	17 774
	33 035	32 451

Liabilities relating to Investec Employee Benefits of R16.4 billion have been reinsured with CAL (R12.6 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.



For the year ended 31 March  
R'million

### 13.2 Subsidiary

#### Authorised

70 000 000 (2004: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.

#### Issued

15 000 000 (2004: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each, issued at a premium of R99,99 per share.

Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of prime on 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.

An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. If 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.

Group		Company	
2005	2004	2005	2004
1 491	1 491	-	-
3 800	1 491	2 309	-

# Notes to the financial statements

For the year ended 31 March  
R'million

## 14. Compulsorily convertible debentures

### 14.1 Investec Limited Issued

880 000 (2004:880 000) Series 1 Class A unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R174.40 each, net of issue expenses.

980 000 (2004:980 000) Series 2 Class A unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R229.40 each, net of issue expenses.

Details below relate to Series 1 & 2 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 1 debentures will automatically convert on 1 October 2008. The Series 2 debentures will automatically convert on 4 December 2010.

The debentures are all held by the staff share schemes and are eliminated on consolidation.

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

### 14.2 Subsidiary Issued

3 573 994 (2004: 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R78.50 each.

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

The compulsorily convertible debentures will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date, but not before 31 July 2002.

The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 3 573 994 Investec Limited ordinary shares.

### Total compulsorily convertible debentures

Group		Company	
2005	2004	2005	2004
-	12	152	152
-	28	227	227
282	282	-	-
282	322	379	379



# Notes to the financial statements

For the year ended 31 March  
R'million

## 17. Redeemable preference shares

Redeemable preference shares

### Maturity analysis

On demand to one month

One month to six months

Six months to one year

Greater than one year

Redeemable preference shares are classified as non-trading liabilities.  
The yield of the redeemable preference shares is market related.

## 18. Deposits and other accounts

### Category analysis

Deposits and loans from banks

Demand and savings deposits

Fixed and notice deposits

Negotiable certificates of deposit

Other deposits and loan accounts

Liabilities in terms of repurchase agreements

Negative fair value of derivatives

Settlement liabilities

Creditors and other accounts

### Classification

Trading

Non trading

At elected fair value

### Maturity analysis

On demand to one month

One month to six months

Six months to one year

Greater than one year

	Group		Company	
	2005	2004	2005	2004
Redeemable preference shares	2 486	1 740	2 113	1 652
<b>Maturity analysis</b>				
On demand to one month	231	133	-	-
One month to six months	1 209	36	-	-
Six months to one year	231	639	-	-
Greater than one year	815	932	2 113	1 652
	2 486	1 740	2 113	1 652
<b>18. Deposits and other accounts</b>				
<b>Category analysis</b>				
Deposits and loans from banks	4 135	4 191	127	-
Demand and savings deposits	9 727	10 746	-	-
Fixed and notice deposits	32 186	34 399	-	-
Negotiable certificates of deposit	8 983	2 087	-	-
Other deposits and loan accounts	6 153	3 677	-	-
Liabilities in terms of repurchase agreements	2 005	1 024	-	-
Negative fair value of derivatives	8 724	8 933	-	-
Settlement liabilities	2 452	2 892	-	-
Creditors and other accounts	3 778	3 180	61	29
	78 143	71 129	188	29
<b>Classification</b>				
Trading	14 874	10 589	-	-
Non trading	63 189	60 540	188	29
At elected fair value	80	*	-	*
	78 143	71 129	188	29
<b>Maturity analysis</b>				
On demand to one month	40 629	37 803	36	-
One month to six months	24 502	18 730	137	-
Six months to one year	6 307	9 071	-	29
Greater than one year	6 705	5 525	15	-
	78 143	71 129	188	29

\* Included in trading category in the prior year



For the year ended 31 March  
R'million

**19. Taxation**

Taxation payable  
Deferred taxation liability  
Indirect taxes payable

**Deferred tax asset (included in other assets)**

Income and expenditure accruals  
Arising on STC credits

**Deferred tax liability (included in taxation)**

Unrealised fair value adjustments on financial instruments  
Other temporary differences  
Deferred tax liability

