

**Summary** of Results ▶



## Corporate information and directorate

### Investec Limited and Investec plc

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#### Registration Number

Investec Limited Reg. No. 1925/002833/06  
Investec plc Reg. No. 3633621

#### Auditors

Ernst & Young  
KPMG Inc.

#### Transfer Secretaries in South Africa

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#### Directorate

##### Executive Directors

Stephen Koseff (*Chief Executive Officer*)  
Bernard Kantor (*Managing Director*)  
Glynn Burger  
Alan Tapnack

##### Non-Executive Directors

Hugh Herman (*Chairman*)  
John Abell  
Sam Abrahams  
George Alford  
Donn Jowell  
Ian Kantor  
Sir Chips Keswick  
Peter Malungani  
Peter Thomas

# Year end results - presentation of financial information

## 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. Further information is provided in Annexure I on pages 87 and 88.

Under the contractual arrangements implementing the DLC structure, Investec Limited and Investec plc effectively form a single economic entity, in which the economic and voting rights of shareholders are equalised. In accordance with this structure, the directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by consolidating the results and financial position of both companies using merger accounting principles.

Accordingly, the results for Investec plc set out on pages 34 to 67 presents the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling. The results for Investec Limited set out on pages 68 to 79 are also prepared on a DLC basis under SA GAAP, denominated in South African Rand.

The financial information contained throughout this document, other than on pages 68 to 79, has been prepared in accordance with UK GAAP. All references in this document referring to Investec or the group relate to the combined DLC group comprising Investec Limited and Investec plc.

SA GAAP differs in certain respects from UK GAAP. A high-level reconciliation and summary of the principal differences between SA GAAP and UK GAAP is set out on page 81.

## Exchange rates

Investec's reporting currency has changed from South African Rand to Pounds Sterling. Rand values included throughout this document other than on pages 68 to 80 have been translated into Pounds Sterling, in the case of the profit and loss accounts, at the weighted average rate for the relevant period and, in the case of the balance sheets, at the relevant period end rate.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the reporting period:

Currency per £1.00	31 March 2003		30 Sept 2002		31 March 2002	
	Period End	Average	Period End	Average	Period End	Average
South African Rand	12.51	15.04	16.49	15.67	16.16	13.65
US Dollar	1.57	1.55	1.56	1.47	1.43	1.43
Israeli Shekel	7.43	7.41	7.57	7.22	6.77	6.19
Australian Dollar	2.62	2.75	2.87	2.77	2.67	2.78

Source: Reuters and Oanda.com

These rates are indicative only and are not necessarily the rates at which the relevant currencies were converted into Pounds Sterling for the purposes of preparation of the group's consolidated financial statements. The depreciation of the Rand has a negative effect on the results expressed in Pounds Sterling of those Investec businesses that generate the majority of their revenues and profits in Rand. Where the impact of Rand depreciation is key to understanding the performance of the group's businesses, this has been noted.

## Dividend declaration

The dividends per share declared by Investec Limited and Investec plc are determined with reference to the combined group's EPS, pre exceptional items and amortisation of goodwill, denominated in Pounds Sterling and prepared in accordance with UK GAAP.

## Snapshot of results

UK GAAP <sup>1</sup>	31 March 2003	% Change	31 March 2002*
<b>Profit and Loss Account and Selected Returns</b>			
Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill (£'000) <sup>2</sup>	88 684	(30.5)	127 613
Headline earnings (£'000) <sup>2</sup>	82 611	(28.6)	115 777
Operating profit before amortisation of goodwill, exceptional items and taxation (£'000)	84 758	(46.5)	158 567
Operating profit: Southern Africa and Other (% of total)	80.9		51.6
Operating profit: Non-Southern Africa and Other (% of total)	19.1		48.4
Cost to income ratio (%)	79.8		72.0
Staff compensation to operating income ratio (%)	50.4		44.5
Return on average shareholders' funds (%) <sup>3</sup>	12.4		19.4
Return on average tangible net asset value (%)	23.8		37.2
Annuity income as a percentage of operating income (%)	71.3		68.7
Net-interest income as a percentage of operating income (%)	25.8		26.5
Non-interest income as a percentage of operating income (%)	74.2		73.5
Effective tax rate (%)	6.3		18.0
<b>Balance Sheet</b>			
Total capital resources (£ millions)	1 013	5.7	958
Total shareholders' funds (£ millions)	697	(5.0)	734
Total assets (£ millions)	14 959	(11.8)	16 957
Core loans and advances as a percentage of total assets (%)	26.8		19.5
Total assets under administration (£ millions)	40 604	(8.2)	44 219

## Snapshot of results

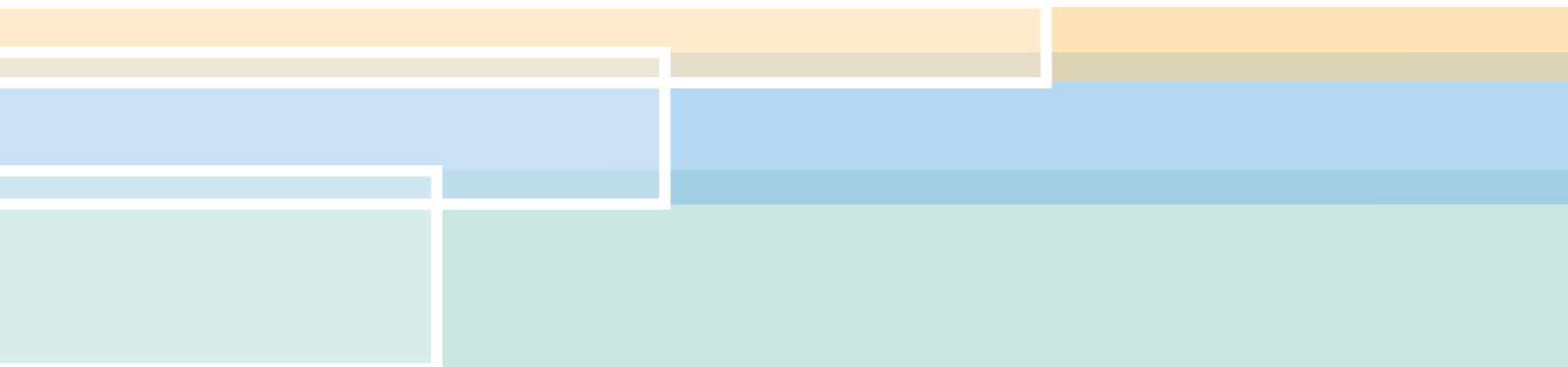
UK GAAP	31 March 2003	% Change	31 March 2002*
<b>Salient Financial Features and Key Statistics</b>			
Earnings per share before exceptional items and amortisation of goodwill (pence) <sup>2</sup>	97.6	(30.2)	139.8
Headline earnings per share (pence) <sup>2</sup>	90.9	(28.3)	126.8
Basic earnings per share (pence) <sup>2</sup>	(70.4)	(>100)	14.8
Diluted earnings per share (pence) <sup>2</sup>	(70.4)	(>100)	13.9
Proposed dividends declared per share (pence)	54.0	0.4	53.8
Dividend cover (times)	1.8		2.6
Net tangible asset value per share (pence) <sup>4</sup>	385.5	3.1	373.8
Weighted number of ordinary shares in issue (million)	90.9	(0.4)	91.3
Total number of shares in issue (million)	113.0	17.5	96.2
Number of employees in the group	4 874	(11.8)	5 529
Closing \$/£ exchange rate	1.57		1.43
Closing ZAR/£ exchange rate	12.51		16.16
Market capitalisation (£ millions) <sup>5</sup>	695	(10.2)	774

### Notes:

- 1 Refer to definitions on page 90.
- 2 Refer to definitions and calculations on page 46, 47 and 90.
- 3 The figures for the year ended 31 March 2001 have not been restated for changes to accounting policies and disclosures.
- 4 Refer to calculation on page 61.
- 5 Refer to definitions and calculations on page 67.

\* Restated for changes to accounting policies and disclosures.

**Global** Positioning and Review ▶



## Group operating structure

Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the United Kingdom and South Africa, as well as certain other geographies including Australia and Israel. Investec is organised as a network comprising four business divisions, Investment Banking, Private Client Activities, Treasury and Specialised Finance, and Asset Management. In addition, Investec's head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It also has responsibility for the group's central funding as well as other activities, such as its Property, Trade Finance and Traded Endowments operations.

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

The group's core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where the group can compete effectively.



## Overview of the year

- It has been a particularly difficult and indeed challenging year for the group.
- The depressed environment internationally was not very conducive for investment banks.
- Nevertheless, much has been achieved from a strategic point of view during the 2003 financial year and in recent months:
  - In July 2002, Investec became the first South African group to list in both London and Johannesburg by implementing a Dual Listed Companies ("DLC") structure.
  - Significant progress has been made by the group on the transformation front in South Africa with the recent announcement of the empowerment deal between Investec, Peu and Tiso together with a broad-based Entrepreneurship Development Trust.
  - The US strategy was reviewed and the business significantly rationalised.
  - Continued to restructure and rationalise the life assurance activities acquired from Fedsure Holdings Limited.
  - Investec recognised that it had to adjust its cost base to compensate for falling revenues and streamlined and rationalised many of its operations, particularly in the US and the UK.

## Geographic review

### Southern Africa

- Operating profit before exceptional items and amortisation of goodwill decreased by 16.2% in Pounds Sterling to £68.5 million:
  - Solid performance from Private Banking, Assurance and Property divisions.
  - Negative contribution from the Traded Endowments business, which at 31 March 2003 was still owned by Investec Limited.
  - Weaker performance from Investment Banking and Treasury and Specialised Finance businesses.

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Southern Africa</b>			
Net interest income	52 485	71 173	(26.3%)
Other income	165 003	163 937	0.7%
Admin expenses, depreciation, provisions	(148 945)	(153 313)	2.8%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>68 543</b>	<b>81 797</b>	<b>(16.2%)</b>
Operating profit/(loss) from Traded Endowments included in the above:			
Net interest income	(857)	(762)	(12.5%)
Other income	(763)	9 800	(92.2%)
Admin expenses, depreciation, provisions	(7 325)	(6 507)	(12.6%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>(8 945)</b>	<b>2 531</b>	<b>&lt;(100%)</b>
Cost to income ratio	62.6%	58.2%	
Number of people	2 935	3 009	(2.5%)



## Geographic review

### UK and Europe

- Operating profit before exceptional items and amortisation of goodwill of £22.3 million, a decrease of 65.5%:
  - Strong performance from the Private Banking business.
  - Equities related businesses were severely impacted by the adverse market conditions.
  - Significant rationalisation of certain businesses e.g. Investment Banking, Trading Activities.

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>UK and Europe</b>			
Net interest income	56 291	61 197	(8.0%)
Other income	163 657	210 789	(22.4%)
Admin expenses, depreciation, provisions	(197 622)	(207 216)	4.6%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>22 326</b>	<b>64 770</b>	<b>(65.5%)</b>
Cost to income ratio	88.2%	77.4%	
Number of people	1 471	1 510	(2.6%)

### Australia

- Operating profit before exceptional items and amortisation of goodwill of £6 million.
- Significant steps were taken during the period under review to establish Investec's position in the Australian market:
  - Granted a banking licence in August 2002 which opened up many opportunities for the business.
  - Established a Project Finance division which is already providing a meaningful contribution to the Australian platform.

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Australia</b>			
Net interest income	7 817	4 324	80.8%
Other income	10 236	8 666	18.1%
Admin expenses, depreciation, provisions	(12 077)	(11 758)	(2.7%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>5 976</b>	<b>1 232</b>	<b>385.1%</b>
Cost to income ratio	64.5%	82.5%	
Number of people	103	84	22.6%

## Geographic review

### Israel

- Operating profit before exceptional items and amortisation of goodwill of £3.5 million:
  - o Reasonable performance against the backdrop of a fragile geopolitical situation, a volatile shekel and poor domestic capital markets.
  - o Overall results were negatively impacted by margin compression and a significant fall-off in capital market activity.
  - o Mutual funds under custody substantially increased from NIS 5 billion in the previous year to NIS 9.9 billion at year end making Investec one of the dominant players in this activity in the Israeli market.

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Israel</b>			
Net interest income	10 951	13 784	(20.6%)
Other income	9 534	9 174	3.9%
Admin expenses, depreciation, provisions	(16 989)	(13 829)	(22.8%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>3 496</b>	<b>9 129</b>	<b>(61.7%)</b>
Cost to income ratio	76.4%	57.9%	
Number of people	234	238	(1.7%)

### US

- Operating loss before exceptional items and the amortisation of goodwill of £15.6 million (including discontinued operations).
- Investec's business in the US is particularly vulnerable to the dramatic decline in equity markets.
- Investec Ernst and Investec Inc were dramatically restructured over the past year:
  - o In May 2002, the Private Client Stockbroking business was sold to management.
  - o The Clearing division of Investec Ernst was sold to Fiserv Securities in August 2002 for US\$44 million.
  - o The decision to wind down the investment banking operations and the subsequent closure of the research, equity sales and trading businesses and the sale of PMG Advisors during the first few months of 2003. It is expected that all Investment Banking activities will have ceased by the end of May 2003.
  - o The remaining US operations will comprise of several fixed income trading operations, an Israeli Nasdaq equities trading desk funded by Israel, and legal and operating support for the rundown of the Investec Ernst business.
  - o The overall headcount has been reduced to 131 from 688 at the prior year end.
  - o This rationalisation has resulted in an amount of £16.7 million reflecting the operational losses of these discontinued operations and an exceptional loss on termination of these businesses of £28.4 million broken down as follows:
    - £9.4 million provision for losses on termination and disposal of operations;
    - £19.0 million impairment of goodwill.
    - (refer to page 45 for further detail).

## Geographic review

### US

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>USA</b>			
Net interest income	(137)	551	(124.9%)
Other income	5 525	17 170	(67.8%)
Admin expenses, depreciation, provisions	(4 302)	(15 787)	72.7%
<b>Operating profit before exceptional items and goodwill amortisation - continuing operations</b>	<b>1 086</b>	<b>1 934</b>	<b>(43.8%)</b>
Cost to income ratio	79.8%	89.1%	
Number of people	131	688	(80.9%)
<b>Operating loss before exceptional items and goodwill amortisation - discontinued operations</b>	<b>(16 669)</b>	<b>(295)</b>	<b>&lt;(100%)</b>

## Divisional review

### Investment Banking

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Investment Banking</b>			
Net interest income	4 992	3 207	55.7%
Other income	59 192	101 539	(41.7%)
Admin expenses, depreciation, provisions	(46 890)	(58 453)	19.8%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>17 294</b>	<b>46 293</b>	<b>(62.6%)</b>
Cost to income ratio	72.1%	55.4%	
Number of people	336	462	(27.3%)
Corporate Finance	(2 039)	16 021	<(100%)
Institutional Research, Sales and Trading	2 597	9 637	(73.1%)
Direct Investments	4 604	9 223	(50.1%)
Private Equity	12 132	11 412	6.3%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>17 294</b>	<b>46 293</b>	<b>(62.6%)</b>
Southern Africa	5 871	18 567	(68.4%)
UK and Europe	6 915	20 255	(65.9%)
Australia	2 711	2 724	(0.5%)
Israel	1 797	4 747	(62.1%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>17 294</b>	<b>46 293</b>	<b>(62.6%)</b>

## Divisional review

### Corporate Finance and Institutional Research, Sales and Trading: operating profit before exceptional items and goodwill amortisation - variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Corporate Finance and Institutional Research, Sales and Trading</b>	<b>558</b>	<b>25 658</b>	<b>(25 100)</b>	<b>(97.8%)</b>

Variance explained as follows:

Net interest income	6 166	5 045	1 121	22.2%
Net fees and commissions receivable	34 765	68 964	(34 199)	(49.6%)
Dealing profits	4 392	7 920	(3 528)	(44.5%)
Other operating income and dividends	152	19	133	>100%
Admin expenses, depreciation, provisions	(44 917)	(56 290)	11 373	(20.2%)

### Direct Investments and Private Equity: operating profit before exceptional items and goodwill amortisation - variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Direct Investments and Private Equity</b>	<b>16 736</b>	<b>20 635</b>	<b>(3 899)</b>	<b>(18.9%)</b>

Variance explained as follows:

Net interest income	(1 172)	(1 839)	667	(36.3%)
Net fees and commissions receivable	1 375	397	978	>100%
Dealing profits	4 397	(260)	4 657	<(100%)
Other operating income and dividends	14 110	24 499	(10 389)	(42.4%)
Admin expenses, depreciation, provisions	(1 974)	(2 162)	188	(8.7%)

The reasons for these variances are highlighted in the discussion on the group's profit and loss account variance analysis found on pages 42 to 45 and in the developments discussed below.

## Investment Banking

### South Africa

- **Investec Corporate Finance:**
  - Continued its strong performance.
  - Focused on group and corporate restructuring activities, shareholder activism mandates and black economic empowerment transactions.
  - Ranked 1st in volume and value of transactions in the Dealmakers Magazine Survey (March 2003).
  - Ranked 2nd for advising on the highest volume and value of M&A transactions in the Ernst & Young Survey (March 2003).
- **Investec Securities - Institutional Stockbroking:**
  - Agency business suffered as a result of the negative market considerations.
  - Structured Equity Desk continued its strong performance.
  - Focus has been on providing a full service offering to clients.
  - Improved client perceptions of Investec Securities as indicated by the rankings in the recent Financial Mail Survey (May 2003).

## Divisional review

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

### UK and Europe

- **Investec Investment Banking and Securities:**
  - Performance severely impacted by difficult market conditions, reflected in declining fund raisings and advisory work plus lower stock market valuations.
  - Despite low levels of activity, market share gains in large cap stocks increased from 1.3% to almost 2.2% of UK agency commissions.
  - The retained the corporate client list was strengthened with 13 wins versus 6 losses.
  - The average market cap of the corporate client list is around £86 million.
  - The ongoing losses generated by the division and lack of visible market recovery resulted in a significant restructuring of the division's cost base:
    - Decline in staff numbers from 148 to 98.
    - Costs have fallen from a peak annualised rate of £29 million to £18 million.
    - Outsourcing of support functions such as certain settlement functions.
- **Private Equity and Direct Investments:**
  - Benefited from a significant realisation in one of the underlying funds, amounting to approximately £9 million.

### Australia

- **Investec Wentworth:**
  - Corporate advisory secured a significant share of transactions at a time when M&A activity and capital raisings were substantially down in the Australian market.
  - Advised on 20 deals valued at A\$2.5 billion for the period.
- **Investec Private Equity:**
  - Weak equity markets provided attractive opportunities with the division well placed to take advantage thereof.

### US

- Towards the end of the financial year, the group decided it was not prudent to sustain the ongoing losses in the US investment banking operations given that it was unlikely that the group would establish a profitable competitive business.
- Consequently, a strategic decision was taken to wind down the Investment Banking operations in the US.
- In the beginning of 2003 PMG Advisors was sold and it is expected that all Investment Banking activities will have ceased by the end of May 2003.
- Full provision has been made in the results for the closure of these businesses.

## Divisional review

### Investment Banking statistics

	31 March 2003	31 March 2002
<b>South Africa</b>		
Number of corporate finance deals	55	65
Number of sponsor broker deals	45	36
<b>UK and Europe</b>		
Number of M&A deals	13	25
Value of M&A deals (£ millions)	826	792
Number of fund raising transactions	10	24
Value of fundraising transactions (£ millions)	449	881

## Divisional review

### Private Client Activities

- The Private Client Activities division, comprising both the Private Banking and Private Client Portfolio Management and Stockbroking divisions, posted operating profit before exceptional items and amortisation of goodwill of £40.9 million marginally down from the previous year.
- Solid performance from the Private Banking operations.
- The severe market conditions, however, resulted in a weaker contribution from Private Client Portfolio Management and Stockbroking which suffered as a result of the lower market prices and reduced demand for equity and other investment products.

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Private Client Activities</b>			
Net interest income	70 817	71 524	(1.0%)
Other income	100 405	99 870	0.5%
Admin expenses, depreciation, provisions	(130 311)	(128 905)	(1.1%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>40 911</b>	<b>42 489</b>	<b>(3.7%)</b>
Cost to income ratio	68.7%	69.8%	
Number of people: Private Banking	1 085	958	13.3%
Number of people: Private Client Stockbroking and Portfolio Management	544	855	(36.4%)
Private Banking	34 637	26 869	28.9%
Private Client Stockbroking and Portfolio Management	6 274	15 620	(59.8%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>40 911</b>	<b>42 489</b>	<b>(3.7%)</b>
Southern Africa	14 473	12 832	12.8%
UK and Europe	23 273	28 485	(18.3%)
Australia	1 700	(2 655)	164.0%
Israel	1 465	3 827	(61.7%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>40 911</b>	<b>42 489</b>	<b>(3.7%)</b>

### Private Banking: operating profit before exceptional items and goodwill amortisation - variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Private Banking</b>	<b>34 637</b>	<b>26 869</b>	<b>7 768</b>	<b>28.9%</b>

Variance explained as follows:

Net interest income	65 268	65 644	(376)	(0.6%)
Net fees and commissions receivable	49 247	33 563	15 684	46.7%
Dealing profits	5 013	2 607	2 406	92.3%
Other operating income and dividends	471	274	197	71.9%
Admin expenses, depreciation, provisions	(85 362)	(75 219)	(10 143)	(13.5%)

## Divisional review

### Private Client Stockbroking and Portfolio Management: operating profit before exceptional items and goodwill amortisation - variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Private Client Stockbroking and Portfolio Management</b>	<b>6 274</b>	<b>15 620</b>	<b>(9 346)</b>	<b>(59.8%)</b>

Variance explained as follows:

Net interest income	5 549	5 880	(331)	(5.6%)
Net fees and commissions receivable	45 569	58 904	(13 335)	(22.6%)
Dealing profits	55	608	(553)	(91.0%)
Other operating income and dividends	50	3 914	(3 864)	(98.7%)
Admin expenses, depreciation, provisions	(44 949)	(53 686)	8 737	16.3%

The reasons for these variances are highlighted in the discussion on the group's profit and loss account variance analysis found on pages 42 to 45 and in the developments discussed below.

