A copy of this document, relating to Investec, prepared in accordance with the Listing Rules made under Section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 83 of that Act.

Application has been made to the UK Listing Authority for the Ordinary Shares of Investec PLC to be admitted to the Official List of the UK Listing Authority by way of a primary listing and will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. Application has also been made for a secondary listing of the Ordinary Shares on the JSE Securities Exchange, South Africa. It is expected that dealings on the conditional basis described in "The Global Offer" in Part VIII will commence on the London Stock Exchange on 22 July 2002. There will be no conditional dealings in Ordinary Shares on the JSE Securities Exchange, South Africa. It is expected that admission of the Ordinary Shares to the Official List of the UK Listing Authority will become effective, and that dealings on the London Stock Exchange and the JSE Securities Exchange, South Africa will commence, on Monday 29 July 2002. All dealings prior to the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

The directors of Investec PLC, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

See "Risk factors" in Part II of this document for a discussion of certain risks and other factors that should be considered by prospective investors in connection with an investment in the Ordinary Shares.

INVESTEC PLC

(incorporated in England and Wales under the Companies Act 1985 with registered no.3633621)

Global Offer of up to 10 million Ordinary Shares at a price per Ordinary Share to be determined at the end of the bookbuild exercise and to be announced on 22 July 2002 and admission to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange

SPONSOR AND BOOKRUNNER

Schroder Salomon Smith Barney

GLOBAL CO-ORDINATORS

Goldman Sachs International **Investec** **Schroder Salomon Smith Barney**

See "Global Offer" in Part VIII of this document for a description of the Global Offer and the determination of the Offer Price

Expected ordinary share capital immediately following the Global Offer
(assuming the issue of 10 million new Ordinary Shares)

Authorised			Expected minimum issued and fully paid or credited as fully paid	
Number	**Amount**	**Ordinary Shares of £0.001 each**	**Number**	**Amount**
112,000,000	£112,000		80,633,746	£80,633.75

The Ordinary Shares now being offered (including the Ordinary Shares subscribed for pursuant to the Over-Allotment Option) will rank *pari passu* in all respects with the remainder of the Ordinary Shares issued or to be issued on or before Admission.

In connection with the Global Offer, the Company and/or the Selling Shareholders will grant to Schroder Salomon Smith Barney, on behalf of the Managers, an Over-Allotment Option pursuant to which Schroder Salomon Smith Barney may require the Company and/or the Selling Shareholders to make available additional Ordinary Shares of up to 15 per cent. of the aggregate number of Ordinary Shares available in the Global Offer (before any exercise of the Over-Allotment Option) at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions. The Over-Allotment Option may be exercised, in whole or in part, at any time up to 30 days following the date of Admission.

In connection with the Global Offer, Schroder Salomon Smith Barney as stabilising manager on behalf of the Managers, or any person acting for it may over-allot or effect other transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Offer Price is announced. Such transactions may be effected on the London Stock Exchange or any securities market, over-the-counter market stock exchange or otherwise. There is no obligation on Schroder Salomon Smith Barney to undertake stabilisation transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Save as required by law, Schroder Salomon Smith Barney does not intend to disclose the extent of any stabilisation transactions under the Global Offer.

This document does not constitute an offer to sell or issue or a solicitation of any offer to purchase or subscribe for the Ordinary Shares by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this document and the offer or sale of the Ordinary Shares in certain jurisdictions may be restricted by law. This document may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. None of Investec, the Selling Shareholders, the Sponsor or any of the Managers is making any representation to any offeree or purchaser or subscriber of the Ordinary Shares regarding the legality of investment herein by such offeree or purchaser or subscriber. Persons into whose possession this document may come are required by Investec, the Selling Shareholders, the Sponsor and the Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers and sales of the Ordinary Shares and the distribution of this document is set out in "The Global Offer – Selling restrictions" in Part VIII.

No person is or has been authorised to give any information or make any representations not contained in this document in connection with the Global Offer and, if given or made, such information or representations must not be relied upon as having been authorised by Investec, the Selling Shareholders, the Sponsor or the Managers. No representation or warranty, express or implied, is made by the Sponsor or the Managers as to the accuracy or completeness of information contained herein and nothing contained in this document is, or will be relied upon as, a promise or representation by the Sponsor or the Managers or any of their respective affiliates or advisers as to the past, present or future. The delivery of this document does not imply that there has been no change in the business and affairs of Investec since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Schroder Salomon Smith Barney is acting for the Company and IGL and nobody else in connection with Admission and the Global Offer and will not be responsible to any other person other than the Company and IGL for providing the protections afforded to clients of Schroder Salomon Smith Barney or for providing advice in relation to Admission and the Global Offer.

Goldman Sachs International is acting for the Company and IGL and nobody else in connection with Admission and the Global Offer and will not be responsible to any other person other than the Company and IGL for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to Admission and the Global Offer.

Investec Bank (UK) Limited (trading as Investec) is acting for the Company and IGL and nobody else in connection with Admission and the Global Offer and will not be responsible to any other person other than the Company and IGL for providing the protections afforded to clients of Investec Bank (UK) Limited or for providing advice in relation to Admission and the Global Offer.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own issuer, financial adviser or tax adviser for legal, financial or tax advice.

Investec expects to publish a Final Offering Circular on or about 22 July 2002 giving details of the Offer Price and the number of Ordinary Shares comprised in the Global Offer.

FORWARD-LOOKING STATEMENTS AND MARKET DATA

This document includes forward-looking statements. All statements, other than statements of historical facts, included in this document, including, without limitation, those regarding Investec's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to Investec's products and services), any statements preceded by, followed by or including the words "believes", "expects", "aims", "estimates", "anticipates", "may", "will", "should", "could", "intends", "plans", "seeks" or similar expressions, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause Investec's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are inherently based on numerous assumptions regarding Investec's present and future business strategies and the environment in which Investec will operate in the future. The important factors that could cause Investec's actual results, performance or achievements to differ materially from those in forward-looking statements include, but are not limited to, those discussed in "Risk factors" in Part II, "Business description" in Part III and "Management's discussion and analysis of financial condition and results of operations" in Part VI. These forward-looking statements speak only as at the date of this document. Investec, the Selling Shareholders, the Sponsor and the Managers expressly disclaim any obligation or undertaking to disseminate after Admission any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based, unless required to do so by the Financial Services and Markets Act 2000, the Listing Rules or the rule of any other securities regulatory authority.

This document contains market data including projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results may differ from the projections based on these assumptions. As a result, Investec's markets may not grow at the rates projected by this data. The failure of these markets to grow at these projected rates may have a material adverse effect on Investec's business, results of operations, financial condition and the market price of the Ordinary Shares.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS[1]

Commencement of the Global Offer	8 July 2002
Latest time and date for receipt of completed application forms under the Intermediaries Offer	3.00 pm on 19 July 2002
Latest time and date for receipt of indications of interest under the Institutional Offer	5.00 pm on 19 July 2002
Announcement of the Offer Price, final size of the Global Offer and basis of allocation, and publication of the Final Offering Circular	22 July 2002
Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange[2]	8.00 am on 22 July 2002
Commencement of unconditional dealings in Ordinary Shares other than new Ordinary Shares issued under the Global Offer on the JSE	8.00 am on 22 July 2002
Admission and expected commencement of unconditional dealings in all Ordinary Shares on the London Stock Exchange and the JSE	8.00 am on 29 July 2002
Crediting of CREST accounts	29 July 2002
Despatch of definitive share certificates (where applicable)[3]	Commencing on 29 July 2002

All references to times are to local time in London. The time in South Africa, in each case, is one hour ahead of London time. Ordinary shares in IGL will continue to be listed on the JSE. However, there can be no conditional dealings in new Ordinary Shares to be issued under the Global Offer on the JSE.

(1) Each of the times and dates in the above timetable is subject to change without further notice.

(2) Applicants should note that conditional dealings in the Ordinary Shares will commence on the London Stock Exchange prior to the despatch of any definitive share certificates or advice notes. Applicants who deal prior to the receipt of their definitive share certificates or advice notes do so at their own risk as they may be selling Ordinary Shares for which they have not received an allocation. All dealings in the Ordinary Shares on the London Stock Exchange before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

(3) Or as soon thereafter as is practicable.

GLOBAL OFFER STATISTICS[1]

Number of new Ordinary Shares in the Global Offer[2]	up to 10 million
Number of Ordinary Shares in issue immediately following the Global Offer[3]	80,633,746
Pro forma market capitalisation of Investec following the Global Offer	
• the Company[4]	£793,065,282
• IGL[5]	£377,669,865
• Investec total	£1,170,735,147
Net proceeds being raised by the Company[6]	£94,665,741

Note:

(1) The Offer Price may be set at above or below the Indicative Offer Price. The Final Offering Circular containing the Offer Price is expected to be published on or about 22 July 2002.

(2) Should there be sufficient demand, the Selling Shareholders will consider selling up to 8 million existing Ordinary Shares.

(3) Assuming 10 million new Ordinary Shares are issued.

(4) The market capitalisation of the Company is based on the Indicative Offer Price and an issued share capital of 80,633,746 Ordinary Shares immediately following Admission (this assumes that 10 million new Ordinary Shares are issued in the Global Offer).

(5) The market capitalisation of IGL is based on the closing price of an IGL ordinary share on the JSE of R150.58 (approximately £9.84) at the close of business on 4 July 2002, the latest practicable date prior to the finalisation of this document, and an issued share capital of 38,399,028 IGL ordinary shares (after the Reorganisation). For the purposes of index inclusion on the JSE this market capitalisation will be aggregated with that of the Company.

(6) The estimated net proceeds receivable by the Company (assuming 10 million new Ordinary Shares are issued in the Global Offer at the Indicative Offer Price) stated after deduction of the estimated underwriting commissions payable to the Managers of 3.75 per cent. in aggregate of the gross proceeds of the Global Offer.