Net deferred tax liability

Reconciliation of net deferred tax liability

Opening balance  
Charge to profit and loss  
Charge to profit and loss relating to long-term assurance assets attributable to the shareholder  
Closing balance

**20. Interest**

**20.1 Interest received**

Cash and short-term funds  
Short-term negotiable funds  
Investment and trading securities  
Advances  
Intergroup loans

Net foreign currency (losses)/gains

**20.2 Interest paid**

Demand and savings deposits  
Fixed and notice deposits  
Negotiable certificates of deposits  
Repurchase agreements  
Other deposits and loan accounts  
Intergroup loans

Funding costs allocated to trading profits

	Group		Company	
	2005	2004	2005	2004
Taxation payable	513	248	68	67
Deferred taxation liability	202	73	-	-
Indirect taxes payable	10	(6)	-	-
	725	315	68	67
Income and expenditure accruals	59	46	-	-
Arising on STC credits	88	-	-	-
	147	46	-	-
Unrealised fair value adjustments on financial instruments	200	70	-	-
Other temporary differences	2	3	-	-
Deferred tax liability	202	73	-	-
Net deferred tax liability	55	27	-	-
Opening balance	27	31	-	-
Charge to profit and loss	147	57	-	-
Charge to profit and loss relating to long-term assurance assets attributable to the shareholder	(119)	(61)	-	-
Closing balance	55	27	-	-
Cash and short-term funds	875	783	-	-
Short-term negotiable funds	401	579	-	-
Investment and trading securities	38	26	-	-
Advances	4 137	4 220	51	67
Intergroup loans	(102)	237	11	36
	5 349	5 845	62	103
Net foreign currency (losses)/gains	(14)	(124)	1	(27)
	5 335	5 721	63	76
Demand and savings deposits	760	1 076	-	-
Fixed and notice deposits	2 424	2 969	-	-
Negotiable certificates of deposits	438	182	-	-
Repurchase agreements	-	3	-	-
Other deposits and loan accounts	1 606	2 048	151	76
Intergroup loans	(113)	-	164	298
	5 115	6 278	315	374
Funding costs allocated to trading profits	(639)	(1 071)	(2)	-
	4 476	5 207	313	374



For the year ended 31 March  
R'million

## 22. Share of income of associated companies

Operating income

	Group		Company	
	2005	2004	2005	2004
Operating income	152	134	-	-
<b>23. Taxation</b>				
<b>Taxation on income</b>	468	213	-	12
South Africa	458	199	-	12
-current taxation	295	102	-	12
-adjustments in respect of prior year	-	43	-	-
-capital gains taxation	16	(3)	-	-
-deferred taxation	152	57	-	-
-deferred taxation adjustment on normal tax rate adjustment*	(5)	-	-	-
<b>Foreign current taxation</b>	10	14	-	-
-Mauritius	9	11	-	-
-Botswana	1	9	-	-
-Other	-	(6)	-	-
<b>Secondary taxation on companies</b>	2	10	1	-
<b>Total tax charge for the year</b>	470	223	1	12
<b>Tax rate reconciliation</b>				
Income before taxation as per income statement	1 825	1 126	169	457
Less : Debenture interest	(216)	(270)	(22)	(34)
	1 609	856	147	423
Total taxation charge in income statement	470	223	1	12
Less: secondary taxation on companies	(2)	(10)	(1)	-
Total taxation on income	468	213	-	12
Effective rate of taxation	29.1%	24.9%	-	2.8%
The standard rate of South African normal taxation has been affected by:				
-exceptional items	(6.0%)	(13.7%)	-	6.4%
-dividend income	3.0%	2.4%	-	42.7%
-accumulated tax losses	0.9%	0.6%	-	-
-foreign earnings**	1.5%	(4.0%)	-	-
-life income	6.0%	3.2%	-	-
-deferred taxation adjustment on normal tax rate adjustment*	0.3%	-	-	-
-other permanent differences	(4.8%)	16.6%	30.0%	(21.9%)
	30.0%	30.0%	30.0%	30.0%
<b>Future tax relief</b>				
Estimated tax losses available for set-off against future taxable income				
South Africa	29	76	-	-
	29	76	-	-

\* The normal rate of taxation applicable to South African entities has been reduced to 29%. This change is effective from 1 April 2005 for Investec Limited and its South African subsidiaries.