### Private Banking

- Private Banking achieved an operating profit before exceptional items and amortisation of goodwill of £34.6 million, increasing 28.9% on the previous year.
- Solid growth in total advances and non-interest income, in South Africa, the UK and Australia.

#### South Africa

- Strong performance resulting from the Private Bank's integrated approach to wealth creation and wealth management.
- Loan portfolio: R17.2 billion, up 24.6% from the previous year (2002: R13.8 million).
- Critical mass created in the banking area with substantial increase in the number and usage of account holders.
- Innovation was a key focus:
  - o Launch of garage card.
  - o Significant Online Banking enhancements.
  - o Established "Pinion", a private insurance product aimed at private clients facilitating all personal insurance requirements into one policy.
- Rated as number one private bank for the third consecutive year - PriceWaterhouseCoopers SA Banking Survey (2002).

#### UK and Europe

- Performance across all business areas has been solid with particularly good growth from structured property finance specific to the UK market in the form of mezzanine and senior debt.
- Loan portfolio increased 17.0% to £925 million (2002: £790 million).
- In line with a detailed strategic review which was undertaken during the period, specialist investment products were introduced.
- Relocated the call centre of the division's banking deposit business to SA generating an annual saving of £1.2 million.
- Despite a strong bias in the lending book towards commercial and residential property exposures, the book is well secured and the group believes that loan to value ratios of between 60% to 65% are conservative.
  - o Stress testing: a fall off of 30% in property values could result in a naked exposure of approximately £12.2 million.



## Divisional review

### Australia

- Private client lending book grew by 40.7% to A\$422 million (2002: A\$300 million).
- Substantial increase in client deposits since licence granted.

### Private Client Portfolio Management and Stockbroking

- Private Client Portfolio Management and Stockbroking recorded a disappointing performance with operating profit before exceptional items and amortisation of goodwill of £6.3 million, decreasing 59.8% on the previous year.

### South Africa

- Performance of division particularly affected by the poor market conditions.
- Total funds under management of R25.6 billion, down from R27.3 billion at 31 March 2002.
- The recent strength in the Rand has led to diminishing Rand values of the asset swap portion of portfolios.
- Focused on cost reductions and was able to supplement its revenue stream with a number of new investment initiatives.
- Developed a separate Corporate Broking unit to provide a focused, specialist service to corporate clients.

### UK

- Carr Sheppards Crosthwaite ("CSC") was negatively impacted by the adverse operating environment.
- Funds under management fell from £6.0 billion at 31 March 2002 to £4.7 billion on the back of declining market indices.
- Net new funds under management of £376 million.
- The Charity Property Fund experienced good growth, with more than £60 million added during the financial year, and now stands at approximately £100 million.
- CSC administered some £560 million of Personal Equity Plan and Individual Savings Account funds for third parties at year end.
- More recently, and yet to be reflected in the funds under management, CSC was appointed by the Lord Chancellors Department to be one of two Panel Private Client Fund Managers.

### US

- During the year Investec sold its private client operations in the US to the management of the business.

## Divisional review

### Treasury and Specialised Finance

- The Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of £27.9 million, a decline of 46.0%.
- The UK operations posted a loss of £2.8 million.
- The South African operation's contribution decreased by 22.4% to £31.4 million.

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Treasury and Specialised Finance</b>			
Net interest income	31 892	57 237	(44.3%)
Other income	60 400	50 583	19.4%
Admin expenses, depreciation, provisions	(64 341)	(56 036)	(14.8%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>27 951</b>	<b>51 784</b>	<b>(46.0%)</b>
Cost to income ratio	65.1%	50.0%	
Number of people	489	503	(2.8%)
Banking Activities	27 409	39 661	(30.9%)
Financial Markets Activities	542	12 123	(95.5%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>27 951</b>	<b>51 784</b>	<b>(46.0%)</b>
Southern Africa	31 411	40 466	(22.4%)
UK and Europe	(2 850)	9 726	<(100%)
Australia	(728)	1 273	<(100%)
Israel	118	319	(63.0%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>27 951</b>	<b>51 784</b>	<b>(46.0%)</b>

### Banking Activities: operating profit before exceptional items and goodwill amortisation - variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Banking Activities</b>	<b>27 409</b>	<b>39 661</b>	<b>(12 252)</b>	<b>(30.9%)</b>

Variance explained as follows:

Net interest income	34 208	65 535	(31 327)	(47.8%)
Net fees and commissions receivable	23 453	13 565	9 888	72.9%
Dealing profits	4 509	(9 164)	13 673	<(100%)
Other operating income and dividends	451	1 769	(1 318)	(74.5%)
Admin expenses, depreciation, provisions	(35 212)	(32 044)	(3 168)	(9.9%)

## Divisional review

### Financial Markets Activities: operating profit before exceptional items and goodwill amortisation - variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Financial Markets Activities</b>	<b>542</b>	<b>12 123</b>	<b>(11 581)</b>	<b>(95.5%)</b>

Variance explained as follows:

Net interest income	(2 316)	(8 297)	5 981	(72.1%)
Net fees and commissions receivable	1 038	6 394	(5 356)	(83.8%)
Dealing profits	30 945	38 017	(7 072)	(18.6%)
Other operating income and dividends	3	1	2	200.0%
Admin expenses, depreciation, provisions	(29 128)	(23 992)	(5 136)	21.4%

The reasons for these variances are highlighted in the discussion on the group's profit and loss account variance analysis found on pages 42 to 45 and in the developments discussed below.

### Banking Activities

- The operating profit before exceptional items and amortisation of goodwill of the Banking Activities declined from £39.7 million to £27.4 million.
- The relatively new banking divisions in the UK performed well.
- The banking activities in South Africa were unable to repeat the exceptional performance of the previous year largely as a result of the low appetite of corporates for structured deals.

### Treasury

- The continued conservative approach to liquidity management held the group in good stead, particularly in South Africa where uncertainty continued with regard to deposit taking amongst smaller banks.
- Revenues were generated from active interest rate management.
- The UK and SA balance sheets are liquid.

### Financial Products

- South African operations performed commendably:
  - o Debt Origination business performed particularly well with a number of high profile corporate debt securities issued.
  - o Successfully undertook a R1 billion securitisation of a portion of the Private Bank's home mortgage loan book.
  - o Financial engineering and investment product creation slowed down as a result of difficult market conditions.

## Divisional review

### Structured and Asset Finance

- The South African operations experienced lower levels of transaction flow in an environment of great uncertainty.
- Nevertheless, gross lending advances managed to keep slightly ahead of redemptions.
- Solid results from the UK operations with the addition of an experienced Structured Finance team during the year and a resilient performance from Asset Finance.

### Project and Resource Finance

- The Project Finance business performed well with several key transactions being concluded during the period:
  - In South Africa, the division was involved in arranging and underwriting of debt facilities for the SunCoast Casino.
  - In addition, the division arranged and was the underwriter of the debt in the refinancing of Kelvin power station.
  - Investec European Capital performed particularly well concluding the largest hospital PFI Project to date in the UK.
- In Australia, the newly established Project Finance business acted as co-lead underwriter to construction contractor Abigroup in the A\$2.4 billion Western Sydney Orbital toll road project.
- The results of the Resource Finance business were affected by a specific bad debt provision of R30 million raised.

### Trading Activities

- The operating profit before exceptional items and amortisation of goodwill of the Trading Activities declined substantially with the division making a small profit of £542 thousand.
- Mixed performance from the group's Trading Activities:
  - The South African businesses performed well, particularly the Interest Rate, Foreign Exchange and Equity Derivatives desks.
  - The negative performance of the UK operations resulted in a significant scaling back of the group's trading activities in the UK.

### Interest Rates

- Successful integration of Securities Investment Bank Ltd (a 100% owned subsidiary of the group) with the interest rate desk in South Africa giving rise to substantial cost savings.
- The UK interest rate activities were curtailed with the group's exit from money market and repurchase agreement operations, as the business was unable to generate a satisfactory return on capital and used significant counterparty lines.

### Foreign Exchange

- In South Africa, volatility in domestic and international exchange rates increased opportunities for good client business.
- Closed the New York desk and significantly reduced the UK business.

### Equities Derivatives

- In South Africa, warrants volumes decreased and institutional hedging activities were subdued.
- Investec became the first issuer of equity warrants in the Irish market during the year.
- In the UK, the desk has been successful in maximising returns on a particular structured warrant trade and convertible bond trading which commenced in the second half of the 2003 financial year.

### Commodities

- Poor performance as a result of the volatility in base metals markets.
- Hedging transactions in the gold market were scarce and base metals activity unpredictable.

## Divisional review

### Asset Management

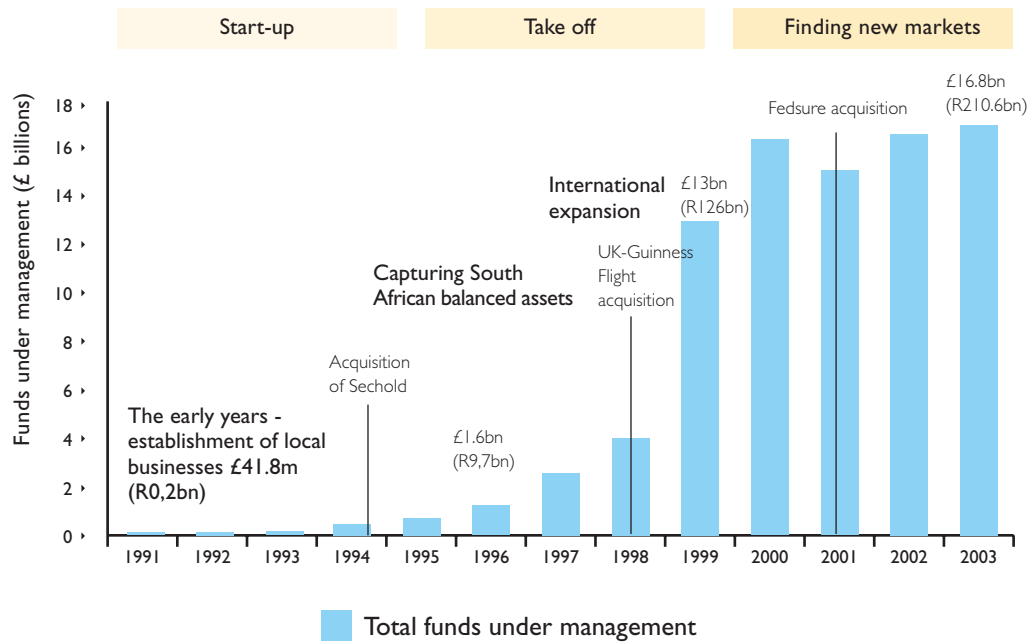
#### Review of the year

- Operating profit before exceptional items and amortisation of goodwill of £19.5 million, increasing 4% in Rand terms and decreasing 6.8% in Sterling terms.
- This was a year of consolidation in South Africa and significant progress in the UK.
- Acceptance from leading UK consultants and multi-managers earlier than expected.
- Strong brand in the UK IFA market in the making, evidenced by market share growth.
- Excellent investment performance in core propositions by London based investment team (Global and UK equity, balanced and fixed income).
- Transition from balanced to specialist house achieved in South Africa.
- Disappointing performance against peer group in South African balanced funds.
- Excellent South African specialist performance.
- Successful year for South Africa retail operations now called South African Personal Investments.

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Asset Management and Assurance Activities</b>			
<b>Asset Management</b>			
Net interest income	5 376	3 466	55.1%
Other income	84 330	85 199	(1.0%)
Admin expenses, depreciation, provisions	(70 227)	(67 754)	(3.6%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>19 479</b>	<b>20 911</b>	<b>(6.8%)</b>
Cost to income ratio (excluding assurance activities)	78.3%	76.4%	
Number of people: Asset Management (including activities in Israel)	771	763	1.0%
Southern Africa: Asset Management	17 715	18 154	(2.4%)
UK and Europe: Asset Management	1 646	2 439	(32.5%)
Israel: Asset Management	118	318	(62.9%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>19 479</b>	<b>20 911</b>	<b>(6.8%)</b>
<b>Income from long-term assurance business</b>	<b>27 779</b>	<b>31 079</b>	<b>(10.6%)</b>
Number of people: Assurance Activities	490	576	(14.9%)

The reasons for these variances are highlighted in the discussion on the group's profit and loss account variance analysis found on pages 42 to 45 and in the developments discussed below.

## Divisional review

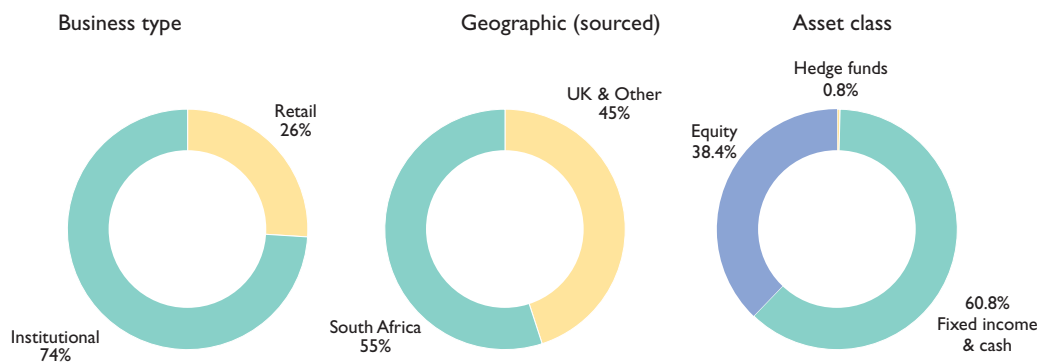


## Market positioning

Area	Position
SA	Institutional segregated
	Retail funds and portfolio products
	Market leader
UK	Public sector fixed income
	Retail funds
	Institutional (pension)
	Market leader
	Entrant to successful contender
	Successful entrant

## Divisional review

### Funds under management



Total funds under management £16.8 billion

### Movements in funds under management

£ million	Total	Institutional	Retail	SA	UK and Other
<b>FUM 31 March 2002</b>	<b>16 268</b>	<b>11 943</b>	<b>4 325</b>	<b>8 141</b>	<b>8 127</b>
Net client gains/losses	(373)	** (656)	283	(414)	41
New clients and funds	1 883	1 672	211	715	1 168
Disinvestments and funds closed	(1 871)	(1 862)	(9)	(757)	(1 114)
Existing client movements	(385)	(466)	81	(372)	(13)
Market/Forex movement	933	1 191	(258)	1 576	(643)
<b>FUM 31 March 2003</b>	<b>16 828</b>	<b>12 478</b>	<b>4 350</b>	<b>9 303</b>	<b>7 525</b>
% of total FUM		74%	26%	55%	45%

\*\* 73% due to structural outflows from the Assurance book

## Divisional review

### Sales (Gross inflows)

Clients	£ millions	Products	£ millions
Institutional	1 714	Fixed Interest & Cash	2 580
Retail	2 221	Equity	944
	<b>3 935</b>	Balanced	366
		Risk defined	45

### South African Institutional Investments

- Successful transition from balanced to specialist manager; providing expertise in listed equity and fixed income market.
- Weaker than usual South African balanced performance.
- Created a specialist fixed income unit over the past four years with R53 billion of funds under management.
- Significant wins in the specialist equity space.
- Despite a largely market induced decline in funds under management over the last year; South African assets (excluding that from Fedsure transaction) doubled since internationalisation (1998) - evidence of Investec Asset Management's strength in South Africa.
- Successful launch of Tiso Private Equity Fund, joint venture with TisoCapital.
- Excellent relative performance of international assets.
- Overall performance was good - for the year over 75% of the specialist funds in both asset weighted and number of portfolio terms, beat their benchmarks.

### South African Personal Investments

- Standard & Poors Award for Best Larger Group over five years for third consecutive year.
- Excellent retail fund performance (3rd place in Plexus survey).
- Number 1 position in Plexus survey for offshore fund sales in South Africa.
- Post Fedsure integration, external focus is paying off (30% increase in sales market share).
- Future offshore product sales vulnerable to the strengthening Rand.
- Large market share in a stagnant market.
- Satisfactory financial performance.
- Close co-operation with the institutional business will release efficiencies and create opportunities in the long term.
- Vulnerable to a continuation of the current equity bear market.



## Divisional review

### Investec in the South African unit trust industry

	31 March 2001	31 March 2002	31 March 2003
Investec Asset Management funds under management (R millions)	13 394	19 965	18 484
Total industry size (R millions)	124 337	176 338	174 075
Market share (%)	11%	11%	11%
Size ranking in industry	3rd out of 29	2nd out of 29	4th out of 29
Industry gross sales (R millions)	114 197	130 939	142 793
Investec Asset Management % of gross industry sales	16%	10%	13%

All figures include Money Funds but exclude Fund of Funds

Source: Association of Unit Trusts

Industry sales for the twelve month periods

### Investec in the South African portfolio product industry

	31 March 2001	31 March 2002	31 March 2003
Investec Asset Management funds under management (R millions)	10 593	19 313	15 732
Total industry size (R millions)	58 125	77 024	61 765
Market share (%)	18%	25%	25%
Industry gross sales (R millions)	18 524	19 864	21 976
Investec Asset Management % of gross industry sales	21%	18%	27%

All figures include Money Funds but exclude Fund of Funds

Source: Linked Investments Service Providers Association

Industry sales for the twelve month periods

## Divisional review

### UK Retail

- Excellent progress in extremely testing market conditions.
- Continued growth in market share.
- Achieved gross sales of £315 million into onshore range (29% increase on 2002).
- Best All Rounder over three years at Professional Adviser Awards.
- Four Stars for Service Levels to IFAs at the Financial Adviser LIA Service Awards.
- Investec had the second highest increase in usage from leading UK IFAs between 1999 and 2002.

### Offshore Funds

- Overall Group Winner and Best Larger Group over one and ten years at Standard & Poors Offshore Fund Awards.
- Marginal fall in assets in a bear market.
- Strong growth in hedge funds and successful guaranteed fund sales.
- Repositioned and rationalised US and Asian operations.

### Investec in the UK retail fund industry

	31 March 2001	31 March 2002	31 March 2003
Investec Asset Management funds under management (£ millions)	519	649	666
Total industry size (£ millions)	244 394	242 281	188 267
Size ranking in industry	74th out of 151	62nd out of 136	58th out of 129
Industry net retail sales (£ millions)	15 750	8 206	6 842
Investec Asset Management % of net industry sales	0.8%	2.2%	2.7%
Industry gross retail sales (£ millions)	34 151	27 475	26 839
Investec Asset Management % of gross industry sales	0.5%	0.9%	1.2%

Source: Investment Management Association  
Industry sales for the twelve month periods

## Divisional review

### Investec in the UK retail fund industry

	Quartile Rank			
	One year	Two years	Three years	Five years
<b>Global Equity Funds</b>				
IAF Global Growth Fund	1st	1st	1st	2nd
GSF Global Equity Fund	1st	1st	1st	2nd
<b>UK Equity Funds</b>				
GSF UK Equity Fund	1st	1st	1st	2nd
UK Blue Chip Fund	1st	1st	1st	1st
UK Smaller Companies Fund	1st	1st	1st	1st
UK Opportunities Fund	1st	1st	1st	2nd
UK Value Fund	1st	1st	1st	1st
<b>Balanced Funds</b>				
IAF Global Balanced Fund	1st	1st	1st	1st
GSF Global Balanced Fund	1st	1st	1st	1st
UK Cautious Managed Fund	2nd	1st	1st	1st
<b>Global Bond Fund</b>				
IAF Global Bond Fund	1st	1st	1st	1st
GSF Global Bond Fund	1st	1st	2nd	2nd
SF Global Bond Fund	1st	1st	1st	2nd

Note: periods to 31 March

### UK Institutional

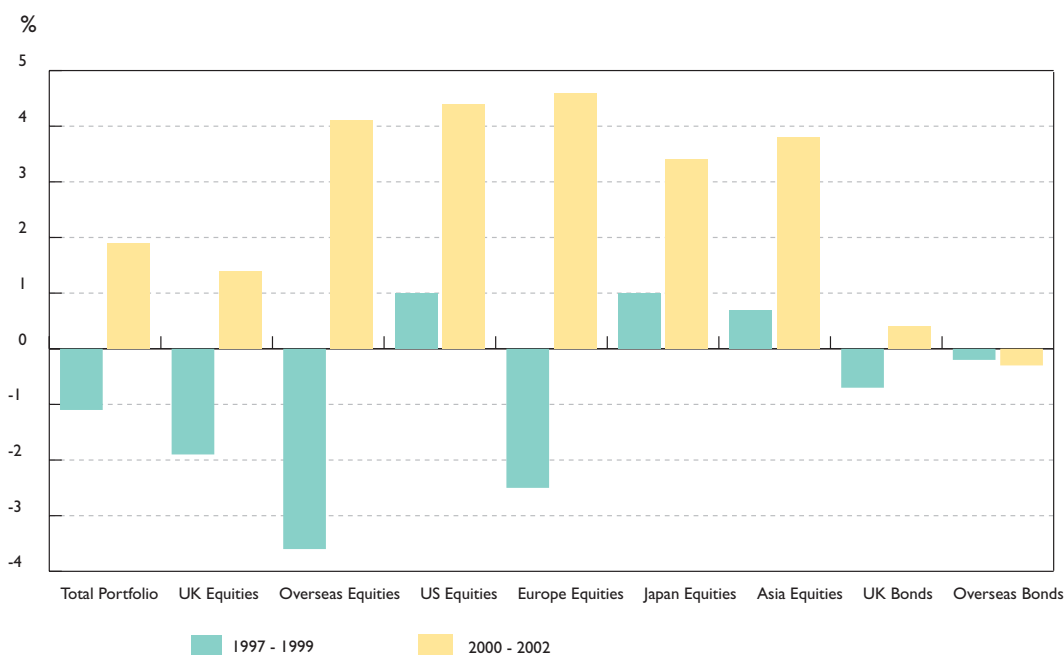
- Raised over £950 million of new assets.
- First major consultant driven pension fund and multi-manager mandate wins.
- Rising institutional profile - acceptance from major consultants and multi-managers (ahead of management expectations).
- Excellent investment performance in core propositions.
- Top performing manager for 2002 in WM survey for balanced funds.
- Top decile performance over one year in CAPS survey for pooled funds.
- Runner up in Global Investor's prestigious One to Watch 2003 award.
- Nominated for Fixed Income Manager of Year by Professional Pensions.