DIRECTORS, COMPANY SECRETARY AND REGISTERED OFFICE OF THE COMPANY

Directors

Hugh Herman	Non-Executive Chairman
Stephen Koseff	Chief Executive Officer
Bernard Kantor	Managing Director
Glynn Burger	Executive Director
Alan Tapnack	Executive Director
John Abell	Non-Executive Director
Sam Abrahams	Non-Executive Director
George Alford	Non-Executive Director
Donn Jowell	Non-Executive Director
Ian Kantor	Non-Executive Director
Sir Chips Keswick	Non-Executive Director
Peter Malungani	Non-Executive Director
Peter Thomas	Non-Executive Director

Company Secretary

Richard Vardy

Registered Office

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United Kingdom

ADVISERS

Sponsor and Bookrunner

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United Kingdom

Global Co-ordinators and Financial Advisers

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Registrars and receiving agents in South Africa

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United Kingdom

Receiving agent in the United Kingdom

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Bridgewater Road
Bristol BS99 7NH
United Kingdom

(1) Investec Investment Banking and Securities, a division of Investec Bank (UK) Limited (a subsidiary of Investec PLC), trading as Investec.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of business information

Following implementation of the DLC Structure, the Company and IGL will have separate corporate identities and separate stock exchange listings. The DLC Agreements will, however, require the Investec PLC Group and the IGL Group to operate as if they were a single corporate group. See "Key Information – DLC Structure" in Part I and "Details of the DLC Structure" in Part XI for an explanation of the DLC Structure.

Unless the context otherwise requires, this document assumes that the Reorganisation and the DLC Structure have become effective. In this document, unless otherwise provided, references to the "Company" or to "Investec PLC" are to Investec PLC. References to "IGL" are to Investec Group Limited. References to "Investec" or "Group" are to the Company and IGL and, where the context requires, their subsidiaries and subsidiary undertakings and their associated undertakings or any of them, as the case may be.

Presentation of financial information and currencies

The Accountants' report contained in Part VII is prepared on a consolidated basis for the Group for the three years ended 31 March 2000, 2001 and 2002. It appears as an IGL report because prior to the implementation of the DLC Structure, IGL and its subsidiaries constituted the Group. IGL and Investec PLC intend to publish a single primary set of consolidated financial statements, denominated in pounds sterling and prepared in accordance with UK GAAP, and IGL will publish consolidated financial statements denominated in Rand and prepared in accordance with generally accepted accounting principles in South Africa. IGL and Investec PLC will furthermore also prepare any other financial information needed to meet their respective local requirements. The financial year-end of both IGL and Investec PLC will be 31 March.

The financial information in "Management's discussion and analysis of financial condition and results of operations" in Part VI and "Accountants' report" in Part VII, or which appears elsewhere in this document having been extracted from Part VII, has been prepared in accordance with UK GAAP. UK GAAP differs in certain respects from SA GAAP and US GAAP. A summary of the principal differences between UK GAAP, SA GAAP and US GAAP is set out in "Additional information – Summary of differences between accounting standards" in Part XIII. The Accountants' report included in Part VII has also been prepared in accordance with the Statement of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom.

Investec's reporting currency will be pounds sterling although, historically, Investec has reported in Rand. Rand figures in the financial information in "Management's discussion and analysis of financial condition and results of operations" in Part VI and "Accountants' report" in Part VII, or which appears elsewhere in this document having been extracted from Part VII, 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 year end rate for the relevant period. See "Management's discussion and analysis of financial condition and results of operations – Macro-economic factors affecting results of operations – Exchange rates" in Part VI for information regarding the movements in certain relevant exchange rates against pounds sterling over the three years ended 31 March 2002. 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 exchange rate on 1 July 2002 of R15.31 = £1.00 has been used in the calculation of the Indicative Offer Price and in the expression, in pounds sterling, of the market capitalisations of IGL and Capital Alliance used in this document.

In this document, references to "pounds sterling", "£", "pence" or "p" are to the lawful currency of the United Kingdom, references to "Rand" and "R" are to the lawful currency of South Africa, references to "US dollars" or "US$" are to the lawful currency of the United States and references to "Australian dollars" or "A$" are to the lawful currency of Australia.

PART I – KEY INFORMATION

The following information does not purport to be complete and is taken from, and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this document. Certain terms used in this document are defined in "Definitions" in Part XIV. Save where otherwise indicated, the financial information in this section has been extracted without material adjustment from "Management's discussion and analysis of financial condition and results of operations" in Part VI or "Accountants' report" in Part VII. Investors should read the whole of this document and not just rely on this summary information.

1 Overview

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, the United States and Israel. Investec is organised as a network comprising four business divisions:

- Investment Banking, with corporate finance, institutional research, sales and trading, direct investments and private equity operations.

- Treasury and Specialised Finance, with a range of banking and financial markets activities.

- Private Client Activities, with private banking and private client portfolio management and stockbroking operations.

- Asset Management, with asset management and assurance activities.

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 the Group's property business, trade finance and traded endowments operations.

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.

Following implementation of the DLC Structure, the Company will be headquartered in London and IGL and Investec as a whole will be headquartered in Sandton, South Africa. As at 31 March 2002, Investec had 5,529 employees worldwide.

2 Summary description of Investec's business

Investment Banking

Investec engages in a range of investment banking activities in two principal markets, the United Kingdom and South Africa. In addition, Investec conducts a more limited range of investment banking activities in Australia, Israel and the United States under the brand names Investec Wentworth, Investec Bank (Israel) Limited and Investec Inc., respectively. In each of the markets in which it operates, Investec pursues a 'super-boutique' strategy in that Investec can provide the expertise of a domestically focused investment bank together with access to an international network beyond that offered by purely domestic boutiques.

Treasury and Specialised Finance

Investec provides a wide range of products, services and solutions to select corporate clients, public sector bodies and financial institutions. The division undertakes the bulk of Investec's proprietary trading activities. Non-private client deposit taking, corporate and public sector lending, structuring and proprietary trading activities of Investec are transacted through the division. The division has eight product areas divided equally between Banking Activities and Financial Market Activities. Banking Activities comprise structured finance, treasury, financial products and project and resource finance. Financial Market Activities comprise commodities trading, foreign exchange trading, interest rate trading and equity derivatives. Most of the division's operating income is attributable to its operations in South Africa, with almost all of the remainder attributable to its operations in the United Kingdom. Investec also has certain limited treasury and finance activities in Australia, the United States and Israel.

Private Client Activities

Investec's Private Client activities comprise a Private Banking business, with operations in South Africa, the United Kingdom, Australia and Israel and a Private Client Portfolio Management and Stockbroking business with operations in South Africa, the United Kingdom and the United States. Investec also has limited operations in the Channel Islands and Switzerland. Investec's private client stockbroking business operates under the brand name Investec Securities in South Africa and as Carr Sheppards Crosthwaite in the United Kingdom. The division business had retail deposits and a total loan portfolio as at 31 March 2002 of £2.1 billion and £1.7 billion, respectively. The division's total assets under management at that date was approximately £7.9 billion.

Asset Management

Investec's Asset Management division is made up of two businesses: Asset Management and Assurance. Investec Asset Management provides a comprehensive range of portfolio management services and products to institutional and retail clients in South Africa and the United Kingdom. In addition, Investec Asset Management provides a selection of offshore unit trust products to investors in Hong Kong, the United States and Israel. Total assets under management as at 31 March 2002 exceeded £16 billion (R260 billion). Investec's Assurance operations, branded Investec Employee Benefits, comprise a pension fund administration and management business with four principal lines, namely investment, administration, annuity, and group life and disability operations.

3 Key strengths

The Directors believe that Investec's key strengths are:

- **Careful targeting of niche markets.** Investec's core philosophy is to build well-defined businesses focused on serving clients in select market niches where it can compete effectively.
- **Distinctive culture and people.** Investec has a strong entrepreneurial, merit and value-based culture characterised by a high degree of passion, energy and stamina. Investec seeks to reinforce its employees' commitment to its culture and values through a compensation philosophy that promotes material employee ownership.
- **Track record of successful acquisitive and organic growth.** Investec's experienced and entrepreneurial senior management team has a demonstrable track record of growth, achieved by a proven ability to identify, execute and integrate acquisitions and through strong organic growth.
- **Balanced portfolio of businesses.** Investec has a balanced and diversified portfolio of businesses which offer carefully selected products and services across different geographies, thereby increasing the stability of Investec's earnings.

4 Strategy

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 looks to build well-defined businesses focused on serving the needs of select market niches where it can compete effectively. Investec will continue to build 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's proposed listing on the Official List in the United Kingdom and its existing listing on the JSE, together with the flexibility offered by the DLC Structure, will provide Investec with access to local and international capital markets. 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 integrate an increasingly complex organisation effectively and exploit a culture that fosters unselfish collaboration in the pursuit of its 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.

5 Selected financial information

The following summary financial records for the three financial years ended 31 March 2000, 31 March 2001 and 31 March 2002 have been extracted from "Accountants' report" in Part VII.

	Financial Year Ended 31 March		
	2000	**2001**	**2002**
Operating profit (£ million)	109.2	112.3	55.4
Operating profit before amortisation of goodwill (£ million)	123.5	133.2	158.6
Earnings per share (pence)	90.2	99.2	9.6
Headline earnings per share (pence)	109.9	125.9	126.8
Dividends per share (pence)	61.4	68.7	53.8
Shareholders' funds (£ million)	527.9	579.2	800.6
Total assets (£ million)	16,030.1	15,983.8	17,023.2
Total assets under administration (£ million)	45,812.0	44,052.0	45,184.0

6 Current trading and prospects

The trading position of the Group, since 31 March 2002, is as set out below.

Asset Management. The two businesses comprising the Asset Management Business, Asset Management and Assurance, are performing in line with the Directors' expectations.

Private Client Activities. The performance of the Private Client Stockbroking businesses within the Private Client division continues to be affected by the equity markets' underperformance and their negative impact on client equity investment appetite. This has resulted in a slight decline in volumes and trading commissions.

Investment Banking. The current economic slowdown and turbulence in the financial markets is impacting upon the performance of the Investment Banking division. While Investment Banking in South Africa is marginally down on the Directors' expectations, Investment Banking in the United Kingdom is substantially down on the Directors' expectations. Of the smaller markets where Investec's Investment Banking division operates, performance in the United States is considerably below Directors' expectations, while Australia and Israel are broadly performing in line with the Directors' expectations.

Treasury and Specialised Finance. Apart from the financial markets activities within the Treasury and Specialised Finance division, which have been negatively impacted by the turbulence and resultant illiquidity in financial markets, the rest of the division is performing satisfactorily.

Other. Those businesses comprised within Group Services and Other Activities continue to perform in line with the Directors' expectations.

Overall. The Directors' consider the Group to have performed satisfactorily given the current economic slowdown and turbulence in the financial markets. The Asset Management and Private Client divisions have demonstrated their resilience and, although Investment Banking in the United Kingdom and the United States and the financial market activities within the Treasury and Specialised Finance division have been negatively impacted by current market conditions in the financial markets, the other parts of these divisions continue to perform broadly in line with the Directors' expectations. Overall in the circumstances, the Directors believe that the financial and trading prospects of the Group could follow a similar pattern for the remainder of the current financial year.