\*\* Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.

# Notes to the financial statements

For the year ended 31 March

R'million

## 24. Headline earnings attributable to ordinary shareholders

### Calculation of headline earnings

Earnings attributable to ordinary shareholders	1 353	888	168	445
Headline adjustments	250	332	(20)	-
Goodwill amortised	-	300	-	-
Goodwill impairment	529	95	-	-
Revaluation of investment properties	(64)	(167)	-	-
Loss/(profit) on sale of subsidiaries	9	108	(20)	-
Impairment of owner occupied property	12	-	-	-
Profit on disposal of the risk business of Investec Employee Benefits	(250)	-	-	-
Costs on closure of traded endowment business	83	-	-	-
Disposal of available for sale instruments	-	(4)	-	-
Profit on disposal of associate	(82)	-	-	-
Share of associate's headline adjustments	13	-	-	-
<b>Headline earnings attributable to shareholders</b>	<b>1 603</b>	<b>1 220</b>	<b>148</b>	<b>445</b>
Compulsorily convertible debenture interest	(216)	(270)	(22)	(34)
Preference dividends payable	(131)	(22)	-	-
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 256</b>	<b>928</b>	<b>126</b>	<b>411</b>

## 25. Changes in accounting policies and other prior year adjustments

### 25.1 Prior year reclassifications

Investments in preference shares were classified under investment and trading securities in the prior year. To achieve better disclosure, the comparatives have been adjusted to reflect these assets as advances.

The effect of the restatements at 31 March 2004 is as follows:

-Decrease in investment and trading securities	-	(903)	-	-
-Increase in advances	-	903	-	-

There is no effect on reserves.

	Group		Company	
	2005	2004	2005	2004
Earnings attributable to ordinary shareholders	1 353	888	168	445
Headline adjustments	250	332	(20)	-
Goodwill amortised	-	300	-	-
Goodwill impairment	529	95	-	-
Revaluation of investment properties	(64)	(167)	-	-
Loss/(profit) on sale of subsidiaries	9	108	(20)	-
Impairment of owner occupied property	12	-	-	-
Profit on disposal of the risk business of Investec Employee Benefits	(250)	-	-	-
Costs on closure of traded endowment business	83	-	-	-
Disposal of available for sale instruments	-	(4)	-	-
Profit on disposal of associate	(82)	-	-	-
Share of associate's headline adjustments	13	-	-	-
<b>Headline earnings attributable to shareholders</b>	<b>1 603</b>	<b>1 220</b>	<b>148</b>	<b>445</b>
Compulsorily convertible debenture interest	(216)	(270)	(22)	(34)
Preference dividends payable	(131)	(22)	-	-
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 256</b>	<b>928</b>	<b>126</b>	<b>411</b>

For the year ended 31 March  
R'million

**26. Dividends**

**on fully paid shares:**

Final for 2004 year of 360 cents (2003: nil)

Interim of cents 335 cents (2004: 309 cents)

**on perpetual preference shares:**

declared and paid

A final dividend for 2005 will be declared by the company. The directors have proposed that the final dividend of 437 cents (2004: 360 cents) will be satisfied by Investec Limited.