## Divisional review

### UK Balanced Pension fund performance

#### Investec Asset Management Relative to CAPS Median

Composite performance for the three years prior to (1997 - 1999) and subsequent to (2000 - 2002) the restructuring of the UK investment team



### Assurance Activities

- The group's South African life assurance activities, conducted by Investec Employee Benefits ("IEB") reported operating profit before exceptional items and amortisation of goodwill of £27.8 million, a decline of 10.6%.
- Operational earnings increased significantly from £15.5 million to £51.7 million.
- These results were positively influenced by further restructuring of the business and its investment portfolios, particularly in the first half of the financial year.
- However, since embedded value accounting has been implemented, the net movement in the value of in-force business is accounted for in the profit and loss account, with the result that the current years operational earnings were offset by a negative adjustment of £23.9 million, compared to a positive movement of £15.6 million in the prior year.
- Towards the end of the financial year the group concluded a deal with Liberty Group Limited whereby certain of the liabilities of the retirement fund administration business and the existing disability claimants business were reinsured with Liberty with effect from 31 March 2003.
- A profit of approximately R140 million (£11 million, included in the operational earnings mentioned above) has arisen on the transaction but has been offset by a reduction in the value of in-force business of approximately R90 million (£7 million).

## Divisional review

### Long-term assurance business attributable to the shareholder

UK GAAP £'000	31 March 2003	31 March 2002
<b>Investec Employee Benefits Limited</b>		
<b>The embedded value comprises:</b>		
Net tangible assets of life company including surplus	273 072	156 096
Reallocated to investments in associated undertakings	(50 824)	(34 098)
Elimination of intercompany balances	(120 833)	(81 371)
Value of in-force business	7 113	26 489
	<b>108 528</b>	<b>67 116</b>
<b>Movements in embedded value</b>		
At beginning of period	67 116	–
Acquisitions	–	142 709
Profit after tax per profit and loss account	27 779	31 079
Elimination of inter-group transactions	–	27 459
Exchange adjustments	(1 316)	(51 143)
Reclassification of shareholder assets	14 949	(82 988)
<b>At end of period</b>	<b>108 528</b>	<b>67 116</b>
<b>Income from long-term assurance business comprises</b>		
Premium income	306 110	201 731
Investment income	13 920	93 637
Total income	320 030	295 368
Operating expenses	(21 003)	(28 211)
Policyholder's benefits paid	(419 310)	(449 183)
Decrease in technical provisions	457 680	206 597
Re-insurance premium expense	(277 387)	–
Operating profit	60 010	24 571
Tax charged to technical account	(8 296)	(9 055)
Surplus attributable to shareholders	51 714	15 516
Value of in-force business	(23 935)	15 563
<b>Income from long-term assurance business</b>	<b>27 779</b>	<b>31 079</b>

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

Re-insurance premium expense of £277 million for the year ended 31 March 2003 (2002: nil) relates to the reinsurance of certain policyholder liabilities with a third party. This is offset by an equivalent decrease in related technical provisions.

## Divisional review

### Long-term assurance business attributable to the shareholder

UK GAAP	31 March 2003	31 March 2002
<b>Assumptions</b>		
The economic assumptions are based upon a long-term view of economic activity and are therefore not adjusted for market movements which are considered to be short term. This approach is considered to be the most appropriate given the long-term nature of the portfolio of products. The economic assumptions are derived by adding appropriate long-term risk/equity margins to the benchmark gilt i.e. R153. The principal economic assumptions (relating to the South African economy) which have been used for the periods under review are as follows:		
Risk-adjusted discount rate (%)	13.4	16.5
Return on equities (gross of tax) (%)	12.4	15.5
Return on fixed interest securities (gross of tax) (%)	10.4	13.5
Return on property investments (gross of tax) (%)	11.4	14.5
Return on cash held (gross of tax) (%)	7.4	10.5
Inflation rate (%)	6.4	9.5
<b>Balance sheet</b>	<b>£'000</b>	<b>£'000</b>
<b>The assets of the long-term assurance fund attributable to the shareholder are detailed below:</b>		
Investments	176 858	128 433
Intercompany loans due	120 833	81 371
Other assets	64 176	75 052
Assets of long-term assurance fund attributable to shareholder	361 867	284 856
Current liabilities	(88 795)	(128 760)
<b>Net asset value</b>	<b>273 072</b>	<b>156 096</b>
Investments shown above comprise:-		
Fixed interest securities	14 034	3 652
Stocks, shares and unit trusts	14 259	37 210
Investment properties	51 468	37 382
Associate	50 824	34 098
Deposits	46 273	16 091
	176 858	128 433

An increase in the investment properties' value of £14.9 million in the year ended 31 March 2003 (2002: £12.7 million) has been recorded as a movement on the Revaluation Reserve.

Qualifying capital (net of inadmissible assets) (£ millions)	276.5	14.6
Statutory capital adequacy requirement (CAR) (£ millions)	23.6	53.6
CAR cover (times)	11.7	2.7

## Divisional review

### Long-term assurance business attributable to policyholders

UK GAAP £'000	31 March 2003	31 March 2002
Investec Employee Benefits Limited	1 334 775	1 456 295
Investec Assurance Limited	1 201 544	898 106
	<u>2 536 319</u>	<u>2 354 401</u>
<b>Investec Employee Benefits Limited</b>		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	1 334 775	1 456 295
Investments shown above comprise:-		
Fixed interest securities	168 368	372 105
Stocks, shares and unit trusts	680 959	768 262
Investment properties	23 195	41 630
Deposits	462 253	274 298
	<u>1 334 775</u>	<u>1 456 295</u>
<b>Investec Assurance Limited</b>		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	1 155 383	873 691
Debtors and prepayments	45 175	22 100
Other assets	986	2 314
Assets of long-term assurance fund attributable to policyholders	<u>1 201 544</u>	<u>898 105</u>
Investments shown above comprise:-		
Fixed interest securities	294 276	216 935
Stocks, shares and unit trusts	454 377	380 622
Investment properties	1 399	1 083
Deposits	405 331	275 051
	<u>1 155 383</u>	<u>873 691</u>
The business undertaken 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.		
The liabilities to policyholders comprise:		
Technical provisions	641 589	910 711
Funds for future appropriations	665 167	545 583
Other liabilities	1 229 563	898 107
	<u>2 536 319</u>	<u>2 354 401</u>

## Divisional review

### Group Services and Other Activities

UK GAAP £'000	31 March 2003	31 March 2002	% change
<b>Group Services and Other Activities</b>			
Net interest income	14 330	15 595	(8.1%)
Other income	21 849	41 466	(47.3%)
Admin expenses, depreciation, provisions	(68 166)	(90 755)	(24.9%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>(31 987)</b>	<b>(33 694)</b>	<b>(5.1%)</b>
Number of people	1 159	1 412	(17.9%)
International Trade Finance	1 123	2 425	(53.7%)
Property Worldwide	5 986	5 782	3.5%
US continuing businesses	1 041	2 054	(49.3%)
UK Traded Endowments	(8 945)	2 531	<(100%)
Central Funding	6 279	(7 356)	>100%
Central Costs	(37 471)	(39 130)	(4.2%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>(31 987)</b>	<b>(33 694)</b>	<b>(5.1%)</b>
Southern Africa	(28 706)	(39 301)	(27.0%)
UK and Europe	(6 658)	3 865	<(100%)
Australia	2 293	(110)	>100%
Israel	(2)	(82)	(97.6%)
USA	1 086	1 934	(43.8%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>(31 987)</b>	<b>(33 694)</b>	<b>(5.1%)</b>

The reasons for these variances are highlighted in the discussion on the group's profit and loss account variance analysis found on pages 42 to 45 and in the developments discussed below.

### Other Activities

- Other activities comprise two types of operations:
  - Those that are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations.
  - Those that do not fall into one of Investec's four principal business divisions.

### Property Division

- In South Africa, assets under administration have grown to approximately R8 billion making the division one of the largest property managers in South Africa.
- Developments during the period include:
  - The Growthpoint restructure which resulted in Growthpoint being the largest listed Property Loan Stock by market capitalization in the South African market.
  - Obtaining the management contract for the R1 billion Melrose Arch development.
  - The Listed Property Asset Management division was established during the year as a complementary business with the strategic acquisition of Provest.
- In the UK, the property investment market remained buoyant driven by the low interest rate environment and poor performance of other asset classes.



## Divisional review

### Reichmans Capital

- Reasonable performance from Reichmans Capital with solid growth in the division's book.
- Trade Finance performed well despite the strengthening of the Rand during the period.
- Focused on organic growth and exploiting opportunities in existing target markets.

### Traded Endowments

- The business environment for traded endowment policies deteriorated sharply.
- The decline in equity markets meant that life insurance companies had to significantly reduce the bonus rates associated with endowment policies.
- The business was significantly rationalised with headcount being reduced from 138 to 38.

### Central Funding

- Investec has a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained.
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements it faces at the relevant point in time.
- The funds raised are applied towards the making of acquisitions, the funding of central services and debt obligations, and the purchase of corporate assets and investments not allocated to the four operating divisions.
- The group's central funding divisions performed well, posting operating profit before exceptional items and amortisation of goodwill of £6.3 million, resulting in a positive variance of £13.6 million over the previous year.
- This variance can largely be explained as follows:
  - Increase in margin income earned on the IEB shareholder's portfolio (+ £5 million).
  - Profit on unwinding of interest rate instruments recognised in 2002 not repeated in 2003 (- £4 million).
  - MTM losses on the shareholder's portfolio in the UK (- £1.8 million).
  - Increase in return on an investment portfolio originally acquired from Investec Employee Benefits and on other long-standing investments (+ £10 million).

### Central Costs

- Central Costs is made up of functional areas which provide services centrally across all of Investec's business operations.
- Consistent with Investec's philosophy of operating as a single organisation, Central Costs provide integrating mechanisms between the business operations.
- The allocation of central costs is split as follows:
  - South Africa - £19.3 million (2002: £25.1 million).
  - UK and Europe - £16.7 million (2002: £14.0 million).
  - Australia - £1.5 million

## Divisional review

### Corporate Social Investment

Investec continued to focus on entrepreneurial projects that are sustainable and empower people.

#### CIDA City Campus

- CIDA City Campus continues to be a huge success.
- The first students will graduate this year.
- CIDA was selected as the Grand Prix winner in the 2002 Age of Innovation Awards, for being "The Most Innovative Organisation in South Africa".
- The Campus now has 2 000 students.

#### The Business Place

- Launched "Open for Business" youth friendly walk-in centers at the Business Place - a private public partnership with Johannesburg City and SA Technikon.
- Since January 2003 an average of 4 000 people per month have come through the doors (as opposed to 1 000 per month in 2002).
- Investec has been approached by Eastern Cape, North West Province, Western Cape, Tshwane and even from Rwanda to replicate the model.
- Awarded first place in the corporations category of the Mail & Guardian's 2002 Investing in the Future Awards.

#### The Rural Schools Programme

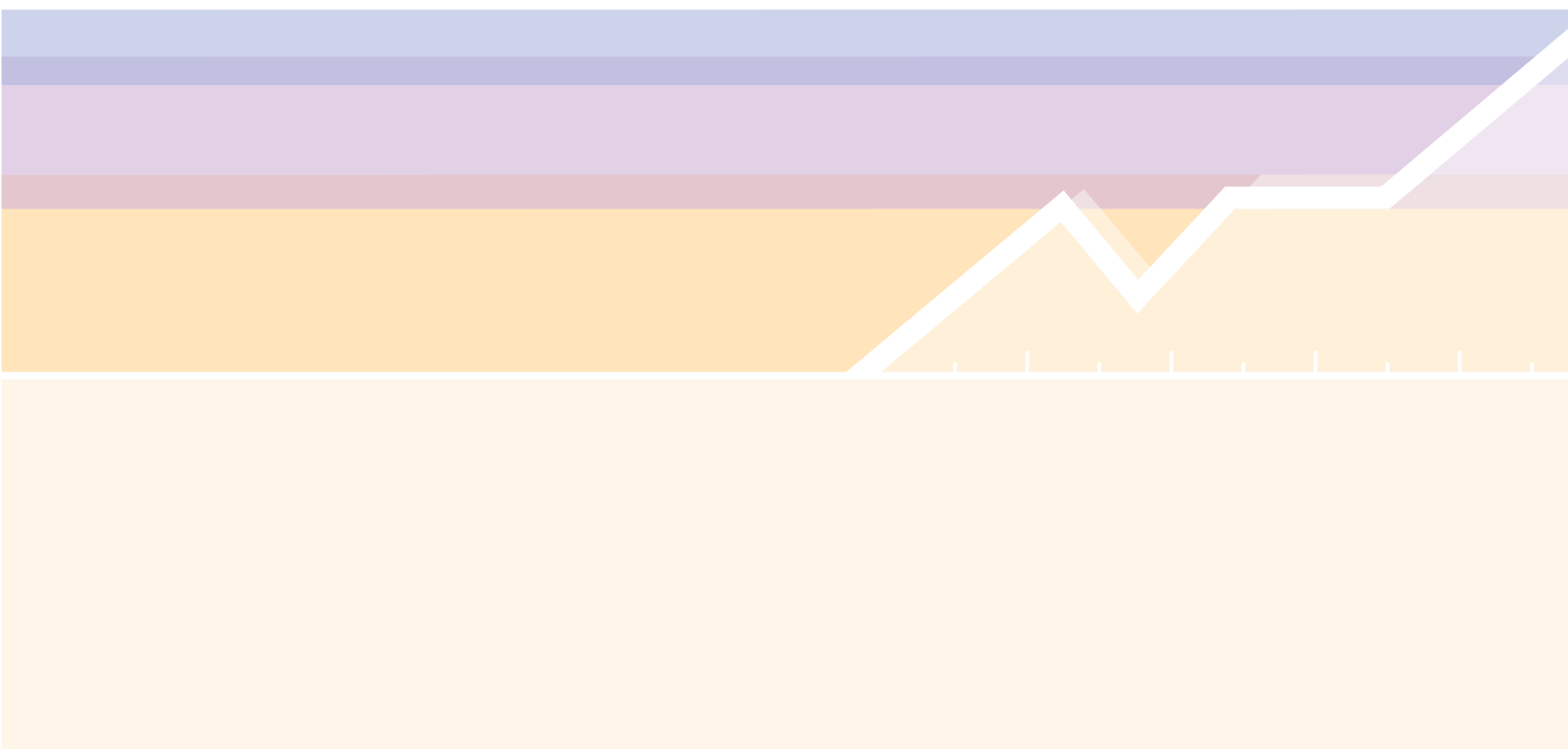
- Assisted twelve schools in six regions and impacting upon 6 319 learners.
- Spent R1.5 million on this programme over the past two years.
- Established entrepreneurial projects linked to schools in each of these regions.
- Plans underway to ensure that effective AIDS awareness programmes exist at all schools.

#### Increasing focus on AIDS

- Donated R400 000 to AIDS initiatives in five regions in conjunction with International Aids awareness day.
- Asset Management donated £13 000 towards assisting the Starfish Foundation launch "1000 Dinners of Hope" initiative - all efforts directed at assisting Aids orphans in South Africa.
- Investec staff from the US, UK and SA participated in the London Marathon 2003 to raise funds to establish a center for Aids orphans in KwaZulu Natal - the hardest hit region in SA.
- Close to R1 million has been reserved in 2003/4 to assist communities affected or infected by HIV/AIDS.
- HIV/AIDS workshop planned to establish how to make the most impact with the funds that are available.

**Financial** Performance of Investec plc (incorporating  
the results of Investec Limited) ▶

Consolidated financial results in UK GAAP Pounds Sterling  
for the year ended 31 March 2003



## Accounting policies and disclosures

The financial policies applied in the preparation of the year end results are consistent with those set out in the preliminary offering circular, except for the following:

### Restatements

Investec's accounting policy is to show trading profits net of the funding costs of the underlying positions. During the year, the group conducted a thorough evaluation of the funding costs of trading desks and the allocation of interest between trading and funding desks within the Treasury division. As a result, instances where the group's accounting policies had not been strictly applied were identified and corrected. Comparative figures have been restated to be consistent with this.

### Goodwill

During the current year, the group changed its policy for the translation of intangible assets in respect of foreign entities. These intangible assets are now translated at the closing exchange rate instead of the exchange rate at the date of acquisition. This change is permitted under both UK GAAP and SA GAAP. Since a recent exposure draft issued by the International Accounting Standards Board also proposes to make this treatment mandatory, the group considers it appropriate to change the policy in the current period. The effect in UK GAAP of this change in policy is a decrease in goodwill as at 31 March 2002 by £66.3 million. The difference has been taken directly to foreign currency translation reserves, resulting in a decrease in UK GAAP in ordinary shareholders' funds as at 31 March 2002. There is no effect on the tangible net asset value of the group.

## Consolidated profit and loss accounts

UK GAAP £'000	Year to 31 March 2003			Year to 31 March 2002*		
	Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	Goodwill & exceptional items	Total
Interest receivable- interest income arising from debt securities	171,066	–	171 066	205 398	–	205 398
Interest receivable- other	697 805	–	697 805	666 802	–	666 802
Interest income	(737 405)	–	(737 405)	(708 370)	–	(708 370)
Interest payable						
<b>Net interest income</b>	<b>131 466</b>	<b>–</b>	<b>131 466</b>	<b>163 830</b>	<b>–</b>	<b>163 830</b>
Dividend income	3 597	–	3 597	2 081	–	2 081
Fees and commissions receivable	331 375	–	331 375	415 918	–	415 918
- annuity	286 782	–	286 782	335 845	–	335 845
- deal	44 593	–	44 593	80 073	–	80 073
Fees and commission payable	(54 768)	–	(54 768)	(74 671)	–	(74 671)
Dealing profits	45 231	–	45 231	49 485	–	49 485
Income from long-term assurance business	27 779	–	27 779	31 079	–	31 079
Other operating income	25 269	–	25 269	30 949	–	30 949
<b>Other income</b>	<b>378 483</b>	<b>–</b>	<b>378 483</b>	<b>454 841</b>	<b>–</b>	<b>454 841</b>
<b>Total operating income</b>	<b>509 949</b>	<b>–</b>	<b>509 949</b>	<b>618 671</b>	<b>–</b>	<b>618 671</b>
Administrative expenses	(392 466)	–	(392 466)	(428 510)	–	(428 510)
Depreciation and amortisation	(14 417)	(122 302)	(136 719)	(16 926)	(98 435)	(115 361)
- tangible fixed assets	(14 417)	–	(14 417)	(16 926)	–	(16 926)
- amortisation and impairment of goodwill	–	(122 302)	(122 302)	–	(98 435)	(98 435)
Provision for bad and doubtful debts	(18 308)	–	(18 308)	(14 668)	–	(14 668)
<b>Operating profit/(loss) before exceptional items</b>	<b>84 758</b>	<b>(122 302)</b>	<b>(37 544)</b>	<b>158 567</b>	<b>(98 435)</b>	<b>60 132</b>
Operating profit/(loss) from continuing operations	101 427	(116 599)	(15 172)	158 862	(92 654)	66 208
Operating loss from discontinued operations	(16 669)	(5 703)	(22 372)	(295)	(5 781)	(6 076)

## Consolidated profit and loss accounts

UK GAAP £'000	Year to 31 March 2003			Year to 31 March 2002*		
	Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	Goodwill & exceptional items	Total
<b>Total operating profit/(loss) before exceptional items</b>	<b>84 758</b>	<b>(122 302)</b>	<b>(37 544)</b>	<b>158 567</b>	<b>(98 435)</b>	<b>60 132</b>
Share of income of associated companies	11 350	(1 644)	9 706	3 904	(821)	3 083
Exceptional items	–	(28 757)	(28 757)	–	(17 529)	(17 529)
Provision for losses on termination and disposal of group operations – discontinued	–	(9 437)	(9 437)	–	(2 637)	(2 637)
Impairment of goodwill on discontinued operations	–	(19 047)	(19 047)	–	(4 419)	(4 419)
Profits on termination and disposal of group operations—continuing	–	5 800	5 800	–	1 363	1 363
Fundamental reorganisation and restructuring costs—continuing	–	(6 073)	(6 073)	–	(11 836)	(11 836)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>96 108</b>	<b>(152 703)</b>	<b>(56 595)</b>	<b>162 471</b>	<b>(116 785)</b>	<b>45 686</b>
Tax on profit on ordinary activities	(5 357)	–	(5 357)	(31 257)	2 717	(28 540)
Tax on profit on ordinary continuing activities	858	–	858	(32 200)	–	(32 200)
Tax on loss on ordinary discontinued activities	(6 215)	–	(6 215)	943	–	943
Tax on provision for losses on termination and disposal of group operations—discontinued	–	–	–	–	2 717	2 717
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>90 751</b>	<b>(152 703)</b>	<b>(61 952)</b>	<b>131 214</b>	<b>(114 068)</b>	<b>17 146</b>
Minority interests—equity	(1 646)	–	(1 646)	(1 586)	–	(1 586)
<b>Profit/(loss) attributable to shareholders</b>	<b>89 105</b>	<b>(152 703)</b>	<b>(63 598)</b>	<b>129 628</b>	<b>(114 068)</b>	<b>15 560</b>
Dividends—including non-equity	(53 428)	–	(53 428)	(57 874)	–	(57 874)
<b>Retained profit/(loss) for the year</b>	<b>35 677</b>	<b>(152 703)</b>	<b>(117 026)</b>	<b>71 754</b>	<b>(114 068)</b>	<b>(42 314)</b>

\* Restated for changes to accounting policies and disclosures.