7 The Global Offer

In connection with the Global Offer Investec PLC intends to issue up to 10 million new Ordinary Shares, subject to market conditions. In addition, should there be sufficient demand as determined by Schroder Salomon Smith Barney on behalf of the Managers and in the interests of ensuring liquidity for the Ordinary Shares in London, the Selling Shareholders will consider selling up to 8 million existing Ordinary Shares. See "Principal and Selling Shareholders" in section 14 of this Part I for further details of the Selling Shareholders' holdings of Ordinary Shares and IGL ordinary shares. The number of Ordinary Shares to be issued and/or sold is dependent on the Offer Price to be determined at the end of the bookbuild exercise and to be announced on 22 July 2002 and may vary from the numbers set out above. Investec PLC, in respect of new Ordinary Shares, and the Selling Shareholders in respect of existing Ordinary Shares, reserve the right not to issue and/or sell (as the case may be) any Ordinary Shares in the Global Offer. The number of new Ordinary Shares and existing Ordinary Shares to be issued and sold in the Global Offer are described in more detail in "The Global Offer" in Part VIII.

In connection with the Global Offer, the Company and/or the Selling Shareholders will grant to Schroder Salomon Smith Barney, on behalf of the Managers, an Over-Allotment Option, exercisable in whole or in part for a period of 30 days following the date of Admission, pursuant to which Schroder Salomon Smith Barney may require the Company and/or the Selling Shareholders to make available additional Ordinary Shares of up to 15 per cent. of the aggregate number of Ordinary Shares available in the Global Offer (before any exercise of the Over-Allotment Option) at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions.

Under the Global Offer, all the Ordinary Shares will be sold at the Offer Price, which will be agreed between Schroder Salomon Smith Barney on behalf of the Managers and Investec having regard to, amongst other things, prevailing market conditions, the level of absolute demand, the prevailing IGL share price during the bookbuild exercise (which commences on 8 July 2002 and finishes on 19 July 2002) and the desire to establish an orderly after-market in the Ordinary Shares. The Offer Price may vary from the price of an IGL ordinary share during the bookbuild exercise. If the Offer Price is not agreed between Schroder Salomon Smith Barney on behalf of the Managers and Investec, the Global Offer will not proceed and no Ordinary Shares will be issued and/or sold in connection with the Global Offer. In such circumstances, the Company reserves the right still to proceed with Admission.

The actual number of Ordinary Shares to be offered under the Global Offer and the proportions of Ordinary Shares to be made available by the Company and the Selling Shareholders pursuant to the Over-Allotment Option will be determined by Investec and/or the Selling Shareholders (as the case may be) and Schroder Salomon Smith Barney on behalf of the Managers at the same time as the determination of the Offer Price.

The Global Offer is being made by way of an offering of Ordinary Shares by way of:

(a) an Institutional Offer to certain institutional investors in and outside the United Kingdom, including in the United States to institutions reasonably believed to be QIBs in reliance on Rule 144A or pursuant to any other applicable exemption from registration under the Securities Act; and

(b) an Intermediaries Offer, under which Intermediaries are able to apply on behalf of their clients resident in the United Kingdom, the Channel Islands or the Isle of Man, who are over the age of 18.

The Global Offer is not being made directly to members of the public in the United Kingdom or elsewhere. A specific number of Ordinary Shares has not been set aside to be offered or allocated to the Intermediaries Offer. The Global Co-ordinators, following consultation with Investec, will determine the number of Ordinary Shares to be offered in the Intermediaries Offer, depending on demand in the Intermediaries Offer and the Institutional Offer generally. Further details of the Global Offer are set out in "The Global Offer" in Part VIII.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 am (London time) on 29 July 2002 and on the JSE at or around the same time. Prior to that time, it is expected that conditional dealings in the Ordinary Shares will commence at 8.00 am on 22 July 2002 and settlement of such dealings will take place on 29 July 2002. These times and dates may be changed without further notice. All dealings prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned. There will be no conditional dealings on the JSE.

8 Lock-up and Orderly Sale Arrangements

Investec PLC and IGL have agreed that, for a period of six months after the date of Admission, they will not, without the consent of Schroder Salomon Smith Barney on behalf of the Managers, issue, offer, sell, pledge or otherwise dispose of Ordinary Shares or IGL ordinary shares (as the case may be) or related securities, other than pursuant to employee share option schemes or pursuant to the Global Offer or pursuant to trading on behalf of clients in the ordinary course of its business. Each of the Directors have agreed that, subject to existing security arrangements including pledges, for a period of six months after Admission, they will not, without the consent of Schroder Salomon Smith Barney on behalf of the Managers (or in certain other limited circumstances), sell, pledge or otherwise dispose of any Ordinary Shares, IGL ordinary shares or Units (as the case may be) owned by them. Certain senior employees of the Group have also agreed to be bound by the terms of similar lock-up arrangements in respect of their interests in Units under the Fintique II Scheme. In addition, the Selling Shareholders have agreed that they will not, without the consent of Schroder Salomon Smith Barney on behalf of the Managers, dispose of any Ordinary Shares, IGL ordinary shares or Units owned by them for a period of six months after Admission. Further details are set out in "The Global Offer — Lock-up and orderly sale arrangements" in Part VIII.

9 Use of proceeds

The Company will receive the net proceeds of the issue of up to 10 million new Ordinary Shares. Any net proceeds of the Global Offer will be used to strengthen Investec's capital base, to support organic growth and for general corporate purposes. If appropriate opportunities arise, the net proceeds may be used to fund acquisitions. The Company will not receive any proceeds from the sale of existing Ordinary Shares by the Selling Shareholders.

10 DLC Structure

Investec competes in an increasingly global market where the availability and cost of capital is of vital importance. After implementation of the DLC Structure and Admission, Investec expects to benefit by increasing its global profile, enhancing its capital raising capability, lowering its cost of capital and improving access to international capital markets. This will in turn enhance Investec's ability to pursue growth opportunities. See section 4 of this Part I.

Upon the Unbundling of IGL's Ordinary Shares, the DLC Agreements, which implement the DLC Structure, will come into effect. The DLC Structure is, in essence, a mechanism which effectively keeps Investec as a single corporate group. However, unlike a traditional corporate group which comprises a single listed company and its subsidiaries, there will be a synthetic group under two listed entities.

On implementation of the DLC Structure, an ordinary share held in either the Company or IGL will have the same effective economic interest in Investec. The economic interest arising from one Ordinary Share relative to that arising from an ordinary share of IGL will be governed by an Equalisation Ratio which will initially be 1:1. This means that an Ordinary Share and an ordinary share in IGL will have equal dividend and capital rights and, market conditions aside, the shares would have the same market value. It also means that Investec shareholders should largely be indifferent as to whether they own Ordinary Shares or ordinary shares in IGL. See "Details of the DLC Structure" in Part XI for an explanation of the DLC Structure and a summary of the DLC Agreements.

11 Boards and management

On implementation of the DLC Structure, the directors of the Company and IGL will comprise the same individuals who are listed on page 7 of this document. Further details of the board arrangements are contained in "Details of the DLC Structure" in Part XI and the proposed board of directors of both the Company and IGL are contained in "Management and corporate governance" in Part IV.

12 Dividend policy

To date, Investec has employed a dividend policy that takes into account the underlying growth in its earnings, whilst maintaining an appropriate and consistent level of dividend cover.

The holders of ordinary shares in the Company and ordinary shares in IGL will share proportionately on a per share basis in all dividends declared by the Boards. The declaration of dividends by the Company and IGL is subject to the discretion of the Boards. An appropriate policy for dividend payments, for shareholders of both the Company and IGL, will be established which reflects the earnings growth, financial condition, capital requirements and prospects of Investec taken as a whole. A detailed explanation of the operation of the dividend arrangements is contained in "Details of the DLC Structure – Cash dividends" in Part XI.

13 Dilution

As at 31 March 2002, the Group's net tangible book value, defined as the total assets of the Group, reduced by the amount of its intangible assets, total liabilities, subordinated debt (except convertible debt) and minority interests was £401.1 million. Based on the total number of Shares in issue as at 31 March 2002, being 92,228,309, this equates to a net tangible book value of £4.35 per Share.

After giving effect to the Global Offer at the Indicative Offer Price, and assuming that 10 million new Ordinary Shares are issued pursuant to the Global Offer, the Group's net tangible book value would be £495.8 million, or £4.85 per Share.

This represents an immediate dilution of £4.99 per Share to new investors purchasing Ordinary Shares in the Global Offer. Dilution for these purposes is the Offer Price less the net tangible book value per Ordinary Share after the Global Offer.

14 Principal and Selling Shareholders

The following table contains information concerning the interests or holdings of Ordinary Shares in the Company and ordinary shares in IGL by:

(i) the Selling Shareholders;

(ii) the Directors as a group; and

(iii) any other shareholder holding more than 3 per cent. of the share capital of the Company and/or IGL.

The percentage interests or holdings before the Global Offer are based on an aggregate number of 70,633,746 Ordinary Shares in the Company and 38,399,028 ordinary shares in IGL. The percentage interests or holdings after the Global Offer are based on an aggregate number of 80,633,746 Ordinary Shares in the Company (assuming the issue of 10 million new Ordinary Shares pursuant to the Global Offer, the sale of no existing Ordinary Shares by the Selling Shareholders and that none of the relevant shareholders purchase any additional Ordinary Shares in the Global Offer) and 38,399,028 ordinary shares in IGL. The totals underlying these percentages comprise, for each shareholder, both the total number of shares outstanding and the number of shares underlying options held by the shareholder.

	Investec PLC				IGL			
Shareholder	**Ordinary Shares before Global Offer**	**Percentage of issued share capital**	**Ordinary Shares after Global Offer(1)**	**Percentage of issued share capital(1)**	**ordinary shares before Global Offer**	**Percentage of issued share capital**	**ordinary shares after Global Offer**	**Percentage of issued share capital**
Fintique Three (BVI) Limited	5,985,000	8.5%	5,985,000	7.4%	3,515,000	9.2%	3,515,000	9.2%
Investec Employee Benefits Limited(1)	2,669,434	3.8%	2,669,434	3.3%	1,567,763	4.1%	1,567,763	4.1%
Public Investment Commission Limited	6,423,784	9.1%	6,423,784	8.0%	3,772,699	9.8%	3,772,699	9.8%
Old Mutual	6,024,740	8.5%	6,024,740	7.5%	3,538,339	9.2%	3,538,339	9.2%
Sanlam	2,710,499	3.8%	2,710,499	3.4%	1,591,881	4.1%	1,591,881	4.1%
Shares held by the Directors as a group	4,411,016	6.2%	4,411,016	5.5%	2,590,597	6.7%	2,590,597	6.7%
Other shareholders	42,409,273	60.1%	52,409,273	64.9%	21,822,749	56.9%	21,822,749	56.9%
Total	**70,633,746**	**100%**	**80,633,746**	**100%**	**38,399,028**	**100%**	**38,399,028**	**100%**

(1) In order to ensure that Investec Employee Benefits Limited has sufficient Ordinary Shares to satisfy its potential obligations as a Selling Shareholder it may swap its holding of IGL ordinary shares, received as a result of the Unbundling, for Ordinary Shares. The post-Global Offer shareholdings assumes this swap has not occurred.