**27. Cash flow information**

**27.1 Cash generated by operating activities**

	Group		Company	
	2005	2004	2005	2004
Operating profit before taxation	1 825	1 126	169	457
Depreciation and impairment losses	52	71	-	-
Revaluation of investment properties	(64)	(90)	-	-
Impairment of advances	119	109	-	-
Impairment of subsidiaries	-	-	-	65
Goodwill amortisation and impairment	569	395	-	-
Loss/(profit) on sale of subsidiaries	9	108	(20)	90
Profit on disposal of Investec employee benefits risk business	(250)	-	-	-
Profit on disposal of associate	(69)	-	-	-
Gain on disposal of available for sale instruments	-	(4)	-	-
Equity accounted income of associates	(152)	(134)	-	-
Fair value adjustments	(53)	(93)	(28)	-
	1 986	1 488	121	612

**27.2 Dividends received from associated companies**

Equity accounted reserves at beginning of year	244	177	-	-
Equity accounted income for the year	152	134	-	-
Change in shareholding	-	(12)	-	-
Transfer of equity accounted reserves to retained earnings(*)	(344)	-	-	-
Equity accounted reserves at end of year	-	(244)	-	-
	52	55	-	-

**27.3 Taxation paid**

Taxation balances at beginning of year	(275)	(294)	(67)	(56)
Taxation balances arising on the disposal of subsidiaries	-	2	-	-
Amounts charged to income statement	(470)	(223)	(1)	(12)
Taxation balances at end of year	568	275	68	67
	(177)	(240)	-	(1)

(\*) Per the statement of changes in equity, the net opening balance of R244 million of the equity accounted reserve was transferred to retained earnings on disposal of the associate.

# Notes to the financial statements

For the year ended 31 March  
R'million

## 27. Cash flow information (continued)

### 27.4 Dividends paid

Current year dividend paid

Group		Company	
2005	2004	2005	2004
(502)	(247)	(376)	(235)

### 27.5 Net funds utilised on acquisitions of group businesses

Goodwill

Net cash outflow

-	(5)	-	-
-	(5)	-	-

### Net funds arising on disposal of group businesses

Cash and short-term funds

Short-term negotiable securities

Investment and trading securities

Other assets

Advances

Loans to group companies

Property and equipment

Long-term assurance assets

Deposits and other accounts

Taxation

Foreign currency translation reserve

Net assets disposed of

Loss on disposal

Proceeds on disposal of group business

Less cash on hand on date of disposal

Net cash inflow from disposal of group business

-	87	-	-
-	123	-	-
-	(5)	-	90
-	1	-	-
-	368	-	-
-	114	-	-
-	435	-	-
-	160	-	-
-	(24)	-	-
-	(2)	-	-
-	5	-	-
-	1 262	-	90
-	(104)	-	(90)
-	1 158	-	-
-	(87)	-	-
-	1 071	-	-

### 27.6 Movement in income earning assets

Short-term negotiable securities

Investment and trading securities

Advances

Other assets

Intergroup with Investec plc entities

(1 466)	2 049	-	-
266	(8 145)	15	(31)
(6 362)	(8 209)	(4)	-
(688)	(273)	45	15
(31)	1 691	-	894
(8 281)	(12 887)	56	878

For the year ended 31 March  
R'million

## 28. Assets under administration

	Group	
	2005	2004
Retail (includes unit trusts, mutual funds and linked products)	38 532	33 450
Institutional and investment trusts	110 372	91 764
Private clients	63 307	43 613
- Private clients (discretionary)	7 428	5 318
- Private clients (non-discretionary)*	55 879	38 295
Properties managed for third parties	14 738	11 080
On balance sheet assets	226 949	179 907
Total assets under administration	352 602	294 318

Note: The assurance assets (approximately R20.0 billion) are included in the on-balance sheet numbers but are managed by Investec Asset Management (2004:R17.8 billion).

\* Includes funds managed by the Corporate Broking division.

## 29. Contingent liabilities and commitments

Guarantees and letters of credit	1 894	1 319
Acceptances on behalf of clients	3 395	2 379
Other	733	14
	6 022	3 712

### Operating lease commitments

Annual commitments in respect of non-cancellable operating leases	3 847	3 422
---	-------	-------

### Leasehold properties

Within one year	115	86
Between one and five years	578	581
Over five years	3 154	2 755
	3 847	3 422

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

There are no contingent liabilities and commitments for the company.