## Consolidated profit and loss accounts

UK GAAP £'000	Continuing operations			Discontinuing operations		
	31 March 2003	31 March 2002*	% change	31 March 2003	31 March 2002*	% change
<b>Net interest income</b>	<b>127 407</b>	<b>151 029</b>	<b>(15.6)</b>	<b>4 059</b>	<b>12 801</b>	<b>(68.3)</b>
Dividend income	3 597	2 081	72.8	-	-	-
Net fees and commissions receivable	250 124	288 821	(13.4)	26 483	52 426	(49.5)
- annuity	207 968	213 308	(2.5)	24 046	47 866	(49.8)
- deal	42 156	75 513	(44.2)	2 437	4 560	(46.6)
Dealing profits	46 192	56 666	(18.5)	(961)	(7 181)	86.6
Income from long-term assurance business	27 779	31 079	(10.6)	-	-	-
Other operating income	26 263	31 089	(15.5)	(994)	(140)	>(100)
<b>Other income</b>	<b>353 955</b>	<b>409 736</b>	<b>(13.6)</b>	<b>24 528</b>	<b>45 105</b>	<b>(45.6)</b>
<b>Total operating income</b>	<b>481 362</b>	<b>560 765</b>	<b>(14.2)</b>	<b>28 587</b>	<b>57 906</b>	<b>(50.6)</b>
Administrative expenses	(348 154)	(370 885)	6.1	(44 312)	(57 625)	23.1
Depreciation	(13 473)	(16 350)	17.6	(944)	(576)	(63.9)
Provision for bad and doubtful debts	(18 308)	(14 668)	(24.8)	-	-	-
<b>Operating profit/(loss) before goodwill and exceptional items</b>	<b>101 427</b>	<b>158 862</b>	<b>(36.2)</b>	<b>(16 669)</b>	<b>(295)</b>	<b>&gt;(100)</b>
Share of income of associated companies before goodwill	11 350	3 083	>100	-	-	-
	<b>112 777</b>	<b>161 945</b>	<b>(30.7)</b>	<b>(16 669)</b>	<b>(295)</b>	<b>&lt;(100)</b>

## Consolidated statements of recognised gains and losses

UK GAAP £'000	Year to 31 March 2003	Year to 31 March 2002*
(Loss)/profit for the year attributable to shareholders	(63 598)	15 560
Currency translation differences on foreign currency net investments	(13 870)	(69 737)
Unrealised surplus on revaluation of investment properties	18 265	10 254
<b>Total recognised gains and losses for the year</b>	<b>(59 203)</b>	<b>(43 923)</b>

\* Restated for changes to accounting policies and disclosures.

## Consolidated balance sheets

UK GAAP £'000	31 March 2003	31 March 2002*
<b>Assets</b>		
Cash and balances at central banks	348 343	457 222
Treasury bills and other eligible bills	243 019	197 767
Loans and advances to banks	2 758 797	2 583 205
Loans and advances to customers	4 898 226	4 780 480
Debt securities	1 931 265	4 377 877
Equity shares	147 638	204 352
Interests in associated undertakings	62 422	45 026
Intangible fixed assets	299 773	384 900
Tangible fixed assets	205 982	186 761
Own shares	82 922	42 130
Other assets	1 335 831	1 275 695
Long-term assurance business attributable to the shareholder	108 528	67 116
	<u>12 422 746</u>	<u>14 602 531</u>
Long-term assurance assets attributable to policyholders	2 536 319	2 354 401
	<b>14 959 065</b>	<b>16 956 932</b>
<b>Liabilities</b>		
Deposits by banks	2 129 292	3 645 308
Customer accounts	6 354 867	7 068 220
Debt securities in issue	1 089 756	606 246
Other liabilities	1 580 881	2 106 191
Accruals and deferred income	255 281	218 132
	<u>11 410 077</u>	<u>13 644 097</u>
Long-term assurance liabilities attributable to policyholders	2 536 319	2 354 401
	<b>13 946 396</b>	<b>15 998 498</b>
<b>Capital Resources</b>		
Subordinated liabilities (including convertible debt)	276 897	190 659
Minority interests - equity	38 804	33 473
Called up share capital	158	7 530
Share premium account	994 108	814 089
Shares to be issued	2 428	41 148
Revaluation reserves	29 160	11 202
Other reserves	(173 877)	(176 833)
Profit and loss account	(155 009)	37 166
Shareholders' funds	696 968	734 302
- equity	696 968	691 201
- non-equity	-	43 101
	<u>1 012 669</u>	<u>958 434</u>
	<b>14 959 065</b>	<b>16 956 932</b>

\* Restated for changes to accounting policies and disclosures.



## Consolidated statements of reconciliations of shareholders' funds and movements on reserves

UK GAAP £'000	31 March 2003	31 March 2002*
Balance at the beginning of the year	734 302	578 885
- as previously reported	800 555	579 170
- prior year adjustment	(66 253)	(285)
Foreign currency adjustments	(13 870)	(69 737)
Retained loss for the period	(117 026)	(42 314)
Share issues/to be issued	112 588	391 526
Cancellation of shares	(5 079)	(134 655)
Conversions from debentures	1	343
Issue expenses	(32 213)	-
Revaluation of investment properties	18 265	10 254
<b>Balance at end of the year</b>	<b>696 968</b>	<b>734 302</b>

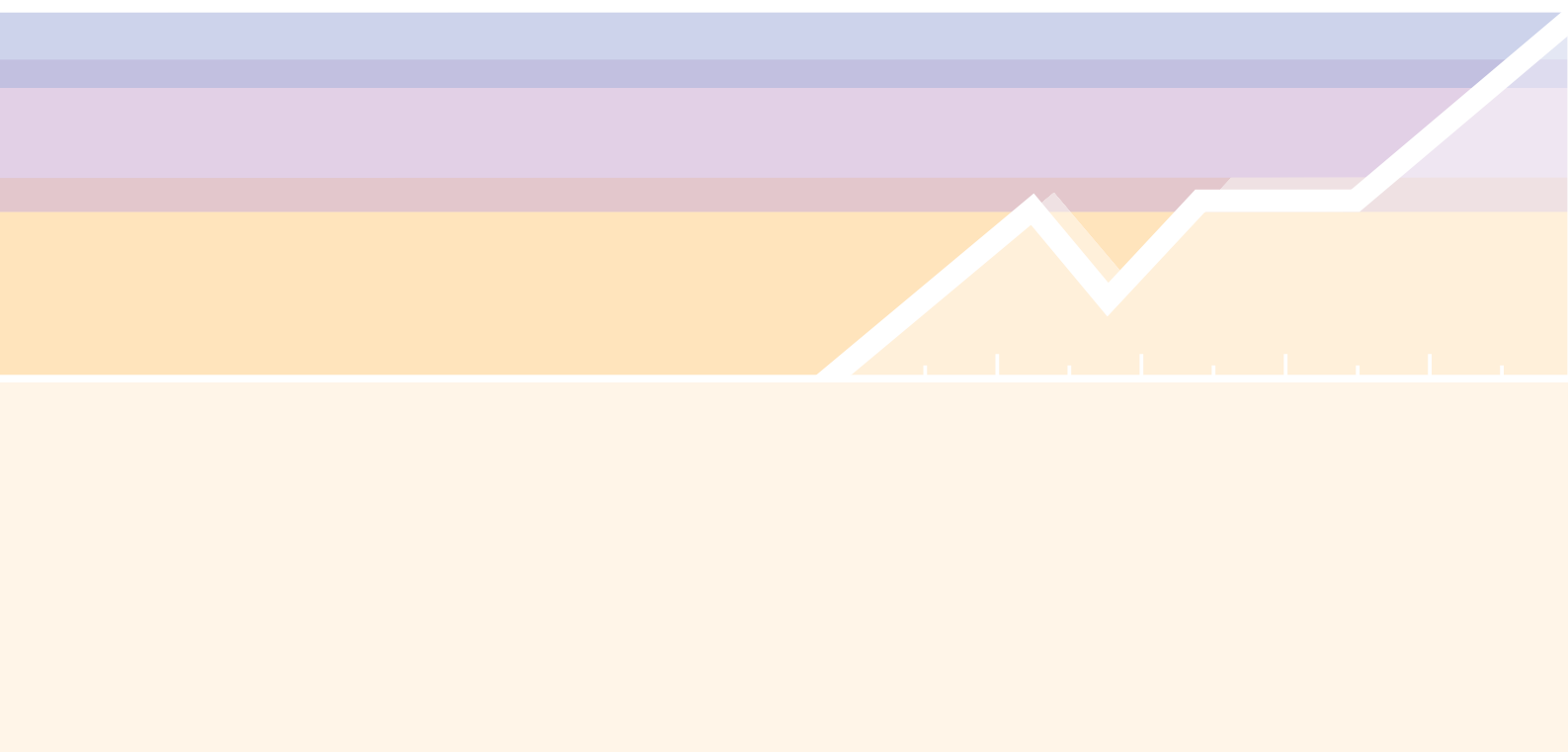
## Consolidated cash flow statements

UK GAAP £'000	Year to 31 March 2003	Year to 31 March 2002*
Net cash inflow from operating activities	429 341	680 542
Net cash outflow from return on investments and servicing of finance	(23 235)	(39 315)
Taxation	(21 151)	(19 380)
Net cash outflow from capital expenditure and financial investment	(486 670)	(461 662)
Net cash outflow from acquisitions and disposals	(9 629)	(95 655)
Ordinary share dividends paid	(54 325)	(58 606)
Net cash inflow/(outflow) from financing	34 396	(22 510)
Decrease in cash	(131 273)	(16 586)
Cash and demand bank balances at beginning of the year	1 165 175	1 181 761
<b>Cash and demand bank balances at end of the year</b>	<b>1 033 902</b>	<b>1 165 175</b>

\* Restated for changes to accounting policies and disclosures.

**Financial** Performance of Investec plc (incorporating  
the results of Investec Limited) ▶

Additional information



## Profit and loss account variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Net interest income</b>	<b>131 466</b>	<b>163 830</b>	<b>(32 364)</b>	<b>(19.8%)</b>

Variance explained as follows:

Private Client Activities	70 817	71 524	(707)	(1.0%)
Treasury and Specialised Finance	31 892	57 237	(25 345)	(44.3%)
Investment Banking	4 992	3 207	1 785	55.7%
Asset Management	5 376	3 466	1 910	55.1%
Group Services and Other Activities	14 330	15 595	(1 265)	(8.1%)
Discontinued Operations	4 059	12 801	(8 742)	(68.3%)

- The Private Banking businesses' net interest income dropped slightly notwithstanding healthy growth in advances of 24.6% and 17.0% in South Africa and UK respectively, largely due to the depreciation of the Rand masking the underlying growth in South Africa.
- The Treasury and Specialised Finance division experienced a significant decline in net interest income largely as a result of the winding down of the interest rate business in the UK and depreciation of the average Rand/Sterling exchange rate over the period.

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Net fees and commissions receivable</b>	<b>276 607</b>	<b>341 247</b>	<b>(64 640)</b>	<b>(18.9%)</b>

Variance explained as follows:

Private Client Activities	94 816	92 467	2 349	2.5%
Treasury and Specialised Finance	24 491	19 960	4 531	22.7%
Investment Banking	36 141	69 361	(33 220)	(47.9%)
Asset Management	83 592	83 780	(188)	(0.2%)
Group Services and Other Activities	11 084	23 253	(12 169)	(52.3%)
Discontinued Operations	26 483	52 426	(25 943)	(49.5%)

- The Group Services and Other businesses were negatively affected by the poor performance of the US operations and the subsequent sale of the clearing and execution business to Fiserv.
- Difficult market conditions continued to impact the Investment Banking division, particularly in the UK, where deal fees and commissions fell by £32.5 million. In South Africa, deal fees and commissions declined marginally with the Corporate Finance division concluding 55 corporate finance deals in comparison to 65 in the previous year.
- The Private Client Stockbroking and Portfolio Management businesses have continued to be negatively impacted by the fall off in the markets over the past year. On the other hand, the Private Banking businesses experienced a solid increase in annuity fees and commissions as a result of increased lending turnover in all operations.
- The Treasury and Specialised Finance division experienced a solid growth in deal fees. The Financial Products division in South Africa earned increased fees from an improved performance in scrip lending and increased activity in the debt origination market. Furthermore, Structured Finance enjoyed an increase in fees. In the UK, the division enjoyed a strong performance from the three relatively new banking teams: Project Finance (December 2001), Structured Finance (July 2002) and Financial Products which moved over from South Africa.

## Profit and loss account variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Dealing profits (trading income)</b>	<b>45 231</b>	<b>49 485</b>	<b>(4 254)</b>	<b>(8.6%)</b>

Variance explained as follows:

Private Client Activities	5 068	3 215	1 853	57.6%
Treasury and Specialised Finance	35 454	28 853	6 601	22.9%
Investment Banking	8 789	7 660	1 129	14.7%
Asset Management	722	1 672	(950)	(56.8%)
Group Services and Other Activities	(3 841)	15 266	(19 107)	<(100%)
Discontinued Operations	(961)	(7 181)	6 220	(86.6%)

- The trading activities of the Treasury and Specialised Finance division in South Africa had a successful year with the majority of the desks contributing to the overall performance. There was a significant improvement from the Forex, Interest Rate and Equity Derivatives desks in comparison to the previous year. These results were partially offset by a decline in profitability of the Commodities desk.
- In the UK there was a decline in income earned from the Treasury and Specialised Finance trading activities, in particular the Commodities desk. Furthermore, the winding down of the Interest Rate business also negatively impacted these results.
- In the Investment Banking division the increase in MTM adjustments in the South African Private Equity division of around £2 million (year on year) was offset by a decline in UK market making revenues of over 80% in comparison to the prior year.
- In the Group Services and Other businesses, the Traded Endowments business was the largest contributing factor to the decline in dealing profits (approx. £11 million), with the division's results negatively impacted by a fall off in business activity and bonus rates cuts announced by life insurance companies. Furthermore, the closure and winding down of the operations in the US had a negative impact on these results.

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Other operating income (investment income)</b>	<b>25 269</b>	<b>30 949</b>	<b>(5 680)</b>	<b>(18.4%)</b>

Variance explained as follows:

Private Client Activities	521	4 127	(3 606)	(87.4%)
Treasury and Specialised Finance	341	1 682	(1 341)	(79.7%)
Investment Banking	12 654	22 914	(10 260)	(44.8%)
Asset Management	16	(312)	328	>100%
Group Services and Other Activities	12 731	2 678	10 053	>100%
Discontinued Operations	(994)	(140)	(854)	<100%

- The decline in other operating income in the Private Client Stockbroking division can be attributed to the profit made on the disposal of Carr Sheppards Crosthwaite's shareholding in the London Stock Exchange in the prior year (around £4 million), which was not repeated in 2003.
- The Investment Banking division experienced a decline in other operating income largely as a result of the approx. net £15 million profit made on the disposal of investments, after taking into account impairments, in the previous year. This negative variance was offset by a strong performance from the UK private equity portfolio which benefited from the partial sale of Focus (approx. £9 million).
- The Group Services and Other divisions benefited from an increased return on an investment portfolio originally acquired from Investec Employee Benefits and on other long-standing investments (these developments resulted in an increase in operating income around £10 million).

## Profit and loss account variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Administrative expenses</b>	<b>(392 466)</b>	<b>(428 510)</b>	<b>36 044</b>	<b>8.4%</b>

Variance explained as follows:

Private Client Activities	(113 865)	(115 633)	(1 768)	1.5%
Treasury and Specialised Finance	(58 824)	(52 292)	6 532	12.5%
Investment Banking	(45 394)	(56 969)	(11 575)	20.3%
Asset Management	(69 182)	(66 585)	2 597	(3.9%)
Group Services and Other Activities	(60 889)	(79 406)	(18 517)	23.3%
Discontinued Operations	(44 312)	(57 625)	(13 313)	23.1%

- The Private Banking division's experienced an increase in expenses largely as a result of increased headcount and an increase in incentive based remuneration in line with strong growth in profitability.
- On the contrary, Carr Sheppards Crosthwaite and the UK Investment Banking division's costs declined significantly, largely as a result of a significant decline in incentive based remuneration given declining profitability. The decline in personnel expenses was around £6 million and £11 million respectively.
- The large decline in expenses in the Group Services and Other Businesses can be attributed to the winding down of the US business and the subsequent sale of the clearing and execution business to Fiserv.

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Provision for bad and doubtful debts</b>	<b>(18 308)</b>	<b>(14 668)</b>	<b>3 640</b>	<b>(24.8%)</b>

Variance explained as follows:

Private Client Activities	(12 611)	(9 262)	3 349	(36.2%)
Treasury and Specialised Finance	(4 258)	(2 132)	2 126	(99.7%)
Investment Banking	(589)	(437)	152	(34.8%)
Asset Management	(40)	(19)	21	(110.5%)
Group Services and Other Activities	(810)	(2 818)	(2 008)	(71.3%)
Discontinued Operations	-	-	-	-

- The increase in provision for bad and doubtful debts arose largely as a result of an increase in specific provisions in the South African Private Banking division and an increase in provisions in the South African Treasury and Finance division, the latter largely relating to the liquidation of Namco.

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Goodwill amortisation and impairments</b>	<b>(122 302)</b>	<b>(98 435)</b>	<b>23 867</b>	<b>(24.2%)</b>

The charge for goodwill amortisation and impairments increased by 24.2% from £98.4 million to £122.3 million, of which £116.6 million relates to continuing operations. Included in this amount is £49.6 million relating to additional impairments on the businesses acquired through the Fedsure acquisition, which was funded by the issue of shares of approximately £20 per share.

## Profit and loss account variance analysis

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Exceptional items</b>	<b>(28 757)</b>	<b>(17 529)</b>	<b>11 228</b>	<b>(64.1%)</b>

Variance explained as follows:

Provision for losses on termination and disposal of Group operations - discontinued	(9 437)	(7 056)	(2 381)	(33.7%)
Impairment of goodwill on discontinued operations	(19 047)	–	(19 047)	>(100%)
Profits on termination and disposal of Group operations - continuing	5 800	1 363	4 437	>100%
Fundamental reorganisation and restructuring costs - continuing	(6 073)	(11 836)	5 763	(48.7%)

The exceptional items comprise four components, namely:

- An amount of £9.4 million in relation to the provision for losses on termination and disposal of the group's discontinued operations. The amount represents £19.7 million reflecting the write down of assets, closure costs (including settlement of legal action and contract terminations) and provisions for future costs to be incurred on the winding down of these businesses. This was partially offset by a net profit of £10.3 million on the disposals highlighted above.
- Unamortised goodwill of £19.0 million written-off in respect of the discontinued operations.
- An amount of £5.8 million of negative goodwill released in relation to the termination of operations previously conducted out of the group's 100% held subsidiary, Securities Investment Bank.
- An amount of £6.1 million in relation to reorganization and restructuring costs incurred in the group's continuing operations as a result of actions taken by the Board over the year to reduce operating costs significantly. These expenses relate to the reduction in head count over the year, and allied costs, plus additional costs incurred for restructuring largely in the following businesses: UK Investment Banking, UK Interest Rates business, Traded Endowments, UK Private Banking (shift of costs to South Africa). (2002: costs of £11.8 million relating to the restructuring of the Fedsure business units acquired in June 2001).