None of shareholders detailed above has voting rights which differ in any way from those of Investec's other shareholders.

15 IGL ordinary share trading information

Through IGL, the Investec business has been listed on the JSE since 1988. The following table sets out the mid-market closing prices of IGL ordinary shares for the last trading day of each month for the previous 12 months.

Date	Mid-market Closing Price (R)
31 July 2001	203.00
31 August 2001	200.00
28 September 2001	162.80
31 October 2001	159.60
30 November 2001	171.00
31 December 2001	160.00
31 January 2002	161.60
28 February 2002	140.40
28 March 2002	130.00
30 April 2002	159.60
31 May 2002	170.00
28 June 2002	159.00
4 July 2002	150.58

Source: Bloomberg

A reader of this document should be able to obtain a share price of an IGL ordinary share by reference to the JSE's website (www.jse.co.za).

16 Risk factors and regulatory matters

Prior to making an investment decision, all prospective purchasers of the Ordinary Shares should consider carefully the risk factors set out in "Risk factors" in Part II, together with the other information contained in this document. Details of the regulatory environment in which Investec operates are set out in "Regulation" in Part IX and "South African Exchange Control" in Part X.

PART II – RISK FACTORS

In addition to the other information contained in this document, prospective investors in Ordinary Shares and/or IGL ordinary shares should consider carefully the specific risk factors set out below before making any decision to invest in Ordinary Shares and/or IGL ordinary shares. Additional risks and uncertainties not presently known to Investec or that Investec currently deems immaterial may in the future also impair its business operations. Investec's business, financial condition or results of operations could be materially adversely affected by any of these risk factors. The trading price of Ordinary Shares and/or IGL ordinary shares could decline due to any of these risk factors and investors could lose part or all of their investment.

Risks relating to Investec's operations

Market risk, conditions and fluctuations could adversely affect Investec's businesses in many ways

Investec's businesses and revenues are materially affected by conditions in the financial markets and economic conditions generally around the world. A deterioration in world financial markets or extreme volatility in the markets in which Investec's businesses operate may have an adverse effect on its results of operations and financial condition.

Trading and investment activities

Investec maintains trading and investment positions in various financial and other assets including equity, fixed income, currency and related derivative instruments and real estate. At a point in time these positions could be either long positions, such that Investec will benefit from upward movements in the market prices of these assets, or short positions, such that it will benefit from downward movements in the market prices of these assets.

These positions are exposed to a number of risks related to the movement of market prices in the instruments. This includes the risk of unfavourable market price movement relative to the long or short positions of Investec, a decline in the market liquidity of the related instruments (and thus the ability to execute a trade at the prevailing market price), volatility in market prices or interest rates relating to these positions and the risk that instruments chosen by Investec to hedge certain positions do not track the market value of those positions. Such exposure could result in losses that could adversely affect Investec's results of operations.

Investment banking revenues

Investec's investment banking revenues are directly related to the number and size of the transactions in which Investec participates. Accordingly, any reduction in the number and/or size of such transactions will adversely affect its results of operations.

Commissions and asset management fees

Adverse market conditions would be likely to lead to a decline in the volume and value of stockbroking transactions that Investec executes for its clients and therefore would have a negative impact on its operating income. In addition, because the portfolio management fees that Investec charges are in many cases based on the value of those portfolios, adverse market conditions, a market downturn or any other factor, including underperformance against benchmarks and reputational damage, that reduces the value of clients' portfolios or increases the amount of withdrawals would reduce the amount of revenue received from Investec's asset and investment management businesses and adversely affect its results of operations.

Investec's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks

Investec has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity and operational risks, and expects to continue to do so in the future. These policies and procedures are described in detail in "Risk management" in Part V. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of Investec's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which Investec operates, its clients or other matters that are publicly available or otherwise accessible by Investec. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure of Investec's risk management techniques may have a material adverse effect on its results of operations and financial condition.

Credit risk exposes Investec to losses caused by financial or other problems experienced by its clients or other third parties

Credit risk is of particular significance to Investec due to its exposure to emerging markets. Investec is exposed to the risk that third parties that owe it money, securities or other assets will not perform, or will be unable to perform, their obligations which could adversely affect Investec's results of operations or financial condition. These parties include clients, governments, trading or reinsurance counterparties, clearing agents, exchanges, other financial intermediaries or institutions as well as issuers whose securities Investec holds, who may default on their obligations to Investec due to bankruptcy, lack of liquidity, operational failure, economic or political conditions or other reasons. In particular, Investec may suffer significant losses from its credit exposure to or from a default by a large financial institution that could either impact Investec specifically or the financial markets generally. In addition, the information that Investec uses to manage its credit risk may be inaccurate or incomplete, leading to an inability on the part of Investec to manage its credit risk effectively.

Liquidity risk may impair Investec's ability to fund its operations and adversely affect its financial condition

Ready access to funds is essential to any banking business, including those operated by Investec. An inability on the part of Investec to access funds or to access the markets from which it raises funds may lead to Investec being unable to finance its operations adequately, which in turn could materially adversely affect its results of operations and financial condition. In particular, Investec takes deposits with maturities which are shorter than the loans it makes. This exposes Investec to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strains. Additionally, Investec's ability to raise or access funds may be impaired by factors that are not specific to it, such as general market conditions, severe disruption of the financial markets or negative views about the prospects for the industries or regions in which Investec operates. This risk is prevalent in South Africa, as reflected by the fact that a number of South Africa's banks have experienced liquidity crises since 1 January 2001. For a discussion of how Investec seeks to mitigate this risk through its risk management policies, see "Risk management" in Part V. In addition, Investec's borrowing costs and access to funds may be adversely affected by any reduction in its credit rating and no assurance can be given that any rating agency will not at some time in the future reduce such credit ratings.

Investec's net interest earnings may be adversely affected by interest rate risk

Investec is potentially exposed to the risk that interest rates paid to depositors and yields earned from loans change at different times with varying degrees of predictability. If the interest rates paid to borrowers rise at a faster rate than the yields earned from loans, then Investec's results of operations may be adversely affected.

Investec may be unable to recruit, retain and motivate key personnel

Investec's performance is largely dependent on the talents and efforts of key personnel, many of whom have been employed by Investec for a substantial period of time and have developed with the business. Competition in the financial services industry for qualified employees is intense. Investec's continued ability to compete effectively and further develop its businesses depends on its ability to retain and motivate its existing employees and to attract new employees. In addition, the South African operations of Investec have been and may continue to be affected by the increase in recent years of the rate of emigration of skilled labour from South Africa. In each of the markets in which Investec operates, the future loss of qualified employees, including in particular a team of traders or key fund managers, or the inability to identify, hire, train and retain other qualified personnel could have an adverse effect on Investec's business, financial condition or operating results.

Employee misconduct could harm Investec and is difficult to detect

Investec runs the risk that employee misconduct could occur. Misconduct by either existing employees or those inherited as a result of acquisitions could include binding Investec to transactions that exceed authorised limits or present unacceptable risks, or concealing from Investec unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory and legal sanctions and significant reputational and/or financial harm and could have a material adverse effect on Investec's results of operations and financial condition. It is not always possible to deter employee misconduct, and the precautions Investec takes to prevent and detect this activity may not be effective in all cases.

Operational risk may disrupt Investec's business or result in regulatory action

Investec's business activities require it to record and process a very large number of transactions accurately on a daily basis. Any failure or delay in recording or processing transactions, or other contractual relationships with clients, could result in losses to Investec and could subject it to claims for losses and regulatory fines and penalties. Investec relies on its employees to operate and maintain its systems properly, and is similarly reliant on the continued functioning of the systems of the exchanges on which Investec operates and their supporting depository, clearing and settlement organisations. Investec's recording and processing of trades is potentially subject to human and processing errors or a breakdown in its general internal controls. Any operational failure may cause serious reputational or financial harm and could have a material adverse effect on Investec's results of operations and financial condition.

Investec may be vulnerable to the failure of its systems and breaches of its security systems

Investec relies on the proper functioning of its systems which may fail as a result of hardware or software failure or power or telecommunications failure. The occurrence of such a failure may not be adequately covered by its business resumption and disaster recovery planning. Any significant degradation, failure or lack of capacity of Investec's information systems or any other systems in the trading process could therefore cause it to fail to complete transactions on a timely basis, could have an adverse effect on its business, results of operations and financial condition or could give rise to adverse regulatory and reputational consequences for Investec's business.

The secure transmission of confidential information is a critical element of Investec's operations. Investec's networks and systems may be vulnerable to unauthorised access and other security problems. Investec cannot be certain that its existing security measures will prevent security breaches including break-ins, viruses or disruptions. Persons that circumvent the security measures could use Investec's or its client's confidential information wrongfully which could expose it to a risk of loss, adverse regulatory consequences or litigation.

Investec's future success will depend in part on its ability to respond to changing technologies and demands of the market place. Investec's failure to upgrade its information and communications systems on a timely or cost-effective basis could have an adverse effect on its business, financial condition and/or operating results and could damage its relationships with its clients and counterparties.

Investec has a relatively fixed cost structure which could expose it to declining profit margins

Some elements of Investec's cost structure, including the fixed component of its financing charges, salaries and group and central costs, do not decline if Investec experiences reductions in its operating income. As a result, if market or any other conditions cause Investec's operating income to decline, it may be unable to adjust these elements of its cost structure on a timely basis. Consequently, Investec's operating margins would fall.

Investec may have insufficient capital in the future and may be unable to secure additional financing when it is required

Investec's business depends on the availability of adequate capital. Investec may need to raise additional funds to, among other things, strengthen its capital adequacy ratios or support expansion. It may also be required to obtain additional financing on short notice as a result of rapid, unanticipated developments, such as a steep market decline. Investec cannot be sure that it will have sufficient capital in the future or that additional financing will be available on a timely basis or on terms that are favourable to it. If financing is insufficient at any time in the future, Investec may be unable to comply with capital adequacy ratios, develop or enhance its businesses or services, take advantage of business opportunities or respond to competitive pressures, any of which could have a negative impact on Investec's business, operating results and financial condition.