## 30. Earnings per compulsorily convertible debenture

### 30.1 Company

880 000 (2004:880 000) Class A Series I unsecured subordinated debentures of 60 cents issued at a premium of R174,40 each

Interest earned	9.0	14.0
Weighted average number of debentures (millions)	0.9	0.9
Earnings per debenture (cents)	1 022.7	1 590.9

980 000 (2004:980 000) Class A Series II unsecured subordinated debentures of 60 cents each issued at a premium of R229,40 each

Interest earned	13.0	20.0
Weighted average number of debentures (millions)	1.0	1.0
Earnings per debenture (cents)	1 326.5	2 040.8

### 30.2 Subsidiary

3 573 994 (2004:3 573 994) Unsecured subordinated debentures of 50 cents issued at a premium of R78,50 each.

Interest earned	43.0	43.0
Weighted average number of debentures (millions)	3.6	3.6
Earnings per debenture (cents)	1 203.1	1 203.1

# Notes to the financial statements

For the year ended 31 March  
R'million

## 31. Related party transactions

Transactions, arrangements and agreements involving directors and others:

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

At year end, 6 directors had outstanding loans from Investec Bank Limited. For loans to related parties, normal credit parameters are applied.  
Loans-Investec Bank Limited

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:

Taaibos Square (Pty) Ltd

F Titi has a 11% holding in Tiso Group. At 31 March 2005 Investec Bank Limited group provided the following total advances to Tiso Group on an arm's length basis

P Malungani has a 59.2% holding in Peu Group (Proprietary) Limited. At 31 March 2005 Investec Bank Limited group provided the following total advances to Peu Group (Proprietary) Limited on an arm's length basis

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

Spurwing-P Investments Limited

Spurwing-L Investments Limited

All of the above loans are included in advances to customers.

The group's personal account trading policy requires all employees who participate in securities transactions to deal on an arm's length basis through Investec Securities Limited. This has no material effect on either Investec Securities Limited or the group's earnings. Directors' portfolios are subject to management fees on an arm's length basis. Particulars of directors' dealings in Investec Limited and Investec plc shares are recorded in a register held at the Registered Office of the Company which is available for inspection.

## Transactions with other related parties of the group

Any dealings with regards to investments in unit trusts or the asset management division occur at arm's length.

	Group	
	2005	2004
Loans-Investec Bank Limited	47	82
Taaibos Square (Pty) Ltd	-	70
Tiso Group	98	97
Peu Group (Proprietary) Limited	213	193
Spurwing-P Investments Limited	41	71
Spurwing-L Investments Limited	12	20



## 32. 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 2005.

#### 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.

# Notes to the financial statements

For the year ended 31 March

R'million	2005			2004		
	Notional principal	Positive fair value	Negative fair value	Notional principal	Positive fair value	Negative fair value
<b>32. Group derivative instruments (continued)</b>						
<b>Derivative positions</b>						
<b>Foreign exchange derivatives</b>						
Forward foreign exchange	31 725	1 095	1 085	42 418	3 114	3 244
Currency swaps	5 961	919	84	11 664	1 565	283
OTC options bought and sold	3 248	140	90	6 507	864	321
OTC derivatives	40 934	2 154	1 259	60 589	5 543	3 848
Exchange traded futures	-	1	173	-	-	-
<b>Total</b>	<b>40 934</b>	<b>2 155</b>	<b>1 432</b>	<b>60 589</b>	<b>5 543</b>	<b>3 848</b>
<b>Interest rate contracts</b>						
Caps and floors	11 359	33	40	7 136	27	40
Swaps	241 823	5 653	6 174	262 296	4 163	2 753
Forward rate agreements	469 872	686	700	726 482	744	552
OTC options bought and sold	3 198	34	18	7 321	23	38
Other interest rate contracts	-	-	-	-	-	-
OTC derivatives	726 252	6 406	6 932	1 003 235	4 957	3 383
Exchange traded futures	6 467	4	7	101 703	21	15
<b>Total</b>	<b>732 719</b>	<b>6 410</b>	<b>6 939</b>	<b>1 104 938</b>	<b>4 978</b>	<b>3 398</b>
<b>Equity and stock index derivatives</b>						
OTC options bought and sold	850	944	882	142 600	1 525	1 830
Equity swaps and forwards	-	-	-	-	-	-
OTC derivatives	850	944	882	142 600	1 525	1 830
Exchange traded futures	8 108	-	-	381	3	2
Exchange traded options	835	8	-	1 248	6	4
<b>Total</b>	<b>9 793</b>	<b>952</b>	<b>882</b>	<b>144 229</b>	<b>1 534</b>	<b>1 836</b>
<b>Commodity derivatives</b>						
OTC options bought and sold	9 768	674	665	5 054	665	38
Commodity swaps and forwards	952	62	123	1 901	4	208
<b>Total</b>	<b>10 720</b>	<b>736</b>	<b>788</b>	<b>6 955</b>	<b>669</b>	<b>246</b>
Collateral paid/received		(717)	(1 317)		(1 607)	(395)
<b>Trading derivatives included in assets/liabilities</b>		<b>9 536</b>	<b>8 724</b>		<b>11 117</b>	<b>8 933</b>