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% change
<b>Taxation</b>	<b>(5 357)</b>	<b>(28 540)</b>	<b>(23 183)</b>	<b>81.2%</b>

Variance explained as follows:

Southern Africa	(9 967)	(22 101)	(12 134)	54.9%
UK and Europe	13 704	(8 014)	(21 718)	>100%
Australia	(2 452)	(413)	2 039	<(100%)
Israel	(427)	(3 524)	(3 097)	87.9%
USA	–	1 852	1 852	<(100%)
Discontinued Operations	(6 215)	3 660	(9 875)	<(100%)

- The taxation charge to the profit and loss account has decreased significantly to £5.4 million largely as a result of recoverable tax charges and deferred tax assets raised in the group's UK operations.
- The effective tax rate of the group's South African operations has also declined from 27.0% in the prior year to 14.5%, mainly as a consequence of the increase in the income from the long-term assurance businesses which bears a lower effective tax rate due to losses brought forward.
- Furthermore, despite the losses made in the group's US operations a net charge of £6.2 million arose due to the write off of all deferred tax assets previously raised as a result of the group's reduced potential to generate sizeable profits in the continuing businesses which would absorb these losses.

## Dividends and earnings per share

UK GAAP	Year to 31 March 2003	Year to 31 March 2002*
<b>Ordinary dividends - pence per share</b>		
Interim	26.0	25.9
Final	28.0	27.9
	<b>54.0</b>	<b>53.8</b>
<b>Ordinary dividends</b>		
	<b>£'000</b>	<b>£'000</b>
Other (**)	–	5 848
Interim	27 539	24 232
Final	28 989	25 779
	<b>56 528</b>	<b>55 859</b>
** This relates to dividends paid in respect of shares issued cum dividend after 31 March 2001		
<b>Preference dividends</b>		
Dividends	421	2 015
<b>Total dividends</b>	<b>56 949</b>	<b>57 874</b>
<b>Earnings per share - pence per share</b>		
Basic earnings per share (pence per share) are calculated by dividing the (loss)/profit attributable to the ordinary shareholders in Investec by the weighted average number of ordinary shares in issue during the period.		
	<b>(70.4)</b>	<b>9.6</b>
<b>Earnings per share - pence per share</b>		
	<b>£'000</b>	<b>£'000</b>
Group (loss)/profit attributable to the shareholders per profit and loss account	(63 598)	15 560
Preference dividends	(421)	(2 015)
<b>Group (loss)/profit attributable to ordinary shareholders</b>	<b>(64 019)</b>	<b>13 545</b>
<b>Diluted earnings per share - pence per share</b>		
Group (loss)/profit attributable to ordinary shareholders	(64 019)	13 545
Interest paid on dilutive debenture conversions	–	–
	<b>(64 019)</b>	<b>13 545</b>
Diluted earnings per share is calculated by dividing the (loss)/profit attributable to the ordinary shareholders of Investec adjusted for the effects of dilutive ordinary potential shares by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares (being share options outstanding not yet exercised) during the period.		
	<b>(70.4)</b>	<b>13.9</b>
Weighted average number of shares in issue during the period	100 076 316	91 519 045
Weighted average number of own shares	(9 197 610)	(237 582)
	<b>90 878 706</b>	<b>91 281 463</b>
Weighted average number of shares resulting from exercise of staff purchase scheme instruments	–	6 354 291
<b>Adjusted weighted number of shares potentially in issue</b>	<b>90 878 706</b>	<b>97 635 754</b>

\* Restated for changes to accounting policies and disclosures.

## Earnings per share

UK GAAP	Year to 31 March 2003	Year to 31 March 2002*
<b>EPS excluding goodwill amortisation and exceptional items - pence per share</b>		
Basic earnings per share excluding goodwill and exceptional items (pence per share) are calculated by dividing the profit before deducting goodwill amortisation and impairment and exceptional items attributable to the ordinary shareholders in Investec by the weighted average number of ordinary shares in issue during the period.		
	<b>97.6</b>	<b>139.8</b>
	<b>£'000</b>	<b>£'000</b>
Earnings attributable to ordinary shareholders	(64 019)	13 545
Amortisation of goodwill	122 302	98 435
Profit on disposal of subsidiary undertakings	(5 800)	(1 363)
Provision for losses on termination and disposal of group operations (net of deferred tax)	28 484	4 339
Amortisation of goodwill of associates	1 644	821
Reorganisation and restructuring costs - continuing	6 073	11 836
<b>Earnings attributable to ordinary shareholders excluding goodwill and exceptional items</b>	<b>88 684</b>	<b>127 613</b>
<b>Headline earnings per share</b>		
Headline earnings per share (pence per share) continues to have widespread acceptance and has been calculated in accordance with the definition in the Institute of Investment Management Research (IIMR) Statement of Investment Practice No. 1 The Definition of Headline Earnings.		
	<b>90.9</b>	<b>126.8</b>
	<b>£'000</b>	<b>£'000</b>
Earnings attributable to ordinary shareholders	(64 019)	13 545
Amortisation of goodwill	122 302	98 435
Profit on disposal of subsidiary undertakings	(5 800)	(1 363)
Provision for losses on termination and disposal of group operations (net of deferred tax)	28 484	4 339
Amortisation of goodwill of associates	1 644	821
<b>Headline earnings attributable to ordinary shareholders</b>	<b>82 611</b>	<b>115 777</b>

\* Restated for changes to accounting policies and disclosures.



## Reconciliation of the number of shares in issue for EPS purposes

UK GAAP	Transaction date	Actual (mn)	Weighted for EPS (mn)	Notes
As at 31 March 2002		92.2	92.2	Per 2002 Annual Report page 147.
Compulsorily convertible debentures	18 June 2002	9.5	–	Per circular to members dated 20 June 2002 refer to para 4.2 page 21. These shares are not included for EPS purposes as they do not rank for dividends.
Convertible preference shares	15 July 2002	2	1.4	Per circular to members dated 20 June 2002 refer to para 4.1.1 page 18.
Transfer of shares to the staff share scheme	18 July 2002	5.3	3.8	Per circular to members dated 20 June 2002 refer to para 4.3 page 21.
New issue in terms of global offering	29 July 2002	4	2.7	
<b>Total number of shares in issue at 31 March 2003</b>		<b>113</b>	<b>100.1</b>	
Less: weighted average number of own shares	various		(9.2)	
<b>Number of shares in issue for EPS purposes as at 31 March 2003</b>			<b>90.9</b>	

## An analysis of operating income

UK GAAP £'000	Year to 31 March 2003	Year to 31 March 2002*	% change
Net interest income	131 466	163 830	(19.8%)
Dividend income	3 597	2 081	72.8%
Fees and commissions receivable	276 607	341 247	(18.9%)
- annuity (net of fees payable)	232 014	261 174	(11.2%)
- deal	44 593	80 073	(44.3%)
Dealing profits	45 231	49 485	(8.6%)
Income from long-term assurance business	27 779	31 079	(10.6%)
Other operating income	25 269	30 949	(18.4%)
<b>Operating income</b>	<b>509 949</b>	<b>618 671</b>	<b>(17.6%)</b>

### Notes:

Dealing profits include the unrealised profits on trading portfolios, which are marked to market daily.

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

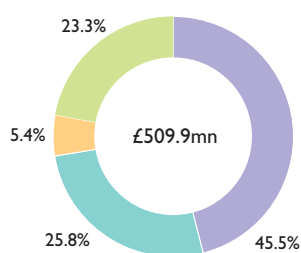
Other operating income includes realised profits and losses on disposal of investments and dividends received. The figures for March 2002 include profits on the reclassification of certain securities from investment to trading.

\* Restated for changes to accounting policies and disclosures.

## Quality of earnings

### UK GAAP

31 March 2003



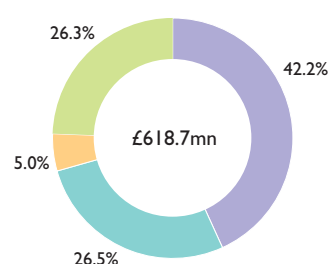
Annuity income/total income: 71.3%

Annuity income

● Net annuity fees and commissions

● Net interest income

31 March 2002



Annuity income/total income: 68.7%

Other income

● Dealing profits, dividend income, other operating income, deal fees and commissions

● Income from long-term assurance business

## An analysis of administrative expenses

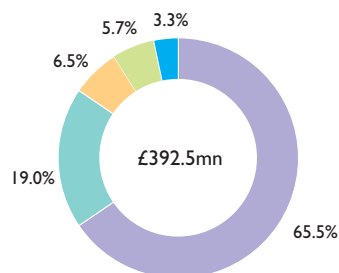
UK GAAP £'000	Year to 31 March 2003	Year to 31 March 2002	% change
Staff costs (including directors' remuneration)	257 123	275 232	(6.6%)
Business expenses	74 628	79 717	(6.4%)
Equipment (excluding depreciation)	25 569	31 980	(20.1%)
Premises (excluding depreciation)	22 303	25 855	(13.7%)
Marketing expenses	12 843	15 726	(18.3%)
<b>Administrative expenses</b>	<b>392 466</b>	<b>428 510</b>	<b>(8.4%)</b>

Included in the above numbers for the year ended 31 March 2003 are the following costs relating to the discontinued operations:

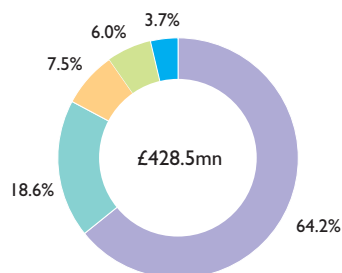
Staff costs	£24.0 million
Business expenses	£11.4 million
Equipment	£5.7 million
Premises	£3.0 million
Marketing expenses	£0.2 million
<b>Total administrative expenses</b>	<b>£44.3 million</b>

### UK GAAP

31 March 2003



31 March 2002



● Staff costs   
 ● Business expenses   
 ● Premises   
 ● Equipment   
 ● Marketing

## Segmental geographical analysis

For the year ended 31 March 2003

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
<b>Profit and Loss Account Salient Information</b>							
Net interest income	52 485	56 291	7 817	10 951	(137)	4 059	131 466
Other income	165 003	163 657	10 236	9 534	5 525	24 528	378 483
Dividend income	3 083	305	192	17	–	–	3 597
Net fees and commissions receivable	92 884	136 075	9 987	7 852	3 326	26 483	276 607
Dealing profits	31 080	11 290	(7)	1 958	1 871	(961)	45 231
Income from long-term assurance business	27 779	–	–	–	–	–	27 779
Other operating income	10 177	15 987	64	(293)	328	(994)	25 269
<b>Total operating income</b>	<b>217 488</b>	<b>219 948</b>	<b>18 053</b>	<b>20 485</b>	<b>5 388</b>	<b>28 587</b>	<b>509 949</b>
Administrative expenses	(130 863)	(187 767)	(11 449)	(14 525)	(3 550)	(44 312)	(392 466)
Depreciation - tangible fixed assets	(5 193)	(6 205)	(196)	(1 127)	(752)	(944)	(14 417)
Provision for bad and doubtful debts	(12 889)	(3 650)	(432)	(1 337)	–	–	(18 308)
<b>Operating profit before exceptional items and amortisation of goodwill</b>	<b>68 543</b>	<b>22 326</b>	<b>5 976</b>	<b>3 496</b>	<b>1 086</b>	<b>(16 669)</b>	<b>84 758</b>
Share of income of associated companies	9 689	–	–	(35)	52	–	9 706
<b>Profit on ordinary activities before taxation</b>	<b>78 232</b>	<b>22 326</b>	<b>5 976</b>	<b>3 461</b>	<b>1 138</b>	<b>(16 669)</b>	<b>94 464</b>
Taxation	(9 967)	13 704	(2 452)	(427)	–	(6 215)	(5 357)
Minority interests - equity	(153)	(1 493)	–	–	–	–	(1 646)
<b>Profit on ordinary activities after taxation</b>	<b>68 112</b>	<b>34 537</b>	<b>3 524</b>	<b>3 034</b>	<b>1 138</b>	<b>(22 884)</b>	<b>87 461</b>
Amortisation and impairment of goodwill	(87 392)	(23 979)	(5 195)	(33)	–	(5 703)	(122 302)
Other exceptional items	5 080	(5 353)	–	–	–	(28 484)	(28 757)
<b>Selected Returns and Key Statistics</b>							
Net intercompany interest (£'000)	(5 049)	(942)	902	–	3 158	1 931	–
Cost to income ratio (%)	62.6	88.2	64.5	76.4	79.8	158.3	79.8
Staff compensation to operating income ratio (%)	38.9	58.5	49.8	42.8	37.8	84.0	50.4
Effective tax rate (%)	14.5	–	41.0	12.2	–	–	6.3
Number of employees	2 935	1 471	103	234	131	–	4 874

## Segmental geographical analysis

For the year ended 31 March 2002\*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
<b>Profit and Loss Account Salient information</b>							
Net interest income	71 173	61 197	4 324	13 784	551	12 801	163 830
Other income	163 937	210 789	8 666	9 174	17 170	45 105	454 841
Dividend income	1 426	655	–	–	–	–	2 081
Net fees and commissions receivable	87 278	176 414	8 248	5 973	10 908	52 426	341 247
Dealing profits	27 794	19 295	(3)	3 308	6 272	(7 181)	49 485
Income from long-term assurance business	31 078	1	–	–	–	–	31 079
Other operating income	16 361	14 424	421	(107)	(10)	(140)	30 949
<b>Total operating income</b>	<b>235 110</b>	<b>271 986</b>	<b>12 990</b>	<b>22 958</b>	<b>17 721</b>	<b>57 906</b>	<b>618 671</b>
Administrative expenses	(130 710)	(202 893)	(10 435)	(12 405)	(14 442)	(57 625)	(428 510)
Depreciation - tangible fixed assets	(6 175)	(7 668)	(280)	(882)	(1 345)	(576)	(16 926)
Provision for bad and doubtful debts	(16 428)	3 345	(1 043)	(542)	–	–	(14 668)
<b>Operating profit before exceptional items and amortisation of goodwill</b>	<b>81 797</b>	<b>64 770</b>	<b>1 232</b>	<b>9 129</b>	<b>1 934</b>	<b>(295)</b>	<b>158 567</b>
Share of income of associated companies	3 022	–	–	(6)	67	–	3 083
<b>Profit on ordinary activities before taxation</b>	<b>84 819</b>	<b>64 770</b>	<b>1 232</b>	<b>9 123</b>	<b>2 001</b>	<b>(295)</b>	<b>161 650</b>
Taxation	(22 101)	(8 014)	(413)	(3 524)	1 852	3 660	(28 540)
Minority interests - equity	–	(541)	–	(1 045)	–	–	(1 586)
<b>Profit on ordinary activities after taxation</b>	<b>62 718</b>	<b>56 215</b>	<b>819</b>	<b>4 554</b>	<b>3 853</b>	<b>3 365</b>	<b>131 524</b>
Amortisation and impairment of goodwill	(65 394)	(18 769)	(4 879)	(20)	(3 592)	(5 781)	(98 435)
Other exceptional items	(11 836)	1 363	–	–	–	(7 056)	(17 529)
<b>Selected Returns and Key Statistics</b>							
Net intercompany interest (£'000)	3 739	(5 453)	–	220	1 496	–	–
Cost to income ratio (%)	58.2	77.4	82.5	57.9	89.1	100.5	72.0
Staff compensation to operating income ratio (%)	35.1	51.0	53.0	32.6	70.1	47.2	44.5
Effective tax rate (%)	27.0	12.4	33.5	38.6	–	–	18.0
Number of employees	3 009	1 510	84	238	688	–	5 529

\* Restated for changes to accounting policies and disclosures.

## Segmental business analysis

For the year ended 31 March 2003

UK GAAP £'000	PC*	TSF*	IB*	AM*	GSO*	Disc Ops*	Total group
<b>Net interest income</b>	<b>70 817</b>	<b>31 892</b>	<b>4 992</b>	<b>5 376</b>	<b>14 330</b>	<b>4 059</b>	<b>131 466</b>
<b>Other income</b>	<b>100 405</b>	<b>60 400</b>	<b>59 192</b>	<b>112 109</b>	<b>21 849</b>	<b>24 528</b>	<b>378 483</b>
Dividend income	–	114	1 608	–	1 875	–	3 597
Net fees and commissions receivable	94 816	24 491	36 141	83 592	11 084	26 483	276 607
Dealing profits	5 068	35 454	8 789	722	(3 841)	(961)	45 231
Income from long-term assurance business	–	–	–	27 779	–	–	27 779
Other operating income	521	341	12 654	16	12 731	(994)	25 269
<b>Total operating income</b>	<b>171 222</b>	<b>92 292</b>	<b>64 184</b>	<b>117 485</b>	<b>36 179</b>	<b>28 587</b>	<b>509 949</b>
Administrative expenses	(113 865)	(58 824)	(45 394)	(69 182)	(60 889)	(44 312)	(392 466)
Depreciation - tangible fixed assets	(3 835)	(1 259)	(907)	(1 005)	(6 467)	(944)	(14 417)
Provision for bad and doubtful debts	(12 611)	(4 258)	(589)	(40)	(810)	–	(18 308)
<b>Operating profit before exceptional items and amortisation of goodwill</b>	<b>40 911</b>	<b>27 951</b>	<b>17 294</b>	<b>47 258</b>	<b>(31 987)</b>	<b>(16 669)</b>	<b>84 758</b>
Share of income of associated companies	(11)	(1)	(23)	11 337	(1 596)	–	9 706
<b>Profit on ordinary activities before taxation</b>	<b>40 900</b>	<b>27 950</b>	<b>17 271</b>	<b>58 595</b>	<b>(33 583)</b>	<b>(16 669)</b>	<b>94 464</b>
Amortisation of goodwill	(13 469)	177	(6 795)	(74 419)	(22 093)	(5 703)	(122 302)
Other exceptional items	(595)	4 355	(3 066)	–	(967)	(28 484)	(28 757)
Net intercompany interest	54 766	(73 971)	2 625	14 322	327	1 931	–
Cost to income ratio (%)	68.7	65.1	72.1	78.3% <sup>1</sup>	186.2	158.3	79.8
Staff compensation to operating income ratio (%)	44.5	39.7	47.8	37.6	125.7	84.0	50.4
Number of employees	1 629	489	336	1 261	1 159	–	4 874
Total assets (£ millions)	3 191	7 388	257	2 948	1 175	–	14 959

\*Where: PC = Private Client Activities, TSF = Treasury and Specialised Finance, IB = Investment Banking, AM = Asset Management and Assurance Activities, GSO = Group Services and Other Activities, Disc Ops = Discontinued Operations

<sup>1</sup> Excluding income from long-term assurance activities.

## Segmental business analysis

For the year ended 31 March 2002\*\*

UK GAAP £'000	PC*	TSF*	IB*	AM*	GSO*	Disc Ops*	Total group
<b>Net interest income</b>	<b>71 524</b>	<b>57 237</b>	<b>3 207</b>	<b>3 466</b>	<b>15 595</b>	<b>12 801</b>	<b>163 830</b>
<b>Other income</b>	<b>99 870</b>	<b>50 583</b>	<b>101 539</b>	<b>116 278</b>	<b>41 466</b>	<b>45 105</b>	<b>454 841</b>
Dividend income	61	88	1 604	59	269	–	2 081
Net fees and commissions receivable	92 467	19 960	69 361	83 780	23 253	52 426	341 247
Dealing profits	3 215	28 853	7 660	1 672	15 266	(7 181)	49 485
Income from long-term assurance business	–	–	–	31 079	–	–	31 079
Other operating income	4 127	1 682	22 914	(312)	2 678	(140)	30 949
<b>Total operating income</b>	<b>171 394</b>	<b>107 820</b>	<b>104 746</b>	<b>119 744</b>	<b>57 061</b>	<b>57 906</b>	<b>618 671</b>
Administrative expenses	(115 633)	(52 292)	(56 969)	(66 585)	(79 406)	(57 625)	(428 510)
Depreciation - tangible fixed assets	(4 010)	(1 612)	(1 047)	(1 150)	(8 531)	(576)	(16 926)
Provision for bad and doubtful debts	(9 262)	(2 132)	(437)	(19)	(2 818)	–	(14 668)
<b>Operating profit before exceptional items and amortisation of goodwill</b>	<b>42 489</b>	<b>51 784</b>	<b>46 293</b>	<b>51 990</b>	<b>(33 694)</b>	<b>(295)</b>	<b>158 567</b>
Share of income of associated companies	–	–	–	4	3 079	–	3 083
<b>Profit on ordinary activities before taxation</b>	<b>42 489</b>	<b>51 784</b>	<b>46 293</b>	<b>51 994</b>	<b>(30 615)</b>	<b>(295)</b>	<b>161 650</b>
Amortisation of goodwill	(8 827)	624	(6 516)	(68 106)	(9 829)	(5 781)	(98 435)
Other exceptional items	–	–	–	(9 222)	(1 251)	(7 056)	(17 529)
Net intercompany interest	35 241	(53 952)	3 911	(190)	14 990	–	–
Cost to income ratio (%)	69.8	50.0	55.4	76.4 <sup>1</sup>	154.1	100.5	72.0
Staff compensation to operating income ratio (%)	44.9	29.5	39.3	48.4	96.6	47.2	44.5
Number of employees	1 813	503	462	1 339	1 412	–	5 529
Total assets (£ million)	2 828	9 925	651	2 767	786	–	16 957

\*Where: PC = Private Client Activities, TSF = Treasury and Specialised Finance, IB = Investment Banking, AM = Asset Management and Assurance Activities, GSO = Group Services and Other Activities, Disc Ops = Discontinued Operations

\*\* Restated for changes to accounting policies and disclosures.