The financial services industry in which Investec operates is intensely competitive

The financial services industry in which Investec's businesses operate is highly competitive. Investec competes on the basis of a number of factors, including customer service and quality, transaction execution, its products and services, innovation, reputation and price. Competition is expected to increase further due to a trend towards consolidation among companies in the financial services industry, particularly outside South Africa, where consolidation has significantly increased the capital base and geographic reach of Investec's competitors in some of the markets in which Investec operates. In addition, Investec does not have a long operating history in any of its markets outside South Africa. New competitors, including companies other than banks, may disintermediate the market and as a result they may acquire significant market share. Some of Investec's competitors also offer a wider range of services and products than Investec offers and have greater name recognition, greater financial resources and more extensive customer bases. These competitors may be able to respond more quickly to new or evolving opportunities, technologies and customer requirements than Investec and may be able to undertake more extensive promotional activities. If Investec is unable to compete successfully, its future revenue and profit growth could be materially adversely affected.

Investec may have difficulty expanding and integrating its operations

The continued expansion of Investec is an important part of Investec's overall business strategy and focus on internationalisation. Over the past ten years, Investec has made numerous acquisitions of companies and businesses, including acquisitions outside South Africa, and Investec continues to evaluate potential acquisition and investment opportunities. This in part has been driven by Investec's recognition that there are limited growth opportunities for certain of its businesses in South Africa.

Any acquisitions which Investec has completed or does complete are accompanied by the risks commonly encountered with acquisitions of companies or businesses, such as the difficulty of integrating the operations and personnel of the acquired businesses, the potential disruption to Investec's own business, the assumption of unexpected liabilities relating to the acquired assets or businesses and the possibility that indemnification agreements with the sellers of such assets may be unenforceable or insufficient to cover potential liabilities, the imposition and maintenance of common standards, controls, procedures and policies, and the impairment of relationships with employees and counterparties as a result of difficulties arising out of integration. For example, following Investec's acquisition of certain business operations from Fedsure Holdings Limited ("Fedsure Holdings") in June 2001, various allegations have been made against Fedsure Life Assurance Company Limited (renamed Investec Employee Benefits) and certain individuals by third parties relating to such matters as alleged mal-administration, investment mis-management, unfair withdrawal of vesting bonuses and/or surpluses within their funds, incorrect revaluations of certain funds, lack of financial records, poor strategic investments and inappropriate relocating of assets. There can be no assurance that other allegations might not be made or that the allegations made might not be evidence of other irregularities within the businesses acquired from Fedsure Holdings. There can be no assurance that these allegations will not materialise, resulting in reputational or financial harm or sanctions and/or a material adverse effect on Investec's results of operations and financial condition.

Furthermore, the value of any business Investec acquires or invests in through its asset management operations may be less than the amount Investec pays for it if, for example, there is a decline in the position of that business in the relevant market in which it operates or there is a decline in that market generally. For example, following the acquisition from Fedsure Holdings in June 2001, Investec played a custodial role in respect of Fedsure life funds' investment in Saambou Bank Limited. Saambou Bank Limited was subsequently placed in curatorship resulting in a diminution in the value of Investec's investment on behalf of its policyholders.

Legal and regulatory risks are substantial in Investec's businesses

Substantial legal liability or a significant regulatory action against Investec could have a material adverse effect or cause significant reputational harm to Investec, which in turn could seriously harm Investec's business prospects and have an adverse effect on its results of operations and financial condition.

Legal liability

Investec faces significant legal risks, and the volume and amount of damages claimed in litigation against financial intermediaries generally is increasing. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with the sale of securities and other transactions, potential liability for advice Investec provides to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. Investec also faces the possibility that counterparties in complex or risky trading transactions will claim that Investec improperly failed to inform them of the risks or that they were not authorised or permitted to enter into these transactions with Investec and that their obligations to Investec are not enforceable. Particularly in those parts of Investec's business that are focused on the provision of portfolio management and stockbroking services, Investec is exposed to claims that it has recommended investments that are inconsistent with a client's investment objectives or that it has engaged in unauthorised or excessive trading. Investec is also exposed to claims from dissatisfied customers as part of the increased trend of performance-related litigation. Investec may also be subject to claims arising from disputes with employees for, among other things, alleged discrimination or harassment. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Liability resulting from any of the foregoing or other claims could have a material adverse effect on Investec's results of operations and financial condition.

Research

Investec has noted the allegations made, particularly in the United States, against certain investment banks in connection with the independence and/or quality of the research produced by their analysts. In addition, various regulatory reforms relating to the publication of research have been proposed and/or enacted in the United States. There can be no assurance that the outcome of these allegations and reforms, and any possible future regulatory reforms or litigation relating thereto, will not have an adverse effect on investment banks generally, including Investec.

Extensive regulation

Investec is subject to extensive regulation by governmental and self-regulatory organisations in the jurisdictions in which it operates around the world, including, in particular, the South African Reserve Bank in South Africa and the FSA in the United Kingdom. The requirements imposed by Investec's regulators, including capital adequacy and those specifically imposed in respect of the DLC Structure, referred to in "Regulation" in Part IX and "South African Exchange Control" in Part X, are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with Investec. These requirements are not in all cases designed to protect Investec's shareholders. Consequently, these regulations may limit Investec's activities, including through net capital, customer protection and market conduct requirements. Investec faces the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations, and judicial or administrative proceedings that may result in substantial penalties. In addition, as described in "Regulation" in Part IX, Investec's lead regulator may switch from the South African Reserve Bank to FSA. Existing and future regulations imposed on Investec could adversely affect the way Investec operates its business.

Tax residency

Rulings that have been obtained from the United Kingdom Inland Revenue and the South African Revenue Service on the basis of which, the Company should be treated as tax resident in the United Kingdom and IGL should be treated as tax resident in South Africa. Any change in tax residency of the Company or IGL (whether as a result of changes in the management structure of Investec, the manner in which Investec's management operates or otherwise) may result in different tax treatment, which may have an adverse effect on Investec's results of operations and financial condition.

Risks relating to the markets in which Investec operates

Social, political and economic risk outside Investec's control may adversely affect its business and results of operations

Investec operates in a number of jurisdictions, in particular South Africa and Israel, which have experienced or continue to experience periods of political, social and/or economic instability. Investec is exposed to political, social, economic, legal, operational and other factors affecting its operations in South Africa, Israel and other jurisdictions in which it has operations. These risks range from difficulties in settling transactions in emerging markets to possible nationalisation, expropriation, price controls, war or other restrictive governmental actions or a significant downturn or collapse of financial markets. Political, social and/or economic instability in the markets in which Investec operates may have a material adverse effect on Investec's business operations and financial condition. In addition, in South Africa Investec is exposed, *inter alia*, to the impact of exchange controls, a comparatively high inflation rate and fluctuations in foreign exchange rates between the Rand and major currencies.

Exchange control regulations may have a negative impact on Investec's business

South African exchange control regulations provide for a common monetary area consisting of South Africa, Namibia, Lesotho and Swaziland. Transactions between South African residents and non-CMA residents are subject to South African exchange control regulations. South African residents, including companies, are generally not permitted to export capital from South Africa or to hold foreign currency without the approval of the South

African Reserve Bank, and restrictions are imposed on their foreign investments. This has historically imposed significant constraints on the development of Investec's business. While the Company will not be subject to such restrictions, IGL and its South African assets will continue to be bound by such restrictions. A summary description of South African exchange controls and details of the South African Reserve Bank Exchange Control conditions imposed upon Investec in connection with the DLC Structure are set out in "South African Exchange Control" in Part X.

The extent to which exchange control regulations will be relaxed by the South African Government cannot be predicted with certainty.

Further relaxation or abolition of exchange controls may change the capital flows to and from South Africa. If changes to exchange controls result in large capital outflows, Investec's South African business could be adversely affected, which could in turn have a material adverse effect on Investec's results of operations and financial condition.

Fluctuations in exchange rates may adversely affect Investec

A substantial proportion of Investec's operations are conducted by Investec entities outside the United Kingdom. The results of operations and the financial condition of Investec's individual companies are reported in the local currencies in which they are domiciled, including Rand, Australian dollars, US dollars and Israeli shekels. These results will then be translated into pounds sterling at the applicable foreign currency exchange rates for inclusion in Investec's consolidated financial statements. The exchange rates between local currencies and pounds sterling have historically fluctuated. In particular, continued capital outflows from South Africa, together with economic and political uncertainty in South Africa, has resulted in a depreciation of the Rand against pounds sterling of 61.7 per cent. over the three years ended 31 March 2002. The translation effect of such fluctuations in the exchange rates of the currencies of those countries in which Investec operates, including South Africa, against pounds sterling may adversely affect Investec's results of operations and financial condition.

Inflation and interest rates in South Africa could adversely affect Investec's business

The South African Government and the South African Reserve Bank have sought to control inflation and outflows of capital from South Africa by pursuing a policy of fiscal and monetary discipline involving, among other things, maintaining interest rates at high levels over recent years. This tightening of monetary policy has given rise to increased funding costs in the South African money markets at various times, and has resulted in the banking sector experiencing downward pressure on net interest margins. However, notwithstanding the high levels of interest rates, the level of credit extended to the private sector has continued to increase above the target levels set by the South African Government, which has led to an increase in payment defaults and bad debts. Despite the South African Government's relative success in reducing the inflation rate in recent years, there can be no assurance that the inflation rate will not rise again in the future. Similarly, it is not possible to predict with any certainty the future direction of interest rates in South Africa. Any political instability in South Africa could trigger increased inflation and/or interest rates. Significant increases in inflation or in interest rates could materially and adversely affect Investec's business operations and financial condition.

Risks relating to the DLC Structure and the Global Offer

The DLC Structure is complex

The governance and administration arrangements that are involved in the DLC Structure are more complex and onerous than those under which IGL currently operates. In addition, the South African Reserve Bank and the FSA have imposed certain conditions in relation to the DLC Structure, see "Regulation" in Part IX and "South African Exchange Control" in Part X. There can also be no assurance that the conditions imposed on Investec, in connection with the DLC Structure, might not be amended or varied. The DLC Structure combined with these conditions is likely to result in additional administration costs and certain restrictions on Investec's operations.