Included in interest rate contracts above are interest rate swaps entered into for fair value and cashflow 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. The fair value hedges have been entered into to hedge a portion of the fixed rate subordinated debt to minimise the interest rate gap.

Included in the equity and stock index derivatives is the fair value of embedded equity derivatives of R56 million.

### 33. Group currency profile

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.

For the year ended 31 March 2005

R'million

	ZAR	GBP	USD	EURO	Other	Total
<b>Assets</b>						
Cash and short-term funds	13 603	72	2 391	36	34	16 136
Short-term negotiable securities	7 982	-	-	-	-	7 982
Investment and trading securities	17 601	(587)	(1 409)	328	115	16 048
Other assets	3 784	(29)	635	(50)	8	4 348
Advances	40 956	466	1 295	280	40	43 037
Property and equipment	1 246	-	-	-	3	1 249
Goodwill	742	-	-	-	-	742
Long-term assurance assets attributable to the shareholder	3 076	-	-	-	-	3 076
	88 990	(78)	2 912	594	200	92 618
<b>Equity and Liabilities</b>						
Share capital and reserves	4 080	-	-	-	-	4 080
Compulsorily convertible debentures	282	-	-	-	-	282
Perpetual preference shares	3 800	-	-	-	-	3 800
Subordinated debt	2 961	-	-	-	-	2 961
Interest of minority shareholders in subsidiaries	141	-	-	-	-	141
Redeemable preference shares	2 486	-	-	-	-	2 486
Deposits and other accounts	74 182	206	3 407	282	66	78 143
Taxation	732	-	-	-	(7)	725
	88 664	206	3 407	282	59	92 618

Closing exchange rates used the the above table:

US Dollar \$1 = R6.22

British Pound £1 = R11.73

European Euro €1 = R8.07

# Notes to the financial statements

For the year ended 31 March 2004  
R'million

## 33. Group currency profile (continued)

### Assets

	ZAR	GBP	USD	EURO	Other	Total
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 and trading securities	17 803	305	(1 758)	145	144	16 639
Other assets	1 775	62	482	1	3	2 323
Advances	34 387	469	1 691	84	5	36 636
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
	77 287	1 112	2 896	360	305	81 960

### Equity and Liabilities

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 from Investec plc and its subsidiaries	31	8	4	(6)	(6)	31
Taxation	322	(12)	-	-	5	315
	77 731	383	3 518	235	93	81 960

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

Closing exchange rates used the the above table:

US Dollar \$1 = R6.366

British Pound £1 = R11.668

European Euro €1 = R7.779

For the year ended 31 March  
R'million

### 34. Asset quality, specific and portfolio impairment

	Group	
	2005	2004
Total loans and advances to customers (gross of impairments)	43 363	36 986
Managed book	(932)	(998)
<b>Net loans and advances to customers</b>	<b>42 431</b>	<b>35 988</b>
Income statement impairment charge	(119)	(109)
<b>Total provisions</b>		
Specific impairment	252	285
Total general impairment	507	520
Regulatory reserve	433	455
Portfolio impairment	74	65
	759	805
Gross non-performing loans	406	740
Security	(208)	(552)
<b>Net non-performing loans</b>	<b>198</b>	<b>188</b>
<b>Adequacy of provisions</b>		
Specific impairment as a % of total loans and advances	0.58%	0.77%
Portfolio impairment as a % of net loans and advances	1.19%	1.44%
Total impairments as a % of total loans and advances	1.75%	2.18%
Total impairments as a % of gross non-performing loans	186.95%	108.78%
Total impairments as a % of net non-performing loans	383.33%	428.19%
Gross non-performing loans as a % of net loans and advances	0.96%	2.06%
Specific impairment as a % of net non-performing loans	127.27%	151.60%

# Notes to the financial statements

For the year ended 31 March

## 35. Supplementary risk information

R'million	0 - 1 Months	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	More than 5 years	Total
<b>Liquidity gap at 31 March 2005</b>							
Cash and short-term funds	15 888	208	-	40	-	-	16 136
Short-term negotiable securities	2 487	1 057	1 434	530	1 015	1 459	7 982
Investment and trading securities *	14 658	47	-	48	1 069	226	16 048
Other assets	1 335	177	311	(3)	993	1 535	4 348
Advances	7 430	157	75	2 233	18 974	14 168	43 037
Property and equipment	-	-	-	-	-	1 249	1 249
Goodwill	-	-	-	-	-	742	742
Long-term assurance assets attributable to the shareholder	878	-	1 312	-	-	886	3 076
<b>Assets</b>	<b>42 676</b>	<b>1 646</b>	<b>3 132</b>	<b>2 848</b>	<b>22 051</b>	<b>20 265</b>	<b>92 618</b>
Equity	-	-	-	-	141	8 162	8 303
Subordinated debt	-	-	-	-	-	2 961	2 961
Liabilities *	41 605	17 167	8 422	6 538	5 952	1 670	81 354
<b>Equity and liabilities</b>	<b>41 605</b>	<b>17 167</b>	<b>8 422</b>	<b>6 538</b>	<b>6 093</b>	<b>12 793</b>	<b>92 618</b>
Liquidity gap	1 071	(15 521)	(5 290)	(3 690)	15 958	7 472	-
<b>Cumulative liquidity gap</b>	<b>1 071</b>	<b>(14 450)</b>	<b>(19 740)</b>	<b>(23 430)</b>	<b>(7 472)</b>	<b>-</b>	<b>-</b>
<b>Liquidity gap at 31 March 2004</b>							
Cash and short-term funds	13 372	-	-	4	66	-	13 442
Short-term negotiable securities	2 848	3 621	-	-	-	-	6 469
Investment and trading securities	14 888	167	447	214	574	349	16 639
Other assets	973	282	92	70	341	565	2 323
Advances	3 542	1 082	1 867	2 609	13 878	13 658	36 636
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>(7 114)</b>	<b>-</b>	<b>-</b>

\* Positive fair value of derivatives of R9 536 million and negative fair value of derivatives of R8 724 million have been included in the 0-1 month column under investment and trading securities and liabilities respectively.

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

The above reflects contractual maturities, adjusted for management's expectations of actual maturities based on known behavioural patterns.