<sup>1</sup> Excluding income from long-term assurance activities.

## Segmental geographic and business analysis of operating profit before taxation, exceptional items and amortisation of goodwill

For the year ended 31 March 2003

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	14 473	23 273	1 700	1 465	–	–	40 911
Treasury and Specialised Finance	31 411	(2 850)	(728)	118	–	–	27 951
Investment Banking	5 871	6 915	2 711	1 797	–	–	17 294
Asset Management	17 715	1 646	–	118	–	–	19 479
Assurance Activities	27 779	–	–	–	–	–	27 779
Other Activities	(28 706)	(6 658)	2 293	(2)	1 086	–	(31 987)
Discontinued Operations	–	–	–	–	–	(16 669)	(16 669)
<b>Total group</b>	<b>68 543</b>	<b>22 326</b>	<b>5 976</b>	<b>3 496</b>	<b>1 086</b>	<b>(16 669)</b>	<b>84 758</b>

For the year ended 31 March 2002\*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	12 832	28 485	(2 655)	3 827	–	–	42 489
Treasury and Specialised Finance	40 466	9 726	1 273	319	–	–	51 784
Investment Banking	18 567	20 255	2 724	4 747	–	–	46 293
Asset Management	18 154	2 439	–	318	–	–	20 911
Assurance Activities	31 079	–	–	–	–	–	31 079
Other Activities	(39 301)	3 865	(110)	(82)	1 934	–	(33 694)
Discontinued Operations	–	–	–	–	–	(295)	(295)
<b>Total group</b>	<b>81 797</b>	<b>64 770</b>	<b>1 232</b>	<b>9 129</b>	<b>1 934</b>	<b>(295)</b>	<b>158 567</b>

\* Restated for changes to accounting policies and disclosures.



## Segmental analysis of operating profit before taxation, exceptional items and amortisation of goodwill

UK GAAP £'000	31 March 2003	2H2003	1H2003*	31 March 2002*
<b>Private Client Activities</b>				
Private Banking	34 637	18 078	16 559	26 869
Private Client Portfolio Management and Stockbroking	6 274	2 939	3 335	15 620
	<b>40 911</b>	<b>21 017</b>	<b>19 894</b>	<b>42 489</b>
<b>Treasury and Specialised Finance</b>				
Financial Market Activities	542	(7 191)	7 733	12 123
Banking Activities	27 409	16 543	10 866	39 661
	<b>27 951</b>	<b>9 352</b>	<b>18 599</b>	<b>51 784</b>
<b>Investment Banking</b>				
Corporate Finance	(2 039)	(3 892)	1 853	16 021
Institutional Research and Sales and Trading	2 597	2 631	(34)	9 637
Direct Investments	4 604	4 593	11	9 223
Private Equity	12 132	11 999	133	11 412
	<b>17 294</b>	<b>15 331</b>	<b>1 963</b>	<b>46 293</b>
<b>Asset Management</b>	<b>19 479</b>	<b>9 091</b>	<b>10 388</b>	<b>20 911</b>
<b>Assurance Activities</b>	<b>27 779</b>	<b>9 050</b>	<b>18 729</b>	<b>31 079</b>
<b>Group Services and Other Activities</b>				
International Trade Finance	1 123	429	694	2 425
Property Worldwide	5 986	3 034	2 952	5 782
US continuing operations	1 041	1 813	(772)	2 054
UK Traded Endowments	(8 945)	(6 601)	(2 344)	2 531
	(795)	(1 325)	530	12 792
Central Funding	6 279	6 455	(176)	(7 356)
Central Costs	(37 471)	(20 676)	(16 795)	(39 130)
	<b>(31 987)</b>	<b>(15 546)</b>	<b>(16 441)</b>	<b>(33 694)</b>
Discontinued Operations**	(16 669)	(12 080)	(4 589)	(295)
<b>Total group</b>	<b>84 758</b>	<b>36 215</b>	<b>48 543</b>	<b>158 567</b>

\* Restated for changes to accounting policies and disclosures.

\*\* In September 2002, the losses on private client stockbroking were shown as exceptional items i.e. the £4.6 million relates only to Investec Inc. (corporate finance activities)

## Segmental geographic analysis

For the year ended 31 March 2003

UK GAAP £ millions	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
<b>Balance Sheet- Salient Information</b>							
Loans and advances to customers	2 662	1 825	174	236	1		4 898
- Core advances	2 194	1 318	174	236	1		3 923
- Cash and cash equivalents	468	507	-	-	-		975
Other interest bearing assets <sup>1</sup>	1 368	3 233	101	537	42	-	5 281
Interests in associated undertakings	58	4	-	-	-	-	62
Long-term assurance assets attributable to shareholders and policyholders	2 645	-	-	-	-	-	2 645
Intangible fixed assets	119	165	16	-	-	-	300
Other assets <sup>2</sup>	1 361	374	9	40	(11)	-	1 773
<b>Total assets</b>	<b>8 213</b>	<b>5 601</b>	<b>300</b>	<b>813</b>	<b>32</b>	<b>-</b>	<b>14 959</b>

For the year ended 31 March 2002\*

UK GAAP £ millions	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
<b>Balance Sheet- Salient Information</b>							
Loans and advances to customers	1 948	1 972	118	255	487	-	4 780
- Core advances	1 635	1 110	118	255	131	-	3 249
- Cash and cash equivalents	313	862	-	-	356	-	1 531
Other interest bearing assets <sup>1</sup>	1 451	5 436	44	635	50	-	7 616
Interests in associated undertakings	43	1	-	1	-	-	45
Long-term assurance assets attributable to shareholders and policyholders	2 422	-	-	-	-	-	2 422
Intangible fixed assets	149	188	21	-	27	-	385
Other assets <sup>2</sup>	1 289	311	6	42	61	-	1 709
<b>Total assets</b>	<b>7 302</b>	<b>7 908</b>	<b>189</b>	<b>933</b>	<b>625</b>	<b>-</b>	<b>16 957</b>

### Notes:

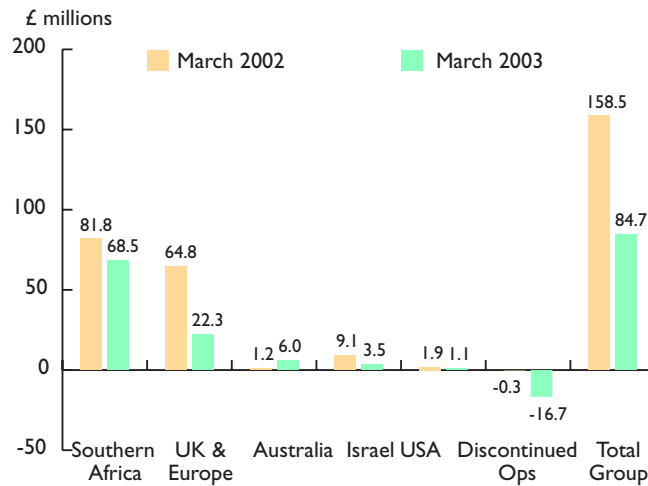
<sup>1</sup> Includes: cash and balances at central banks, treasury bills and other eligible bills, loans and advances to banks, debt securities.

<sup>2</sup> Includes: balance of total assets.

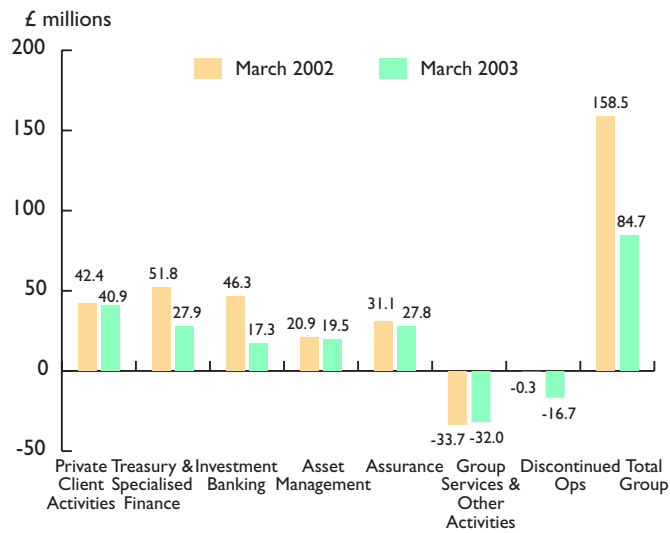
\* Restated for changes to accounting policies and disclosures.

## Segmental analysis - geographical and business analysis

Operating profit before taxation, exceptional items and amortisation of goodwill by geography  
UK GAAP

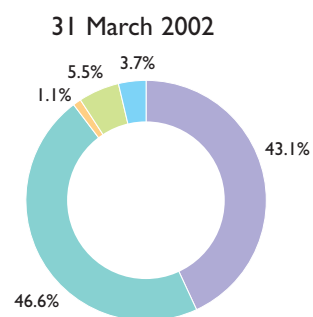
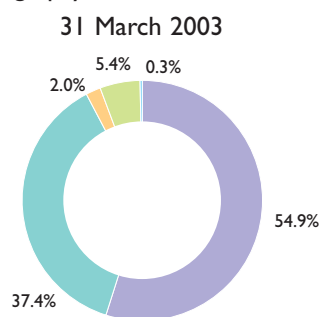


Operating profit before taxation, exceptional items and amortisation of goodwill by business  
UK GAAP



Assets by geography

UK GAAP



● Southern Africa and Other ● UK and Europe ● Australia ● Israel ● USA

## Asset quality

Some of the more pertinent details relating to the quality of Investec's loan book to customers are shown below:

### Asset quality, specific and general provisions

UK GAAP £ millions	31 March 2003	31 March 2002
Total loans and advances to customers (gross of provisions)	4 981	4 845
Less : cash equivalent debtors	(975)	(1 531)
Core loans and advances to customers	4 006	3 314
Managed book	(107)	(73)
Net loans and advances to customers	3 899	3 241
Consolidated profit and loss provision charge	(18.3)	(14.7)
Specific provisions	31.0	27.2
General provisions	52.0	37.0
Total provisions	83.0	64.2
Gross non-performing loans	60.7	38.1
Less: Security	(36.1)	(11.8)
Net non-performing loans	24.6	26.3

### Adequacy of provisions

Specific provisions as a % of core loans and advances to customers	0.77%	0.82%
General provisions as a % of net loans and advances to customers	1.33%	1.14%
Total provisions as a % of core loans and advances to customers	2.07%	1.94%
Total provisions as a % of gross non-performing loans	136.74%	168.47%
Total provisions as a % of net non-performing loans	337.40%	244.11%
Gross non-performing loans as a % of core loans and advances to customers	1.52%	1.15%
Consolidated profit and loss provision charge as a % of average core loans and advances to customers	0.50%	0.44%

## Assets under administration

UK GAAP £ millions	Southern Africa & Other	UK, Australia, Israel & USA	Total group
<b>As at 31 March 2003</b>			
Retail	2 224	1 994	4 218
Institutional	5 877	5 630	11 507
Private clients	2 066	6 306	8 372
- Private clients-discretionary	364	2 681	3 045
- Private clients-non-discretionary	1 702	3 625	5 327
Properties managed for third parties	423	14	437
Acceptances on behalf of clients	–	2	2
Scrip lending	–	1 109	1 109
<b>Total third party assets</b>	<b>10 590</b>	<b>15 055</b>	<b>25 645</b>
On balance sheet assets	8 213	6 746	14 959
<b>Total assets under administration</b>	<b>18 803</b>	<b>21 801</b>	<b>40 604</b>

Note: The Assurance Assets (approximately £1.2bn) are included in the on-balance sheet numbers but are managed by Investec Asset Management.

### As at 31 March 2002

Retail	1 931	2 232	4 163
Institutional	5 324	6 491	11 815
Private clients	1 696	8 426	10 122
- Private clients-discretionary	420	3 842	4 262
- Private clients-non-discretionary	1 276	4 584	5 860
Properties managed for third parties	241	13	254
Acceptances on behalf of clients	–	3	3
Scrip lending	6	899	905
<b>Total third party assets</b>	<b>9 198</b>	<b>18 064</b>	<b>27 262</b>
On balance sheet assets	7 302	9 655	16 957
<b>Total assets under administration</b>	<b>16 500</b>	<b>27 719</b>	<b>44 219</b>

Note: The Assurance Assets (approximately £0.9bn) are included in the on-balance sheet numbers but are managed by Investec Asset Management.

## Net asset value per share

In calculating net tangible asset value per share the group assumes that all previously issued Compulsory Convertible Debentures (CCD's) are treated as equity. Under UK GAAP however, a portion of these CCD's is treated as debt and not included in shareholders' funds. As a result, adjustments must be made to the shareholder base which would more appropriately reflect their permanent capital nature. These adjustments are not required under SA GAAP as the full amount of the CCD's are treated as equity.

UK GAAP £'000	31 March 2003	31 March 2002	Notes
A Shareholders' funds	696 968	734 302	Per the balance sheet
B Convertible debt included in subordinated liabilities	48 830	51 716	Debt component of CCD's (included in equity under SA GAAP) relating to unsecured, Class "A", Class "A" Series II, Class "B" and Class "C" subordinated CCD's. Refer to a more detailed explanation of the difference between SA GAAP and UK GAAP on page 81.
C CCD's issued by Investec Limited included in subordinated liabilities	4 189	–	These CCD's (approximately 1.9 million) relate to the group's staff share schemes but have largely remained unallocated.
D Less: Intangible fixed assets	299 773	384 900	Per the balance sheet
<b>Tangible net asset value</b>	<b>450 214</b>	<b>401 118</b>	
Number of shares in issue (including non-equity shares)	113.0	94.2	Refer to page 48 and the 2002 Annual Report page 149.
CCD's	3.6	13.1	Refer to the group 2002 Annual report page 198, relates to B above.
CCD's	0.2	–	Allocated in terms of C above
<b>Number of shares in issue to this calculation</b>	<b>116.8</b>	<b>107.3</b>	
<b>Tangible NAV per share (pence)</b>	<b>385.5</b>	<b>373.8</b>	

## ROE by country and business

### Return on capital by segment

- Methodology based on segmental information after reallocation of:
  - o a portion of central costs incurred in "Other Activities" to the business segments in proportion to their utilisation of the group's central functions
  - o a notional return on capital (net of the cost of subordinated debt) which is managed and borne in the centre from "Other Activities" to the business segments based on their total capital utilisation
  - o Increase to the shareholders' funds to reflect permanent capital either reflected under subordinated debt or excluded in terms of UK GAAP convention
  - o Add back the final dividend to shareholders' funds which, under UK GAAP, reduces reserves

UK GAAP	Year to 31 March 2003
<b>Calculation of average shareholders' funds</b>	
Average shareholders' funds (including minorities) per balance sheet	751 774
Add : Average convertible debt included in subordinated liabilities	50 275
Average other capital which is excluded under UK GAAP	23 189
Average final dividend declaration	27 384
<b>Adjusted average shareholders' funds</b>	<b>852 622</b>
Average goodwill per balance sheet	(342 337)
<b>Adjusted average tangible shareholders' funds</b>	<b>510 285</b>
Operating profit before goodwill and exceptional items	84 758
Share of associated companies before goodwill	11 350
<b>Revised operating profit</b>	<b>96 108</b>
Tax on ordinary activities	(5 357)
<b>Revised operating profit after tax</b>	<b>90 751</b>
Pre-tax return on average shareholders' funds	11.3%
Pre-tax return on average tangible shareholders' funds	18.8%
Post-tax return on average shareholders' funds	10.6%
Post-tax return on average tangible shareholders' funds	17.8%

## ROE by business

For the year ended 31 March 2003

UK GAAP £'000	PB*	PCSB*	TSF*	IB*	AM*	ASU*	GSO*	Disc Ops*
<b>Total operating profit**</b>	<b>34 637</b>	<b>6 274</b>	<b>27 951</b>	<b>17 294</b>	<b>19 479</b>	<b>27 779</b>	<b>(20 637)</b>	<b>(16 669)</b>
Notional return on regulatory capital	19 569	611	22 885	2 712	1 630	2 577	(50 098)	114
Cost of subordinated debt	(7 332)	(255)	(7 981)	(951)	(606)	(817)	18 003	(61)
Central cost allocation	(5 591)	(1 577)	(7 096)	(3 644)	(3 686)	(4 818)	26 412	–
<b>Adjusted earnings/(losses)</b>	<b>41 283</b>	<b>5 053</b>	<b>35 759</b>	<b>15 411</b>	<b>16 817</b>	<b>24 721</b>	<b>(26 320)</b>	<b>(16 616)</b>
<b>Adjusted average shareholders' funds</b>	<b>210 969</b>	<b>24 531</b>	<b>197 688</b>	<b>51 725</b>	<b>215 924</b>	<b>33 005</b>	<b>116 675</b>	<b>2 104</b>
<b>Adjusted average tangible shareholders' funds</b>	<b>186 864</b>	<b>7 161</b>	<b>181 647</b>	<b>23 065</b>	<b>15 175</b>	<b>15 664</b>	<b>78 605</b>	<b>2 104</b>
Return on adjusted average shareholders' funds	19.6%	20.6%	18.1%	29.8%	7.8%	74.9%	(22.6%)	>(100%)
Return on adjusted average tangible shareholders' funds	22.1%	70.6%	19.7%	66.8%	>100%	>100%	(33.5%)	>(100%)

\*Where: PB = Private Banking PCSB = Private Client Stockbroking TSF = Treasury & Specialised Finance  
 IB = Investment Banking AM = Asset Management ASU = Assurance Activities GSO = Group Services and Other Activities Disc. Ops = Discontinued Operations

\*\*Includes share of income of associated companies.

UK GAAP	Year to 31 March 2003
<b>Explanation of the GSO category</b>	
Adjusted losses of GSO	(26 320)
Unrealised surplus on revaluation of investment properties	18 265
<b>Revised earnings</b>	<b>(8 055)</b>
<b>Analysed as follows :</b>	
Central costs remaining in the centre	(11 059)
Traded Endowments	(8 945)
Property Worldwide	5 986
International Trade Finance	1 123
US continuing businesses	1 041
Short-term Insurance Activities	933
Liquidation Activities	755
Remaining surplus generated from central capital	2 111
	<b>(8 055)</b>



## ROE by country

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
<b>Total operating profit</b>	<b>68 543</b>	<b>22 326</b>	<b>5 976</b>	<b>3 496</b>	<b>1 086</b>	<b>(16 669)</b>	<b>84 758</b>
Share of income of associated companies	11 333	–		(35)	52	–	11 350
Tax on profit on ordinary activities	(9 967)	13 704	(2 452)	(427)	–	(6 215)	(5 357)
<b>Profit on ordinary activities after taxation</b>	<b>69 909</b>	<b>36 030</b>	<b>3 524</b>	<b>3 034</b>	<b>1 138</b>	<b>(22 884)</b>	<b>90 751</b>
<b>Adjusted average shareholders' funds</b>	<b>326 645</b>	<b>432 500</b>	<b>43 084</b>	<b>48 289</b>	*	<b>2 104</b>	<b>852 622</b>
<b>Adjusted average tangible shareholders' funds</b>	<b>190 925</b>	<b>244 223</b>	<b>24 744</b>	<b>48 289</b>	*	<b>2 104</b>	<b>510 285</b>
Pre-tax return on average tangible shareholders' funds	41.8%	9.1%	24.2%	7.2%	*	<(100%)	18.8%
Pre-tax return on average shareholders' investment	24.5%	5.2%	13.9%	7.2%	*	<(100%)	11.3%
Post-tax return on average tangible shareholders' funds	36.6%	14.8%	14.2%	6.3%	*	<(100%)	17.8%
Post - tax return on average shareholders' investment	21.4%	8.3%	8.2%	6.3%	*	<(100%)	10.6%

**\*Note:** The calculations for the USA are based on the numbers for the continuing and discontinued operations i.e. average shareholders' funds of £2.1 million and the resultant returns are shown for the US operations as a whole.