Investec's holding company and DLC structure may affect its ability to pay dividends

Investec's results of operations and financial condition are entirely dependent on the trading performance of members of the Group. The Company's ability to pay dividends will depend upon the level of distributions, if any, received from its operating subsidiaries and interests, any amounts received on asset disposals, the level of cash balances and in certain circumstances distributions received from IGL as a result of the operation of the equalisation arrangements which form part of the DLC Structure as described further in "Details of the DLC

Structure" in Part XI. Certain of Investec's subsidiaries and associated companies may, from time to time, be subject to restrictions on their ability to make distributions, including as a result of exchange control restrictions, earnings, levels of statutory reserves and capitalisation of such subsidiaries or associated companies, and other regulatory restrictions or agreements with the other shareholders of such subsidiaries or associated companies which may restrict Investec's ability to comply with its dividend policy as summarised in "Key information" in Part I. Furthermore, the condition imposed by the South African Ministry of Finance that the dividend payout ratio (or dividend cover ratio) of IGL and the Company shall at all times be identical (see "South African Exchange Control" in Part X) may require the Company and IGL to rely on the Dividend Access Shares to ensure equivalent dividends are paid to Shareholders. As Applicable Regulation may restrict the ability of the companies to make such payments, it may not be possible for the Shareholders of both the Company and IGL to receive their full entitlement in cash. If holders of Ordinary Shares are not to receive a cash dividend in full, another form of Matching Action may be taken and reference should be made to the paragraph headed "Matching Actions are equivalent but not necessarily identical" in this Part II.

No blanket cross guarantees are to be put in place between the Company and IGL

No blanket cross guarantees will be given by the Company for the benefit of IGL creditors and vice versa. As a result, it is possible that the credit ratings of the Company and IGL will be different and there is no guarantee that the Company will obtain a separate credit rating covering its entire operations. If different credit ratings are given to IGL and the Company, the counterparty risk associated with and the borrowing costs of the two sides of the DLC Structure will likewise diverge. Taking the divergence in the financial condition of the two companies to its extreme, it is possible that either IGL or the Company could become insolvent whilst the other company remained financially sound. The insolvency of either company would ultimately lead to the termination of the DLC Structure. After such termination, it is intended that the Special Converting Shares in the solvent company will, following their conversion into and redesignation as ordinary shares, be listed and distributed to the Shareholders of the insolvent company. Thus, if the Company were to become insolvent, the Company's Shareholders will become Shareholders of IGL and receiving dividends from IGL may be less tax efficient for a Shareholder than receiving dividends from the Company, see "Dividends received under the dividend access arrangements may have a different tax treatment" in this Part II. In addition, securities laws in the jurisdiction where a recipient Shareholder resides may prevent IGL from distributing the shares to such a Shareholder. In such circumstances, the affected Shareholder's entitlement would be sold and the proceeds remitted to the shareholder less any costs, expenses, fees and taxes associated with the sale.

Future changes in the legal and regulatory environment may mean that the DLC Structure will no longer be viable

The DLC Structure has been developed on the basis of existing law and policies of regulatory authorities in the United Kingdom and South Africa. The governance and administration arrangements arising out of the DLC Structure are complex and onerous. Changes to the laws or policies (including changes in tax law or policy) related to the DLC Structure may impact upon, or alter the rights, benefits or protections afforded to shareholders under the DLC Structure or may result in the DLC Structure no longer being viable which may adversely affect the price of Ordinary Shares.

Matching Actions are equivalent but not necessarily identical

Under the DLC Equalisation Principles as described under "Details of the DLC Structure – Equalisation of voting and economic rights" in Part XI, if either the Company or IGL takes an Action which, having regard to the prevailing Equalisation Ratio, has a disproportionate economic effect on its Shareholders, then, subject to certain exceptions, the Equalisation Ratio will be adjusted or a Matching Action will be undertaken to provide an equivalent economic benefit to the Shareholders of the other company. A Matching Action is, therefore, equivalent in economic terms, but not necessarily identical. The combination of an Action or a Matching Action may, therefore, result in the voting interests of the Company's Shareholders (as a whole) relative to the IGL Shareholders (as a whole) in respect of Joint Electorate Actions being altered. In addition, the form and value of a Matching Action will be determined by the Boards of Investec PLC and IGL having regard to, among other things, the prevailing market prices of the Ordinary Shares and IGL ordinary shares, the prevailing exchange rates and (where relevant) the market price of shares in any demerged entity at or around the time such Action is taken. Following their decision the Boards will not be required to have regard to any fluctuations in such factors which may favour either the Company's shareholders or the IGL Shareholders.

The market price of Ordinary Shares may be different from the market price of IGL ordinary shares

Following Admission and as a result of the DLC Structure, IGL will have a primary listing on the JSE and the Company will have a primary listing on the Official List in the United Kingdom together with a secondary listing on the JSE. There can be no assurance that the market price of the Ordinary Shares and the IGL ordinary shares on these different exchanges will equate. Any disparity between such market prices will give rise to the possibility of arbitrage between the Ordinary Shares and IGL ordinary shares which could adversely affect the market price of the Ordinary Shares and/or the IGL ordinary shares, as the case may be. In addition, as a consequence of the DLC Structure, the UK indices and the JSE indices have indicated that they will not give Investec a weighting that reflects its combined market capitilisation.

The tangible book value of the Ordinary Shares will be substantially lower than the Offer Price

The Offer Price will be substantially higher than the pro forma tangible book value per share immediately after the Global Offer. Ordinary Shares purchased in the Global Offer will experience immediate and substantial dilution in tangible book value per share.

The Ordinary Shares owned by existing shareholders will receive a material increase in the tangible book value per share. The dilution to investors in the Global Offer will be approximately £4.99 per Share assuming the issue of 10 million new Ordinary Shares at the Indicative Offer Price. As a result, if Investec were to distribute its tangible assets to its shareholders immediately after the Global Offer, purchasers of Ordinary Shares in the Global Offer would receive less than the amount they will have paid for such Ordinary Shares.

Dividends received under the dividend access arrangements may have a different tax treatment

Dividends received by Shareholders from the Company on the Ordinary Shares will constitute United Kingdom source dividends for United Kingdom taxation purposes. Any dividends received by Shareholders from IGL pursuant to the dividend access arrangements, however, are likely to constitute non-United Kingdom source dividends for United Kingdom taxation purposes. For some classes of Shareholders who are resident for tax purposes in the United Kingdom or the United States, the receipt of non-United Kingdom source dividends from IGL pursuant to the dividend access arrangements could be less tax efficient than the receipt of United Kingdom source dividends from the Company on the Ordinary Shares.

Investec's share price may decline due to the large number of Ordinary Shares available for future sale

Investec is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following the Global Offer. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

The price of the Ordinary Shares may be volatile

Following Admission, the market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares or, in South Africa, the IGL ordinary shares or in response to various facts and events, including the DLC Structure, any regulatory changes affecting Investec's operations, variations in Investec's results of operations and the business developments of Investec or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to Investec's operating performance or prospects. Furthermore, Investec's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could adversely affect the market price of the Ordinary Shares.

An active public trading market for Ordinary Shares may not develop outside of South Africa

Prior to the Global Offer, there has been no public market for Investec shares outside South Africa, although IGL ordinary shares have been listed on the JSE since 1988. The Offer Price will be agreed by the Global Co-ordinators, in consultation with Investec and the Selling Shareholders, and may not be indicative of the market price for the Ordinary Shares following Admission. Although Investec has applied for the Ordinary Shares to be admitted to trading on the London Stock Exchange and the JSE and it is expected that both applications will be approved, there can be no assurance that an active trading market for the Ordinary Shares will develop or, if one does develop, that it will be maintained following the closing of the Global Offer. If an active trading market does not develop or is not maintained, the liquidity and market price of the Ordinary Shares would be adversely affected and investors may be unable to dispose of their Ordinary Shares at an acceptable price or at all.

PART III – BUSINESS DESCRIPTION

This Part III assumes that the Reorganisation and the DLC Structure have become effective. See "Presentation of financial and other information – Presentation of business information" on page 8.

The following information does not purport to be complete and is taken from, and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this document. Certain terms used in this document are defined in "Definitions" in Part XIV. Save where otherwise indicated, the financial information in this section has been extracted without material adjustment from "Accountants' report" in Part VII. Investors should read the whole of this document and not just rely on this Part III.

Overview

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, the United States and Israel. Investec is organised as a network comprising four business divisions, Investment Banking, Treasury and Specialised Finance, Private Client Activities, and Asset Management. In addition, Investec's head office provides certain Group-wide integrating functions such as risk management, information technology, finance, investor relations, marketing, human resources and organisational development. It also has responsibility for the Group's central funding as well as other activities, such as its property business, trade finance and traded endowments operations.

Since Investec was founded in South Africa in 1974, it has expanded through a combination of substantial organic growth and a series of strategic acquisitions in South Africa, the United Kingdom and other geographies in which Investec operates. The largest acquisitions outside South Africa have taken place in the last five years, particularly in the United Kingdom. For the year ended 31 March 2002, Investec had operating profit before goodwill amortisation of £158.6 million. In addition, as at 31 March 2002, Investec had shareholders' funds of £800.6 million, total assets of £17.0 billion and total assets under administration of £45,184.0 million.

History

Investec was founded as a leasing company in Johannesburg in 1974 and acquired a banking licence in 1980. Investec has subsequently expanded its activities into areas such as corporate and professional banking, treasury, corporate finance, project finance and asset management. Investec was listed on the JSE in 1986 through the entity now known as Investec Holdings Limited. Investec Group Limited (then Investec Bank Limited) subsequently listed on the JSE in 1988. Investec's goals and objectives initially focused on growing its capabilities within the South African market and building a strong foundation from which it could expand internationally.

In 1992, Investec made its first international acquisition when it acquired Allied Trust Bank in London, which was later re-named Investec Bank (UK) Limited. Since 1992, Investec has made in excess of 25 acquisitions in over ten countries. These include the acquisition of Guinness Mahon, Carr Sheppards and Henderson Crosthwaite (all now integrated into Investec's operations), which broadened Investec's United Kingdom-based operations to include asset management, institutional and private client stockbroking, investment banking and private equity. In addition, during the 2001 financial year, Investec acquired Wentworth Associates (later re-named Investec Wentworth), an Australian corporate advisory business, PMG Capital (later re-named Investec Inc.), a Pennsylvania-based investment banking boutique, and the insurance and financial services business of Fedsure Holdings.

Key strengths

The Directors believe that Investec's key strengths are:

- **Careful targeting of niche markets.** Investec's core philosophy is to build well-defined businesses focused on serving clients in select market niches where it can compete effectively.
- **Distinctive culture and people.** Investec has a strong entrepreneurial, merit and value-based culture, characterised by a high degree of passion, energy and stamina. Investec seeks to reinforce its employees' commitment to its culture and values through a compensation philosophy that promotes material employee ownership.
- **Track record of successful acquisitive and organic growth.** Investec's experienced and entrepreneurial senior management team has a demonstrable track record of growth achieved by a proven ability to identify, execute and integrate acquisitions and through strong organic growth.