For the year ended 31 March

35. Supplementary risk information (continued)

R'million	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>Repricing gap at 31 March 2005</b>									
Cash and short-term funds	5 171	9 813	-	40	-	-	1 112	10 965	16 136
Short-term negotiable securities	3 213	2 168	54	125	928	1 398	96	4 769	7 982
Investment and trading securities	11 175	1 684	69	828	2 004	172	116	4 873	16 048
Advances	601	27 875	620	2 129	7 515	4 297	-	42 436	43 037
Other assets *	1 659	2 961	214	(9)	102	41	4 447	7 756	9 415
<b>Assets</b>	<b>21 819</b>	<b>44 501</b>	<b>957</b>	<b>3 113</b>	<b>10 549</b>	<b>5 908</b>	<b>5 771</b>	<b>70 799</b>	<b>92 618</b>
Equity	-	3 800	-	-	423	-	4 080	8 303	8 303
Subordinated debt	-	-	-	-	-	2 961	-	2 961	2 961
Liabilities	14 832	48 937	6 058	6 165	2 401	1 594	1 367	66 522	81 354
<b>Equity and liabilities</b>	<b>14 832</b>	<b>52 737</b>	<b>6 058</b>	<b>6 165</b>	<b>2 824</b>	<b>4 555</b>	<b>5 447</b>	<b>77 786</b>	<b>92 618</b>
Hedges	-	2 829	3 859	(1 699)	(4 989)	-	-	-	-
Interest rate gap	6 987	(5 407)	(1 242)	(4 751)	2 736	1 353	324	-	-
<b>Cumulative repricing gap</b>	<b>6 987</b>	<b>1 580</b>	<b>338</b>	<b>(4 413)</b>	<b>(1 677)</b>	<b>(324)</b>	<b>-</b>	<b>-</b>	<b>-</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	99	2	7	38	1	65	212	16 639
Advances	-	21 083	744	1 374	7 824	5 579	32	36 636	36 636
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
Liabilities	10 589	46 029	3 338	8 056	1 503	1 122	2 578	62 626	73 215
<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>(0)</b>	<b>-</b>	<b>-</b>

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

^ All derivative instruments have been included at fair value in the trading column. To the extent that internal derivative hedges have been entered into between the non trading book and the trading book, the effect of these are reflected in the respective repricing buckets. On the balance sheet all internal derivatives are eliminated and therefore this line item only reflects the transfer of risk from the non trading book to the trading book. The risk within the trading book is managed within the parameters which is fully discussed in the risk management section of Investec plc (incorporating the results of Investec Limited) annual report.

For information regarding the groups' risk management policies and other risk information, please refer to the 2005 Annual Report of Investec plc (incorporating the results of Investec Limited) which can be found on the Investec website at [www.investec.com](http://www.investec.com)

# Contact details

## Investec

### Cape Town

36 Hans Strijdom Avenue Foreshore  
Cape Town 8001  
PO Box 1826 Cape Town 8000  
Telephone (27 21) 416 1000  
Facsimile (27 21) 416 1001

### Durban

325 Smith Street Durban 4001  
PO Box 3912 Durban 4000  
Telephone (27 31) 365 4700  
Facsimile (27 31) 365 4800

### East London

Pilot Mill House The Quarry  
Selbourne East London 5247  
PO Box 19484 Tacoma 5214  
Telephone (27 43) 721 0660  
Facsimile (27 43) 721 0664

### Johannesburg

100 Grayston Drive Sandown Sandton 2196  
PO Box 785700 Sandton 2146  
Telephone (27 11) 286 7000  
Facsimile (27 11) 286 7777

### Port Elizabeth

Ascot Office Park  
Conyngham Road Greenacres  
Port Elizabeth 6045  
PO Box 27416 Greenacres 6057  
Telephone (27 41) 391 9400  
Facsimile (27 41) 374 8346/7

### Pretoria

300 Middel Street Brooklyn 0075  
PO Box 1882 Brooklyn Square 0075  
Telephone (27 12) 427 8300  
Facsimile (27 12) 427 8310

### E-mail addresses

- Recruitment queries  
recruitment@investec.co.za
- Client queries
  - Asset management: comcentre@investecmail.com
  - Institutional Securities: securities@investec.co.za
  - Private Client Securities: iso@investec.co.za
  - Property Group: ipg@investec.co.za
  - Private Bank: privatebank@investec.co.za
  - Treasury and Specialised Finance: info-tsf@investec.co.za