## Number of employees

As at 31 March	2003	2002	2001	2000
<b>Private Banking</b>				
South Africa and Other	628	571	542	534
UK and Europe	329	293	319	305
Australia	55	43	74	–
USA	–	–	–	–
Israel	73	51	97	97
<b>Total</b>	<b>1 085</b>	<b>958</b>	<b>1 032</b>	<b>936</b>
<b>Private Client Stockbroking and Portfolio Management</b>				
South Africa and Other	144	148	164	149
UK and Europe	400	415	402	407
Australia	–	–	–	–
USA	–	292	430	336
Israel	–	–	–	–
<b>Total</b>	<b>544</b>	<b>855</b>	<b>996</b>	<b>892</b>
<b>Private Client Activities Total</b>				
South Africa and Other	772	719	706	683
UK and Europe	729	708	721	712
Australia	55	43	74	–
USA	–	292	430	336
Israel	73	51	97	97
<b>Total</b>	<b>1 629</b>	<b>1 813</b>	<b>2 028</b>	<b>1 828</b>
<b>Treasury and Specialised Finance</b>				
South Africa and Other	265	271	300	279
UK and Europe	156	166	128	93
Australia	10	11	–	–
USA	33	7	–	–
Israel	25	48	13	12
<b>Total</b>	<b>489</b>	<b>503</b>	<b>441</b>	<b>384</b>
<b>Investment Banking</b>				
South Africa and Other	105	116	147	147
UK and Europe	101	156	140	99
Australia	16	30	–	–
USA	68	111	3	–
Israel	46	49	54	45
<b>Total</b>	<b>336</b>	<b>462</b>	<b>344</b>	<b>291</b>

## Number of employees

As at 31 March	2003	2002	2001	2000
<b>Asset Management</b>				
South Africa and Other	490	512	413	387
UK and Europe	267	245	252	236
Australia	–	–	–	–
USA	–	6	5	7
Israel	14	–	–	–
<b>Total</b>	<b>771</b>	<b>763</b>	<b>670</b>	<b>630</b>
<b>Assurance Activities</b>				
	<b>490</b>	<b>576</b>		
<b>Group Services and Other Activities</b>				
South Africa and Other	813	815	678	684
UK and Europe	218	235	176	239
Australia	22	–	–	–
USA	30	272	421	318
Israel	76	90	78	67
<b>Total</b>	<b>1 159</b>	<b>1 412</b>	<b>1 353</b>	<b>1 308</b>
<b>Total number of employees</b>				
	<b>4 874</b>	<b>5 529</b>	<b>4 836</b>	<b>4 441</b>
<b>By Geography</b>				
South Africa and Other	2 935	3 009	2 244	2 180
UK and Europe	1 471	1 510	1 417	1 379
Australia	103	84	74	–
USA	131	688	859	661
Israel	234	238	242	221
<b>Total number of employees</b>	<b>4 874</b>	<b>5 529</b>	<b>4 836</b>	<b>4 441</b>

## Share statistics

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. Further information is provided in Annexure I on pages 87 and 88.

Investec Limited is primary listed on the JSE Securities Exchange South Africa while Investec plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE Securities Exchange South Africa.

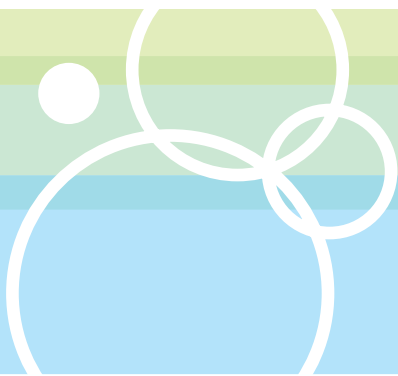
As at 31 March	Ticker symbol	Shares in issue for market cap purposes (millions)	Closing price (31 March 2003)	Market* Capitalisation
<b>JSE Securities Exchange South Africa (JSE)</b>				
Investec Limited - primary listing	INL	38.4	R 76.50	2 938
Investec plc - secondary listing	INP	74.6	R 76.50	5 707
<b>Total market capitalisation for JSE purposes (R millions)**</b>				<b>8 645</b>
<b>London Stock Exchange (LSE)</b>				
Investec plc - primary listing	INVP	74.6	£ 6.15	459
<b>Total market capitalisation for LSE purposes (£ millions)**</b>				<b>459</b>

\* Market capitalisation is defined as the number of shares in issue multiplied by the closing share price.

\*\* In calculating market capitalisation, the LSE only include the shares in issue for Investec plc as Investec Limited is not incorporated in the UK, whereas the JSE have agreed to include the total number of shares in issue (i.e. the combined number for Investec Limited and Investec plc) for this calculation.

**Financial** Performance of Investec Limited ▶  
(incorporating the results of Investec plc)

Consolidated financial results in SA GAAP Rands  
for the year ended 31 March 2003



## Salient financial features

SA GAAP <sup>1</sup>	31 March 2003	% change	31 March 2002*
<b>Income Statement and Selected Returns</b>			
Headline earnings attributable to ordinary shareholders (R millions)	1 461	(3.0)	1 506
Cost to income ratio of continuing operations (%)	67.1		65.8
Headline return on average tangible shareholders' funds (%)	24.2		24.7
<b>Balance Sheet</b>			
Total capital resources (R millions)	13 468	(23.0)	17 498
Total assets (R millions)	205 842	(33.3)	308 803
Shareholders' funds (R millions)	10 181	(30.8)	14 712
Total assets under administration (R millions)	526 735	(29.7)	749 308
<b>Salient Financial Features and Key Statistics</b>			
Headline earnings per share (cents)	1 489.5	(9.5)	1 645.9
Proposed dividends declared per share (cents)	751.0	(9.0)	825.0
Dividend cover (times)	1.98		2.0
Tangible net asset value per share on a fully converted basis (Rands)	53.0	(25.2)	70.9
Closing \$/ZAR exchange rate	7.93		11.35
Closing £/ZAR exchange rate	12.51		16.16
Weighted number of ordinary shares in issue (million)	97.5		91.5
Number of ordinary shares in issue (million)	113.0		96.2
Number of shares in issue on a fully converted basis (million)	114.7		109.2
Share price (cents)	7 650	(41.2)	13 000
Market capitalisation (R million)	8 645	(30.9)	12 506

**Notes:**

<sup>1</sup> Refer to definitions on page 91.

\* Restated for changes to accounting policies and disclosures.

## Accounting policies and disclosures

The financial policies applied in the preparation of the year end results are consistent with those applied in the annual financial statements for the year ended 31 March 2002, except for the following:

### **Translation of goodwill**

During the current year, the group changed its policy for the translation of intangible assets in respect of foreign entities. These intangible assets are now translated at the closing exchange rate instead of the exchange rate at the date of acquisition. This change is permitted under both UK GAAP and SA GAAP. Since a recent exposure draft issued by the International Accounting Standards Board also proposes to make this treatment mandatory, the group considers it appropriate to change the policy in the current period. The effect in SA GAAP of this change is an increase in goodwill as at 31 March 2002 by R1.5 billion. The difference in each case has been taken directly to foreign currency translation reserves, resulting in an increase in SA GAAP in ordinary shareholders' funds as at 31 March 2002. There is no effect on the tangible net asset value of the group.

### **Presentation of variable component of employees' compensation**

The variable component of employees' compensation has previously been deducted from total income, as this related to contractual obligations directly related to income generation. In order to more fully reflect the total employee costs, the variable component of employee costs has now been included in personnel expenses. Prior year comparatives have been restated.

### **AC 133**

The new accounting statement AC 133 which deals with the valuation and recognition of financial instruments and a new credit provisioning policy, is presently being implemented by the group with respect to the consolidated SA GAAP results. Any changes caused by the implementation of this standard will be reported to shareholders as part of the interim results for the period ended 30 September 2003, and are excluded from the results in this announcement.

### **Restatements**

Investec's accounting policy is to show trading profits net of the funding costs of the underlying positions. During the year the group conducted a thorough evaluation of the funding costs of trading desks as a result of which interest charges were reallocated between trading and funding desks within the Treasury division. Comparative figures have been restated to be consistent with this.

## Consolidated income statements

SA GAAP R millions	Year to 31 March 2003			Year to 31 March 2002*		
	Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	Goodwill & exceptional items	Total
<b>Continuing operations</b>						
Interest received	13 071	–	13 071	11 028	–	11 028
Interest paid	(11 042)	–	(11 042)	(8 967)	–	(8 967)
<b>Net interest income</b>	<b>2 029</b>	<b>–</b>	<b>2 029</b>	<b>2 061</b>	<b>–</b>	<b>2 061</b>
Provision for bad and doubtful debts	(305)	–	(305)	(202)	–	(202)
<b>Total interest related income</b>	<b>1 724</b>	<b>–</b>	<b>1 724</b>	<b>1 859</b>	<b>–</b>	<b>1 859</b>
Other income	5 811	–	5 811	5 475	–	5 475
<b>Total income</b>	<b>7 535</b>	<b>–</b>	<b>7 535</b>	<b>7 334</b>	<b>–</b>	<b>7 334</b>
Total operating expenses	(5 262)	–	(5 262)	(4 962)	–	(4 962)
Reorganisation and restructuring costs	(77)	–	(77)	–	–	–
<b>Operating profit before headline adjustments and taxation</b>	<b>2 196</b>	<b>–</b>	<b>2 196</b>	<b>2 372</b>	<b>–</b>	<b>2 372</b>
Goodwill impairment and amortisation	–	(1 970)	(1 970)	–	(1 315)	(1 315)
Profit on disposal of subsidiaries and fixed assets	–	–	–	–	19	19
Loss on impairment of non-trading loans	–	(263)	(263)	–	–	–
Profit on disposal of non-trading loans	–	–	–	–	267	267
<b>Operating profit/(loss)</b>	<b>2 196</b>	<b>(2 233)</b>	<b>(37)</b>	<b>2 372</b>	<b>(1 029)</b>	<b>1 343</b>
Share of income of associated companies	160	–	160	62	(45)	17
<b>Operating profit from continuing operations</b>	<b>2 356</b>	<b>(2 233)</b>	<b>123</b>	<b>2 434</b>	<b>(1 074)</b>	<b>1 360</b>
Taxation	(11)	–	(11)	(432)	–	(432)
<b>Income after taxation on continuing operations</b>	<b>2 345</b>	<b>(2 233)</b>	<b>112</b>	<b>2 002</b>	<b>(1 074)</b>	<b>928</b>
<b>Discontinuing operations</b>						
Interest received	146	–	146	408	–	408
Interest paid	(81)	–	(81)	(230)	–	(230)
<b>Net interest income</b>	<b>65</b>	<b>–</b>	<b>65</b>	<b>178</b>	<b>–</b>	<b>178</b>
Provision for bad and doubtful debts	–	–	–	–	–	–
<b>Total interest related income</b>	<b>65</b>	<b>–</b>	<b>65</b>	<b>178</b>	<b>–</b>	<b>178</b>
Other income	391	–	391	577	–	577
<b>Total income</b>	<b>456</b>	<b>–</b>	<b>456</b>	<b>755</b>	<b>–</b>	<b>755</b>
Total operating expenses	(707)	–	(707)	(757)	–	(757)
<b>Operating loss before headline adjustments and taxation</b>	<b>(251)</b>	<b>–</b>	<b>(251)</b>	<b>(2)</b>	<b>–</b>	<b>(2)</b>
Goodwill impairment and amortisation	–	(334)	(334)	–	(60)	(60)
Loss on disposal of subsidiaries and fixed assets	–	(152)	(152)	–	(79)	(79)
<b>Operating loss from discontinued operations</b>	<b>(251)</b>	<b>(486)</b>	<b>(737)</b>	<b>(2)</b>	<b>(139)</b>	<b>(141)</b>
Taxation	(67)	–	(67)	12	39	51
<b>Loss after taxation from discontinuing operations</b>	<b>(318)</b>	<b>(486)</b>	<b>(804)</b>	<b>10</b>	<b>(100)</b>	<b>(90)</b>
<b>Total profit/(loss) after taxation</b>	<b>2 027</b>	<b>(2 719)</b>	<b>(692)</b>	<b>2 012</b>	<b>(1 174)</b>	<b>838</b>
Earnings attributable to minority shareholders	(23)	–	(23)	(22)	–	(22)
Compulsorily convertible debenture interest	(304)	–	(304)	(305)	–	(305)
<b>Earnings/(loss) attributable to ordinary shareholders</b>	<b>1 700</b>	<b>(2 719)</b>	<b>(1 019)</b>	<b>1 685</b>	<b>(1 174)</b>	<b>511</b>

\* Restated for changes to accounting policies and disclosures.



## Calculation of headline earnings

SA GAAP R millions	Year to 31 March 2003	Year to 31 March 2002*
(Loss)/earnings attributable to ordinary shareholders	(1 019)	511
Goodwill amortisation and impaired	2 304	1 375
Revaluation of investment properties	(239)	(179)
Loss on disposal of subsidiaries and fixed assets	152	21
Loss on impairment of non-trading loans	263 **	–
Profit on disposal of non-trading loans	–	(267)
Share of associates' exceptional items	–	45
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 461</b>	<b>1 506</b>

\* Restated for changes to accounting policies and disclosures.

\*\* This amount represents the write down in the loan to the staff share scheme which was recognised as a result of the recent fall in the value of the group's share price in respect of unallocated shares in these schemes.

### Note:

It is the group's policy, under SA GAAP, to fair value all investment property assets to the income statement. In line with the interpretation contained in circular 07/02, issued in December 2002 by the South African Institute of Chartered Accountants, all gains and losses recognised on investment properties in a reporting period have been deducted in arriving at headline earnings. Prior year results have been restated accordingly.

## Total income by type - continuing operations

SA GAAP R millions	31 March 2003	31 March 2002*	% change
Net interest margin	1 724	1 859	(7.3%)
Fees and commissions - annuity	3 107	2 697	15.2%
Fees and commissions - deal	606	1 034	(41.4%)
Investment income and trading income	1 363	1 524	(10.6%)
Income from long-term assurance business	735	220	>100%
<b>Total income</b>	<b>7 535</b>	<b>7 334</b>	<b>2.7%</b>

## Operating expenses by type - continuing operations

SA GAAP R millions	31 March 2003	31 March 2002*	% change
Personnel	3 374	3 188	5.8%
Business	920	879	4.7%
Equipment	471	369	27.6%
Premises	309	315	(1.9%)
Marketing	188	211	(10.9%)
<b>Total operating expenses</b>	<b>5 262</b>	<b>4 962</b>	<b>6.0%</b>

\*Restated for changes to accounting policies and disclosures

## Geographic and business analysis of income before taxation, goodwill and exceptional items - continuing operations

For the year ended 31 March 2003

SA GAAP R millions	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Private Client Activities	214	356	25	21	–	616
Treasury and Specialised Finance	467	(68)	(11)	2	–	390
Investment Banking	83	43	41	26	–	193
Asset Management	262	26	–	2	–	290
Assurance Activities	735	–	–	–	–	735
Group Services and Other Activities	(54)	(37)	33	–	30	(28)
<b>Total group</b>	<b>1 707</b>	<b>320</b>	<b>88</b>	<b>51</b>	<b>30</b>	<b>2 196</b>

For the year ended 31 March 2002\*

SA GAAP R millions	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Private Client Activities	166	367	(33)	46	–	546
Treasury and Specialised Finance	552	154	17	4	–	727
Investment Banking	249	297	34	52	–	632
Asset Management	246	29	–	4	–	279
Assurance Activities	220	–	–	–	–	220
Group Services and Other Activities	(71)	28	(3)	(2)	16	(32)
<b>Total group</b>	<b>1 362</b>	<b>875</b>	<b>15</b>	<b>104</b>	<b>16</b>	<b>2 372</b>

\* Restated for changes to accounting policies and disclosures

## Consolidated balance sheets

SA GAAP R millions	31 March 2003	31 March 2002*
<b>Assets</b>		
Cash and short-term funds	69 524	111 224
Short-term negotiable securities	20 748	64 738
Investment and trading securities	15 460	18 083
Other assets	10 625	12 440
Advances	49 371	53 347
Associated companies	621	503
Property and equipment	2 124	2 499
Goodwill	4 097	6 967
Long-term assurance assets attributable to the shareholder	1 536	960
	<hr/>	<hr/>
	174 106	270 761
Long-term assurance assets attributable to policyholders	31 736	38 042
	<hr/>	<hr/>
	<b>205 842</b>	<b>308 803</b>
<b>Equity and Liabilities</b>		
<b>Capital and Reserves</b>		
Ordinary share capital	2	58
Compulsorily convertible debentures	661	2 317
Convertible preference shares	–	385
Reserves	9 518	11 952
	<hr/>	<hr/>
	10 181	14 712
Interest of minority shareholders in subsidiaries	486	541
	<hr/>	<hr/>
Total shareholders' funds	10 667	15 253
Subordinated debt	2 801	2 245
	<hr/>	<hr/>
	13 468	17 498
<b>Liabilities</b>		
Deposits and other accounts	160 114	252 750
Taxation	524	513
	<hr/>	<hr/>
	174 106	270 761
Long-term assurance liabilities attributable to policyholders	31 736	38 042
	<hr/>	<hr/>
	<b>205 842</b>	<b>308 803</b>

\* Restated for changes to accounting policies and disclosures.

**Notes:**

During the course of the year the group closed its interest and repo desk in the UK. This has resulted in a significant reduction in the group's cash and short-term funds, short-term negotiable securities and liabilities in respect of repurchase agreements.

## Consolidated statements of reconciliations for shareholders' funds and movements on reserves

SA GAAP R millions	31 March 2003	31 March 2002*
Balance at the beginning of year	14 712	9 392
As previously reported	13 230	9 028
Prior year adjustment	1 482	364
Net issue of shares and debentures	616	4 339
Own shares acquired	(521)	(1 584)
Earnings attributable to ordinary shareholders	(1 019)	511
Dividend paid	(807)	(791)
Movement in foreign currency translation reserves	(2 840)	3 096
Movement in investment revaluation reserves	40	(251)
	<b>10 181</b>	<b>14 712</b>

## Abridged cash flow statements

SA GAAP R millions	31 March 2003	31 March 2002*
Cash retained/(utilised) from operating activities	(24 832)	26 053
Cash retained/(utilised) in investing activities	(53)	(1 649)
Cash inflows/(outflows) from financing activities	647	(395)
Net increase/(decrease) in cash and short-term funds	(24 238)	24 009
Cash and short-term funds at beginning of period	111 224	69 176
Effect of exchange rates on opening balance of cash and short-term funds	(17 462)	18 039
<b>Cash and short-term funds at end of period</b>	<b>69 524</b>	<b>111 224</b>

\* Restated for changes to accounting policies and disclosures.

## Asset quality

SA GAAP R millions	31 March 2003	31 March 2002*
Total loans and advances (pre provisions)	50 429	55 451
Managed book	(1 339)	(1 189)
Net loans and advances	49 090	54 262
Consolidated income statement charge	(305)	(202)
Specific provisions	405	440
General provisions	653	597
Total provisions	1 058	1 037
Gross non-performing loans	756	616
Less: security	(450)	(191)
Net non-performing loans	306	425

### Adequacy of provisions

Specific provisions as a % of total loans and advances	0.80%	0.79%
General provisions as a % of net loans and advances	1.33%	1.10%
Total provisions as a % of total loans and advances	2.10%	1.87%
Total provisions as a % of gross non-performing loans	139.95%	168.34%
Total provisions as a % of net non-performing loans	345.75%	244.00%
Gross non-performing loans as a % of net loans and advances	1.54%	1.11%

## Assets under administration

SA GAAP R millions	Southern Africa & Other	UK, Australia Israel & USA	Total group
<b>As at 31 March 2003</b>			
Retail	27 823	24 950	52 773
Institutional	73 543	70 450	143 993
Private clients	25 847	78 912	104 759
- Private clients-discretionary	4 552	33 548	38 100
- Private clients-non-discretionary	21 295	45 364	66 659
Other (includes wills, estates)	3	–	3
Properties managed for third parties	5 300	173	5 473
Acceptances on behalf of clients	–	19	19
Scrip lending	–	13 873	13 873
<b>Total third party assets</b>	<b>132 516</b>	<b>188 377</b>	<b>320 893</b>
On balance sheet assets	102 957	102 885	205 842
<b>Total assets under administration</b>	<b>235 473</b>	<b>291 262</b>	<b>526 735</b>

Note: The Assurance Assets (approximately R15 billion) are included in the on-balance sheet numbers but are managed by Investec Asset Management.

### As at 31 March 2002

Retail	31 198	36 059	67 257
Institutional	86 041	104 873	190 914
Private clients	27 400	136 157	163 557
- Private clients-discretionary	6 790	62 079	68 869
- Private clients-non-discretionary	20 610	74 078	94 688
Properties managed for third parties	3 900	214	4 114
Acceptances on behalf of clients	–	44	44
Scrip lending	100	14 519	14 619
Total third party assets	148 639	291 866	440 505
On balance sheet assets	113 372	195 431	308 803
<b>Total assets under administration</b>	<b>262 011</b>	<b>487 297</b>	<b>749 308</b>

Note: The Assurance Assets (approximately R14.6 billion) and Tresso assets (approximately R2.5 billion) are included in the on-balance sheet numbers but are managed by Investec Asset Management.

## Net asset value per share

The group has historically calculated the net tangible asset value per share, under SA GAAP, in the following way:

SA GAAP R millions	31 March 2003	31 March 2002*
Shareholders' funds	10 181	14 712
Less: Goodwill	(4 097)	(6 967)
<b>Net tangible asset value</b>	<b>6 084</b>	<b>7 745</b>
Number of shares in issue on a fully converted basis*	114.7	109.2
<b>Net tangible asset value per share (Rands)</b>	<b>53.0</b>	<b>70.9</b>

\* Including compulsory convertible debentures as these are treated as equity under SA GAAP.