- **Balanced portfolio of businesses.** Investec has a balanced and diversified portfolio of businesses which offer carefully selected products and services across different geographies, thereby increasing the stability of Investec's earnings.

Strategy

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 looks to build well-defined businesses focused on serving the needs of select market niches where it can compete effectively. Investec will continue to build business depth rather than breadth. In its relentless pursuit of client satisfaction, Investec strives to be the best rather than the biggest.

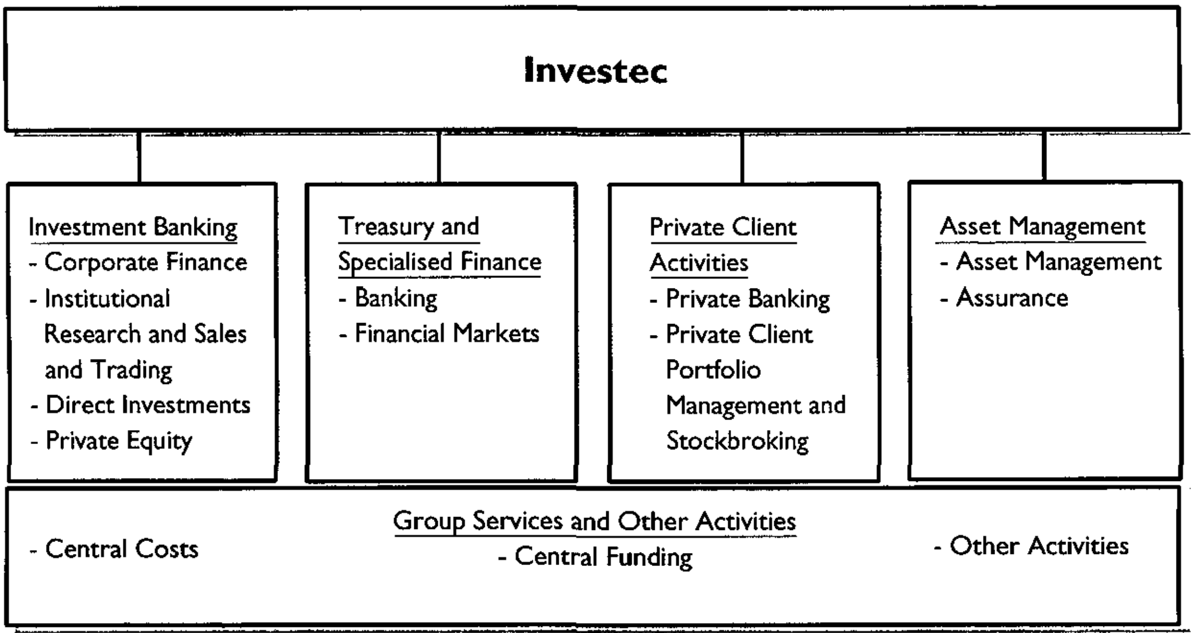
- **Pursuing growth opportunities.** Investec intends to enhance and expand its capability within the markets in which it operates, both organically and opportunistically through the acquisition of complementary businesses where appropriate opportunities arise. Specifically, Investec intends to maintain its strong position in its core markets while continuing to pursue significant opportunities by leveraging off its existing platforms. Investec's proposed listing on the Official List in the United Kingdom and its existing listing on the JSE, together with the flexibility offered by the DLC Structure will provide Investec with access to local and international capital markets. 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 integrate an increasingly complex organisation effectively 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.

Group structure

The following chart illustrates Investec's operating structure by division, together with the primary activities conducted by each division:



Operations

The discussion that follows focuses on the business operations within each division that are the primary contributors to Investec's results of operations or are of particular strategic importance to its future growth. The following table provides a breakdown of Investec's operating profit before goodwill amortisation on a divisional and geographic basis for the year ended 31 March 2002:

	UK, Europe & Australia[(1)]	Southern Africa[(2)]	Israel	United States	Total
	£ million	£ million	£ million	£ million	£ million
Investment Banking	£ 22.98	£ 18.57	£ 4.74	£ (3.75)	£ 42.54
Treasury and Specialised Finance	£ 11.00	£ 40.47	£ 0.32	–	£ 51.79
Private Client Activities	£ 25.83	£ 12.83	£ 3.83	£ 1.65	£ 44.14
Asset Management[(3)]	£ 3.88	£ 51.00	£ 0.32	–	£ 55.20
Group Services and Other Activities	£ 4.84	£ (43.60)	£ (0.08)	£ 3.74	£ (35.10)
Total	**£ 68.53**	**£ 79.27**	**£ 9.13**	**£ 1.64**	**£ 158.57**
% of Group	**43.2%**	**50.0%**	**5.8%**	**1.0%**	**100%**

(1) Comprising the United Kingdom, Ireland, Switzerland, the Channel Islands and Australia.

(2) Comprising mainly South Africa, but also includes Botswana, Namibia and Mauritius.

(3) Includes Investec's Assurance activities.

Investment Banking

Investec engages in a range of investment banking activities in two principal markets, the United Kingdom and South Africa. These activities comprise corporate finance, institutional research and sales and trading, and direct investments and private equity. In addition, Investec conducts a more limited range of investment banking activities in Australia, Israel and the United States. The division's mission statement is, "to be an international investment bank super-boutique distinguished by its leadership in chosen niches, its people and its approach, and its bond with its clients". In each of the markets in which it operates, Investec pursues its 'super-boutique' strategy. Investec can provide the expertise of a domestically focused investment bank together with access to an international network beyond that offered by purely domestic boutiques.

Investec's first priority for the division has been to ensure the continued development of each of its domestic investment banking franchises. In South Africa in particular, this has enabled Investec to grow its market share and develop long-lasting relationships with its clients as they mature. This has allowed Investec to capture a limited number of cross-border mandates in other geographies in which it operates as these clients have sought to expand internationally. The division's goal is to replicate this model outside of South Africa, while continuing to develop its market position. Investec will seek to do this in part through selective hiring, the continued transfer of expertise within the geographies covered by the division and the further internationalisation of its research capability which is co-ordinated by a global head based in the United Kingdom.

The Investment Banking division is currently the fourth largest contributor to Investec's operating profit before goodwill amortisation, having accounted for £42.5 million, or 22.0 per cent., of such operating profit for the year ended 31 March 2002 (excluding the loss made by Group Services and Other Activities). The division's corporate finance operations accounted for 28.8 per cent. of its operating profit before goodwill amortisation, while institutional research and sales and trading contributed 22.7 per cent., direct investments contributed 21.7 per cent. and private equity contributed 26.8 per cent. for the period.

The United Kingdom

Investec operates the division in the United Kingdom under the name Investec Investment Banking & Securities which trades as Investec. Investec entered the United Kingdom investment banking market in 1998, following its acquisition of Guinness Mahon, which included a securities and investment banking house, Henderson Crosthwaite Institutional Brokers. Under Investec's ownership, operating profits attributable to its United Kingdom-based corporate finance and securities operations have grown significantly since the time of Guinness Mahon's acquisition to 31 March 2002. This growth has largely resulted from a focus on the provision of investment banking services to its target client base, which principally comprises corporations with a market capitalisation in excess of £100 million. As at 31 March 2002, the majority of Investec Investment Banking and Securities' revenue is generated by corporate finance work, but Investec continues to grow its United Kingdom-based institutional research and sales and trading activities.

Corporate finance

Prior to 2001, Investec engaged principally in capital markets advisory work in connection with primary offerings, including initial public offerings, mainly for issuers in the technology, media, telecommunications, leisure, oils and services sectors. However, as capital markets transactions came under increasing pressure in 2001, Investec saw the number of initial public offerings on which it advised fall from 15 in the year ended 31 March 2001 to one in the year ended 31 March 2002. Investec sought to offset the decline in revenues attributable to capital markets transactions by raising its profile in domestic financial advisory work, particularly in respect of mergers and acquisitions. Today, Investec acts as corporate broker and/or adviser to approximately 80 United Kingdom listed companies, and, for the year ended 31 March 2002, advised on 21 mergers and acquisitions transactions with a combined value of approximately £600 million. Investec intends to develop its local market expertise further through continued selective hiring to help establish itself as one of the leading niche domestic corporate finance houses in the United Kingdom.

Institutional research and sales and trading

Investec Securities provides research and sales and trading services to a full range of United Kingdom and international institutional clients. Investec has 26 equity analysts who provide research coverage on approximately 260 companies in the United Kingdom, including some South African companies that have redomiciled to the United Kingdom. Investec Securities, research arm focuses on ten sectors, with number one ranked analysts in the leisure, beverages, telecommunications, services and media sectors (Reuters 2001 small-cap survey). Ongoing recruitment is expected to broaden Investec Securities, sector coverage. Within these sectors, coverage is in most cases vertical, encompassing both large and smaller capitalisation stocks.

Since August 2000, Investec Securities has also engaged in market making activities, and currently acts as market maker for approximately 80 United Kingdom-listed stocks. Investec intends to expand its coverage to additional stocks in the current year. In addition, Investec intends to develop a limited proprietary trading activity to support its market making and agency operations.

Private equity

Investec inherited a United Kingdom managed private equity portfolio as part of the Guinness Mahon and Hambros acquisitions in 1998. Investec continues to divest itself of this specific portfolio of investments. Investec has made a number of small and select private equity and direct investments in United Kingdom-listed and unlisted companies. Where appropriate opportunities arise Investec will continue to make similar investments.

As at 31 March 2002, the aggregate book value of the United Kingdom private equity and investment portfolio was approximately £27 million.

South Africa

Investec has established itself as one of South Africa's leading domestic corporate finance houses, focusing on the provision of corporate advisory services to mid-capitalisation and larger companies. In addition, as a result of the local knowledge and expertise it has developed, Investec has been well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which it has been involved. Investec also provides institutional research and sales and trading services, which it developed following its acquisition of Fergusson Bros. in 1996.

Corporate finance

Since 1999, there has been relatively little domestic capital markets activity in South Africa. Accordingly, Investec has focused on the development of its domestic financial advisory business, in particular with respect to public and private mergers and acquisitions, divestitures, restructurings, spin-offs, joint ventures and share buy-backs, and the provision of innovative and creative deal structures and advice. It has acted for approximately 20 per cent. of South Africa's top forty JSE-listed corporations and in 2001 acted on 39 transactions with a combined value of approximately R25 billion and was ranked by the most recent Ernst & Young survey as having advised on the highest volume and value of transactions undertaken during the 2001 calendar year.