## Capital adequacy statement

R millions	31 March 2003	31 March 2002*
<b>Primary capital</b>		
Share capital and premium	9 932	6 816
Convertible preference shares	–	460
General reserves	(1 338)	1 650
Foreign currency translation reserve	1 226	4 070
Equity accounted earnings	176	53
Minority shareholders' interest	486	541
Less: Goodwill and impairments	(4 224)	(7 026)
	<b>6 258</b>	<b>6 564</b>
<b>Secondary capital</b>		
Compulsory convertible debentures	661	2 317
General debt provision	653	597
Subordinated debt	2 801	2 245
Revaluation reserves	(238)	(290)
	<b>3 877</b>	<b>4 869</b>
<b>Capital available for banking activities</b>		
Total capital	10 135	11 433
Less: Capital required for trading activities	(1 937)	(3 017)
	<b>8 198</b>	<b>8 416</b>
<b>Banking assets</b>		
Total tangible assets per balance sheet	201 745	301 836
Assets subject to trading capital requirements	(104 219)	(186 258)
	<b>97 526</b>	<b>115 578</b>
<b>Banking risk-weighted assets</b>		
On-balance sheet assets	57 405	59 406
Off-balance sheet assets	7 868	4 799
	<b>65 273</b>	<b>64 205</b>
<b>Capital available for banking activities to banking risk-weighted assets (%)</b>		
	<b>12.6%</b>	<b>13.1%</b>

In terms of the consolidated regulatory regulations as stipulated by the group's lead supervisor, the South Africa Reserve Bank ("SARB"), the capital adequacy of Investec Limited was 12.2% and of Investec plc 14.7% as at 31 March 2003. The above calculation is determined on pure accounting consolidated capital adequacy basis using the group's accounts (prepared in accordance with SA GAAP) as the source, given that the SARB is the lead supervisor.

	31 March 2003	31 March 2002
<b>Capital adequacy of significant banking subsidiaries</b>		
Investec Bank Limited	20.97%	20.14%
Investec Bank (UK) Limited	22.19%	18.88%

\* Restated for changes to accounting policies and disclosures.

## Reconciliation of principal differences between UK GAAP and SA GAAP

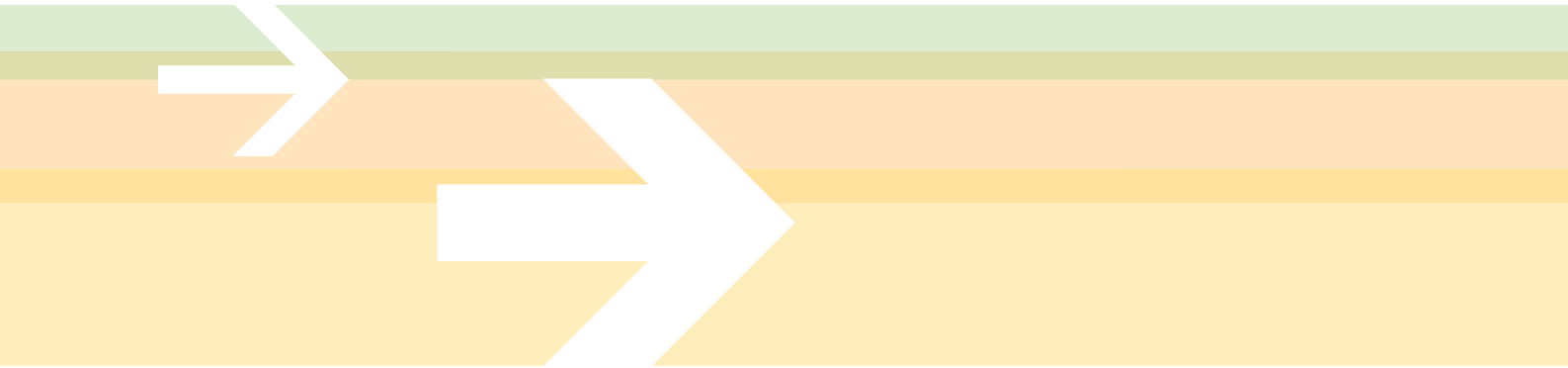
The results as presented on pages 36 to 40 have been prepared in accordance with accounting principles generally accepted in the United Kingdom. Such principles vary in significant respects from those generally accepted in South Africa as presented in the results on pages 71 to 76. Preparing the financial statements requires management to make estimates and assumptions that affect the reported results and disclosures. Actual results could be different from those estimates. The significant differences applicable to Investec's accounts during the period under review are summarised below.

£'000	Notes	31 March 2003	31 March 2002
<b>Headline earnings under SA GAAP</b>	1	<b>100 650</b>	<b>109 540</b>
UK GAAP adjustments			
Acquisition accounting	2	(4 300)	(17 851)
Employee share option plans	3	8 627	6 667
Accrual adjustments	4	2 581	(870)
Embedded value earnings	5	(23 935)	15 563
Other adjustments		(1 012)	2 728
<b>Headline earnings under UK GAAP</b>		<b>82 611</b>	<b>115 777</b>

### Notes:

- The exchange rate used in the above reconciliation was based on the actual rates ruling on the date of the transactions.
- The UK rules on acquisition accounting differ from the equivalent SA/IAS rules. The more material adjustments in this respect, in the current reporting period, relate to the following:
  - Reorganisation costs relating to the acquisition of the financial and insurance businesses of Fedsure: under certain circumstances SA GAAP permits the acquirer upon making an acquisition to include a provision for restructuring the acquiree's business as part of the fair value exercise. Fair value provisions may be recognised even though the restructuring was not planned by the acquiree itself, when the acquirer has developed plans that relate to the acquiree's business and an obligation comes into existence as a direct consequence of the acquisition. UK GAAP does not permit provisions to be recognised at the date of acquisition if they result from the acquirer's intentions or actions.
  - Acquisition of SIB Holdings Limited and the private equity assets of Global Capital Limited: these adjustments related to different rules with respect to the effective date of acquisition of the transactions and the fair value attributed to certain of the assets acquired.
- Investec has issued Compulsorily Convertible Debentures, which under SA GAAP have been classified as shareholders' equity. UK GAAP requires capital instruments (other than shares) should be classified as liabilities if they contain an obligation or contingent obligation to transfer an economic benefit. At the time that they were issued, certain of these instruments were split into their debt and equity components. Under UK GAAP, the debt component has been recorded as a liability in the balance sheet and the equity component accounted for as "shares to be issued" within shareholders funds. Accordingly, the interest payable on the debt portion has been split between interest and repayments of the principal. This has the effect of reducing the interest charge on convertible debt under UK GAAP compared to SA GAAP.
- Differences arising in accrual of certain income items e.g. income on certain trading related interest swaps was recognised up front under SA GAAP but is phased in over a period of time under UK GAAP.
- Under UK GAAP the shareholders' interest in the in-force life assurance and fund pensions policies of the long-term assurance fund are valued at the net present value of the profits inherent in such policies (embedded value). Under SA GAAP the value of these profits is not recognised.

**Looking Forward** ▶



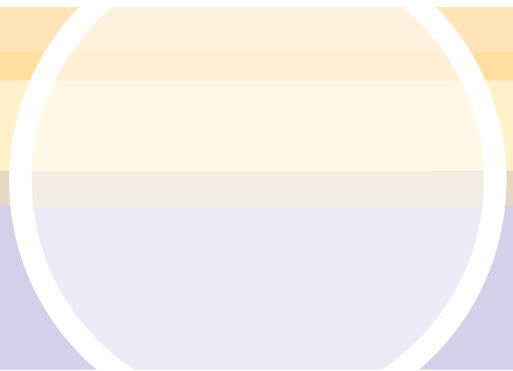
## Looking forward

### Lessons we have learnt:

- Avoid niche revenues with bulge bracket costs
- Can't be all things to all people
- Need to get back to basics
- Concentrate in areas of core competence
  
- Investec will continue to build well-defined businesses focused on serving the needs of select market niches where the group can compete effectively
- The business has been streamlined and rationalised recognising that weak market condition could remain for some time
- Significant strategic impediments have been eliminated:
  - o The London listing gives access to international capital markets
  - o Recent empowerment deal ensures Investec remains competitive and relevant in the South African market
  
- The group is still too exposed to equity markets in its UK activities and will concentrate on building critical mass in its banking activities to balance its UK business model
- Will continue to drive the business organically, both in South Africa and Australia recognising that not all products and services can be replicated in all markets

## Annexure I ▶

A brief overview of Investec and its dual listed companies structure



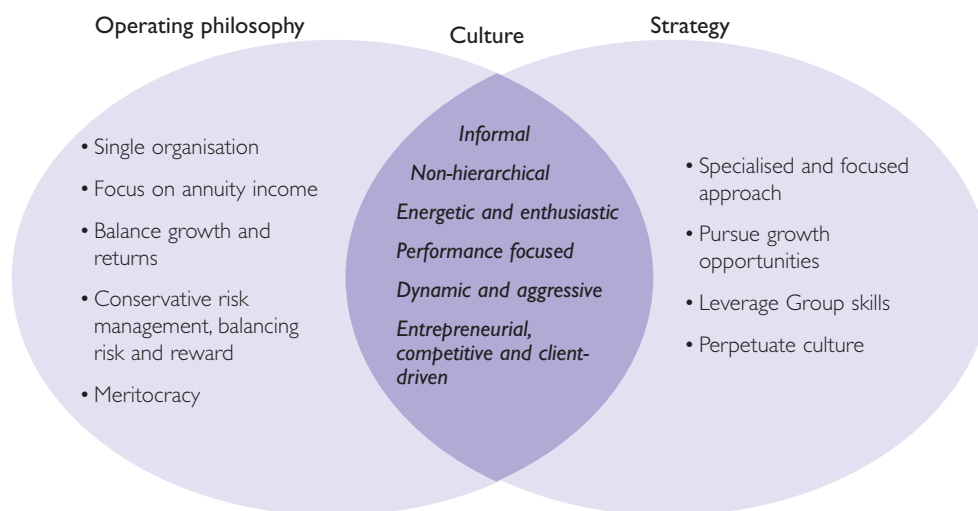
## Investec in perspective

### Profile

- Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base.
- The group focuses on four core areas of activity: Investment Banking, Private Client Activities, Treasury and Specialised Finance, and Asset Management.
- Approximately 4 800 employees in offices in 11 countries around the world.
- Global positioning:
  - Ranked 255 in *The Banker's* Top 1 000 Banks Survey (July 2002).
  - Ranked the ninth most global bank by *The Banker* (February 2003).
- Material employee ownership, with approximately 20% of the group's shares effectively held by management and staff.

### Mission statement

"We aspire to be one of the world's great specialist banking groups, driven by commitment to our core philosophies and values."



### History - three stages of genesis

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

Over 10 years ago, Investec recognised that the opening of South Africa to foreign banking institutions was inevitable and that if it were to maintain its position in the domestic market and grow, it would have to internationalise its operations.

The group's internationalisation programme has revolved around a three-pronged strategy:

- Following its client base.
- Gaining domestic competence and critical mass.
- Maintaining a cross-border emphasis.

## Investec in perspective

1980s and 1990s: Develop domestic business	1992: Embark on international strategy	2002: Listing in London
Growth driven organically and through acquisitions.	Entered UK market, acquiring Allied Trust Bank.	In July 2002 established a Dual Listed Companies structure.
Focused on building a strong base from which to internationalise.	Embarked on international drive to boost capability and enhance critical mass in chosen markets.	
Developed skills set to integrate acquisitions successfully.		

Central to achieving Investec's mission to become one of the world's leading specialist banking groups, the group sought to obtain a listing on the London Stock Exchange.

In November 2001, Investec received permission from the South African Minister of Finance and the South African Reserve Bank to establish a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg. This structure was implemented in July 2002 (further information is provided on pages 87 and 88).

The listing is a logical step in the group's international expansion strategy. Investec now competes in an increasingly global market where the availability and cost of capital are vital.

The London listing should therefore benefit the group by increasing its global profile, enhancing its capital raising ability, lowering its cost of capital and improving access to international capital markets.

### Strategy and Future Direction

Investec's strategy is to be one of the world's leading specialist banking groups, differentiated and driven by a passionate commitment to its distinctive culture and its people. Investec pursues its strategy through an emphasis on:

- Reinforcing a specialised and focused approach.** An essential pillar of Investec's strategy is that it does not seek to be all things to all people. Investec continues to build well-defined businesses focused on serving the needs of select market niches where it can compete effectively. Investec will continue to concentrate on building business depth rather than breadth. In its relentless pursuit of client satisfaction, Investec strives to be the best rather than the biggest.
- Pursuing growth opportunities.** Investec intends to enhance and expand its capability within the markets in which it operates, both organically and opportunistically through the acquisition of complementary businesses where appropriate opportunities arise. Specifically, Investec intends to maintain its strong position in its core markets while continuing to pursue significant opportunities by leveraging off its existing platforms. Investec will take advantage of acquisition opportunities as they arise on the basis that they either bolster Investec's critical mass of existing businesses or allow it to enter new markets considered to be of strategic value.
- Leveraging group skills.** Investec encourages and exploits synergies across markets and divisions in order to develop a comprehensive and efficient cross-border capability. An ability to effectively integrate an increasingly complex organisation and exploit a culture that fosters unselfish collaboration in the pursuit of Investec's performance is central to Investec's strategy.
- Perpetuation of Investec's culture.** Investec seeks to attract and retain highly talented professionals by maintaining a working environment that stimulates high performance and encourages a creative and entrepreneurial culture. The careful selection of people, their ongoing education and uncompromising commitment to Investec's stated values will continue to be a distinctive characteristic of Investec's culture and drive.

## Implementation of a Dual Listed Companies Structure

A circular regarding the establishment of a DLC structure was issued on 20 June 2002. In summary, some of the salient features of the DLC structure include:

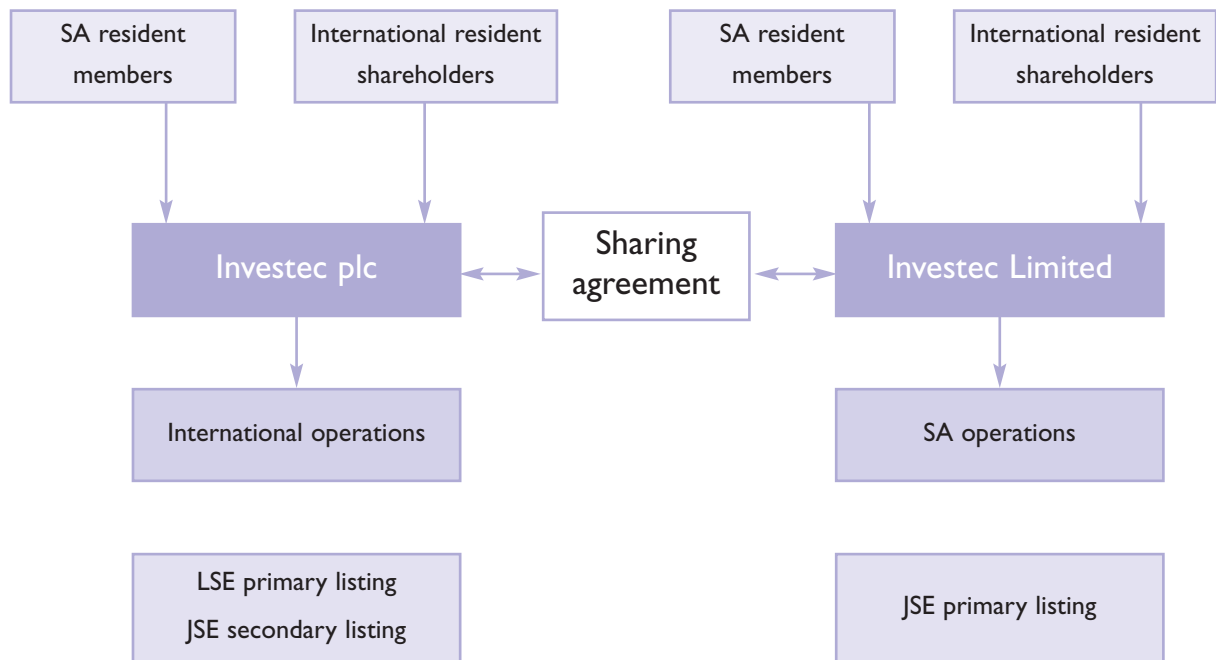
- The Investec Holdings (Inhold) pyramid structure, which had been in place since Investec Group Limited (IGL) listed on the JSE Securities Exchange South Africa (JSE) in 1988, was not considered appropriate under the changed circumstances, and Inhold unbundled its entire shareholding in IGL to Inhold members. At the record date, Inhold members received 86.04 IGL ordinary shares for every 100 Inhold ordinary shares held. With effect from 19 July 2002 Inhold ordinary shares were suspended on the JSE and the delisting of Inhold from the JSE took place on 26 July 2002.
- In terms of the DLC structure, IGL has retained all its businesses in continental Southern Africa and Mauritius and its primary listing on the JSE.
- IGL has been renamed Investec Limited.
- Most of IGL's other businesses were placed into a UK company, Investec plc, and were unbundled from IGL after the close of business on 19 July 2002. The mechanics of the IGL unbundling were arranged in such away that for every 100 ordinary shares held by an IGL shareholder, he/she received 37 IGL (Investec Limited) and 63 Investec plc shares i.e. 100 instruments.
- Investec plc was listed on the London Stock Exchange on 22 July 2002 and has a secondary listing on the JSE.
- Separate legal entities and listings, but bound together by contractual agreements and mechanisms. The agreements are designed to ensure, insofar as possible, that the economic and therefore, market value, of a share in one company will be the same as the economic and market value of a share in the other.
- Unified Boards of Directors and management - the implementation of the DLC structure does not in any way change the way in which Investec manages its business.
- Investec will continue to operate as if it were a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec Limited and Investec plc were a single company:
  - Equivalent dividends on a per share basis.
  - Joint electorate and class right voting.
- Creditors are however ring-fenced to either Investec Limited or Investec plc as there are no cross guarantees between the companies.
- Regulation of the DLC structure:
  - The UK Financial Services Authority (FSA) is the regulator of Investec plc while the South African Reserve Bank (SARB) is the regulator of Investec Limited.
  - The SARB is the lead regulator of the group.
  - The Memorandum of Understanding between the two regulators sets out that the role of the lead regulator would change if 70% or more of the on and off balance sheet assets are held by Investec plc.

The DLC structure is a very exciting development for Investec and is a major stepping-stone in providing the group the opportunity to fulfil its mission of becoming one of the world's leading specialist banking groups.



## Implementation of a Dual Listed Companies Structure

A simplified illustration of the DLC structure



Annexure 2 ▶

Definitions



## Definitions UK GAAP

Term	Definition
Annuity income as a percentage of operating income	Net interest income and annuity commissions receivable net commissions payable expressed as a percentage of operating income.
Assets under administration	Includes third party assets under administration and on-balance sheet assets.
Cost to income ratio	Administrative expenses and depreciation divided by operating income.
Dividend cover	Earnings per ordinary share pre exceptional items and amortisation of goodwill divided by dividends per ordinary share.
Earnings pre exceptional items and goodwill amortisation	As per calculation on pages 46 and 47.
Headline earnings	As per calculation on pages 46 and 47.
Market capitalisation	Number of shares in issue, multiplied by the closing share price of Investec plc on the London Stock Exchange.
Net interest income	Interest receivable less interest payable.
Non-performing loans (NPL)	An exposure is classified as an NPL when there is prospect of non-recovery of interest or it is deemed imprudent to bring interest to account.
Number of shares in issue on a fully converted basis	Based on the number of shares in issue assuming conversion of all debentures and convertible preference shares.
Operating income	All income less interest payable and fees and commission payable.
Operating profit	Operating income less administrative expenses, provisions for bad and doubtful debts and depreciation of tangible fixed assets.
Operating profit: Southern Africa & Other	Operating profit earned in South Africa, Mauritius and Botswana.
Operating profit: Non-Southern Africa & Other	Operating profit earned in UK and Europe, USA, Israel and Australia.
Return on average shareholders' funds	Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average shareholders' funds.
Return on average tangible shareholders' funds	Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average tangible shareholders' funds i.e. excluding goodwill.
Total core loans and advances	Loans and advances to customers less cash and short-term funds included therein.
Total capital resources	Includes shareholders' funds, subordinated liabilities and minority interests.
Weighted number of shares in issue	The number of ordinary shares in issue at the beginning of the year; increased by shares issued during the year; weighted on a time basis for the period during which they have participated in the income of the group.

## Definitions SA GAAP

Term	Definition
Annuity income as a percentage of total income	Net interest income, commission and fees (annuity), expressed as a percentage of total income.
Assets under administration	Includes third party assets under administration and on-balance sheet assets.
Cost to income ratio	Operating expenses expressed as a percentage of total income, before deducting provision for bad and doubtful debts.
Dividend cover	Headline earnings per ordinary share divided by dividends per ordinary share.
Market capitalisation	Number of shares in issue multiplied by the closing share price on the JSE Securities Exchange South Africa.
Number of shares in issue on a fully converted basis	Based on the number of shares in issue assuming conversion of all debentures and convertible preference shares.
Headline return on average tangible shareholders' funds	Headline earnings before deducting the after-tax cost of the debenture interest, expressed as a percentage of the average tangible net asset value of Investec.
Tangible net asset value	Shareholders' funds including all convertible instruments, excluding subordinated debt, minority shareholders' interest in subsidiaries and goodwill.
Tangible net asset value (NAV) per share	Tangible NAV divided by the total number of shares in issue on a fully converted basis.
Total capital resources	Includes total shareholders' funds and subordinated debt.
Weighted number of ordinary shares in issue	The number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group.