Institutional research and sales and trading

Operating under the name Investec Securities Limited, Investec offers an integrated research, sales and execution capability in South African stocks for domestic and international fund managers with an interest in, and/or exposure to, South Africa.

For the year ended 31 March 2002, Investec Securities Limited's trading volumes accounted for approximately seven per cent. of the total trading volumes on the JSE. The South African operations are complemented by a London-based team that promotes South African stocks to a global emerging market client base, and supports Investec Securities Limited's equity analysts on South African companies that have redomiciled to the United Kingdom. The market in which this team operates is intensely competitive, particularly as a result of the transfer of some of the largest JSE-listed companies to London.

Investec Securities Limited has 16 equity analysts who research approximately 65 companies in South Africa across all the main sectors. Five analysts had top three rankings in the 2002 Financial Mail survey.

Direct investments

As a result of its in-depth market knowledge and local expertise, Investec is well-positioned to evaluate direct investment opportunities that are primarily sourced by the corporate finance department. In the past, when an appropriate investment case has been presented, Investec has made selective, opportunistic investments on an independent basis predominantly in JSE-listed, as well as unlisted, South African companies. These investments have been made primarily on a passive basis, and Investec's risk profile with respect to these investments is conservative. As at 31 March 2002, the South African direct investments portfolio had a book value of approximately R600 million (£37 million).

Private equity

Investec also actively seeks out select, opportunistic investments as principal in unlisted South African companies. Investec applies its extensive knowledge of the South African market, together with risk management techniques, to its investment analysis when making its investment decisions. As at 31 March 2002, Investec's private equity portfolio had an aggregate book value of approximately R25 million (£1.5 million).

Australia

Investec entered the Australian market in March 2001 with the acquisition of Wentworth Associates (since renamed Investec Wentworth), one of the leading corporate finance boutiques in Australia. This acquisition has provided a platform to expand Investec's corporate finance activities in Australia. Investec Wentworth's target client base of mid-capitalisation and larger companies is consistent with Investec's investment banking philosophy in South Africa and the United Kingdom. During the year ended 31 March 2002, Investec Wentworth completed 20 mergers and acquisitions transactions, including several cross-border transactions, with a combined value of approximately A$2.5 billion.

Investec Wentworth also has a limited private equity operation that sources transactions principally from Investec Wentworth's relationship with private and quoted Australian businesses. In 2002, Investec Wentworth launched a A$40 million private equity fund which it manages alongside a similar existing fund.

Israel

Investec Bank (Israel) Limited, a Tel Aviv Stock Exchange listed company, in which Investec has a shareholding of approximately 80 per cent. offers professional trading, execution and clearing services to Israeli clients. Investec Bank (Israel) Limited complements its trading and execution activities with the provision of research.

The United States

Investec acquired PMG Capital (since re-named Investec Inc.) in June 2001. Based in Pennsylvania, Investec Inc. is a full-service investment banking boutique, focusing on the telecommunications, media, technology, consumer and healthcare sectors. Although small, the Directors believe Investec Inc.'s corporate finance, research, sales and trading functions, together with its infrastructure, give Investec a platform for conservative growth in the United States. Investec Inc. is focused on providing investment banking services to small-and mid-capitalisation companies, and seeks to work closely with the division's non-US businesses, particularly in Israel and the United Kingdom. Investec Inc. has recently strengthened its advisory capability with the recruitment of a nine person senior technology and healthcare team. The equity research team of ten analysts is supported by a small institutional sales team with national coverage and a trading desk that provides a market making function in approximately 90 Nasdaq-listed stocks.

Treasury and Specialised Finance

Investec's Treasury and Specialised Finance division provides a wide range of products, services and solutions to select corporate clients, public sector bodies and financial institutions. The division undertakes the bulk of Investec's proprietary trading activities, and in the year ended 31 March 2002 was the second largest contributor to Investec's operating profit before goodwill amortisation. The Treasury and Specialised Finance division had operating profit before goodwill amortisation of £51.8 million for the year ended 31 March 2002, which represented 26.7 per cent. of Investec's total (excluding the loss made by Group Services and Other Activities). All non-private client deposit taking, corporate and public sector lending, structuring and proprietary trading activities are transacted through the division.

The division has eight product areas that are divided equally between Banking Activities and Financial Market Activities. The division's Banking Activities comprise structured finance, treasury, financial products, and project and resource finance. These activities tend to be more stable. The Financial Market Activities comprise commodities trading, foreign exchange trading, interest rates trading and equity derivatives. These activities, although potentially lucrative, tend to be more volatile. The management of each of these product areas is centralised in South Africa with the exception of interest rates trading and treasury which are operated independently within the relevant geographies in which these activities take place. In a number of the markets in which Investec operates, it has also established local 'corporate treasuries' through which Investec markets and sells predominantly those products that fall within the division's Financial Market Activities.

Most of the division's operating income is attributable to its operations in South Africa, with almost all of the remainder attributable to its operations in the United Kingdom. Investec also has certain limited treasury and finance activities in Australia, the United States and Israel. Of the division's operating profit before goodwill amortisation for the year ended 31 March 2002, 76.6 per cent. of the divisions operating profit before goodwill amortisation was attributable to its Banking Activities with the remaining 23.4 per cent. generated by its Financial Market Activities.

Banking Activities

Structured finance

Investec engages in structured lending to the corporate and public sectors. Some of the products and services offered include leasing, tax and capital efficient structures, preference share financing, leveraged buy-out financing, secured lending, share incentive plans and insurance structures. Investec aims to use these products and services to provide value-added structured solutions to its corporate client base for the financing of major assets in cross-border and domestic transactions. Investec's structured finance activities, which are the most geographically diverse of the operations in the Treasury and Specialised Finance division, take place largely in South Africa, with more limited operations in the United Kingdom, Ireland, Mauritius and Australia.

Investec's business has over the years reduced its participation in leasing and tax and capital efficient structures and expanded into areas such as leveraged buy-out finance. Structured finance undertakes most of Investec's secured corporate lending, which allows Investec to supplement margin income with structuring fees. Continued growth in South Africa is largely dependent on the state of the economic environment and new product initiatives. Investec's Treasury and Specialised Finance division has recently recruited a team of eight professionals based in the United Kingdom to carry out structured finance activities, which complements its South African and Irish teams, and could assist with its expansion in the United Kingdom and continental European markets.

The structured finance environment is highly competitive. The number of potential deals is low and those that exist are large and complex. The division generally does not compete on the basis of price, and will typically only participate in a transaction if it can provide creative solutions that add value to the client. The Directors believe that Investec's ability to offer cross-border solutions is a competitive advantage. The ability to execute deals successfully depends on many factors, including the parties' cost of funds, risk and credit appetite and Investec's relationship with its client. Product innovation is an essential ingredient in the success of this business, and the Directors believe that the division's ability to draw on skills and resources from many locations is a competitive advantage. It is also Investec's intention to remain competitive by hiring local talent who can provide relevant expertise to service its regional markets.

Treasury

Treasury manages Investec's corporate treasury and the funding of Investec's balance sheet within pre-determined parameters. Treasury funds Investec's cash requirements in Rand, pounds sterling, US dollars and Euro. Interest rate and liquidity risk management are the fundamental responsibilities of the unit. Treasury raises deposits in the inter-bank, corporate and institutional markets, as well as by borrowing funds deposited by clients of Investec's private banks in the United Kingdom and South Africa. Investec's private bank places funds with treasury and, to the extent shortfalls occur, they are funded by treasury. The corporate treasuries are responsible for marketing the Treasury and Specialised Finance division's products and services to its corporate client base.

Since its inception, Investec has sought to ensure that through effective management of its balance sheet it maintains a conservative liquidity risk profile. Accordingly, in both South Africa and the United Kingdom, Investec's internal guidelines conservatively exceed the applicable regulatory minimum requirements. A similar conservative approach is adopted with regard to managing Investec's interest rate risk, where the mismatch between fixed rate and variable rate assets and liabilities is generally eliminated or maintained at negligible levels. See "Risk management" in Part V.

Due to the commodity nature of this market, Investec's ability to compete is dependent on client relationships and its credit rating.

Financial products

Investec provides a broad range of financial products, such as corporate securities origination, financial engineering, credit derivatives, structured investment and capital guarantee products, preference shares, scrip lending and structured deposits. Investec seeks to provide these products and solutions to corporations, individuals, institutions, banks and financial intermediaries.

The financial products team was established in South Africa in 1998. The team has recently made progress in the corporate securities origination, structured products and credit derivatives markets, while it continues to rely on its preference share and scrip lending activities for recurring income. Investec intends to grow this business by seeking structuring opportunities across different markets. Investec has only recently established a financial products presence in the United Kingdom, and intends to hire further staff to develop some of the activities mentioned above. Investec will seek to develop opportunities for its financial products business in Australia in line with other areas of the Treasury and Specialised Finance division.

The Directors believe that competition in South Africa in the areas of scrip lending, preference shares and corporate debt origination is intense.

Project and resource finance

Investec's project finance activities seek to provide advice and financial support, in the form of arranging and/or underwriting finance for limited recourse infrastructure projects. Its resource finance activities are targeted at mid-tier mining, power, oil and gas projects in the form of financial and hedging packages, and are complemented by the division's commodities trading operations. Investec undertakes these activities in the United Kingdom and South Africa.

Investec focuses on specialist market segments, providing both advisory services and debt arranging and underwriting as the situation requires. Investec's recent acquisition in December 2001 of European Capital Company Ltd. and its team of project finance advisers and arrangers, with which Investec combined its existing project finance team, has enhanced its capacity to advise across a broad range of sectors. In the United Kingdom, Investec's share of the private finance initiative and public private partnership market is small, although the Directors believe Investec is favourably positioned to gain a greater share of this market, as well as of the project finance markets in Ireland and certain other European countries. One of the areas for future growth remains the South African local authority market, which has spent the past few years focused on reorganising itself at the expense of investment in new infrastructure. Although a relative newcomer to the resource finance sector, as well as commodities trading as noted below, the Directors believe these areas offer Investec growth potential.

The Directors believe that competition in the South African infrastructure and resource finance sectors is concentrated among a limited number of participants, in part due to the low number of available transactions and the long period of time it takes to win mandates and implement deals.

Financial Market Activities

Commodities trading

Investec's commodities trading activities are principally in the precious and base metals markets, where it trades gold, silver, platinum, palladium, copper, aluminium, zinc and nickel. The primary focus of the business is to provide hedging and structured trades for customers in both the spot and derivatives markets. In addition, the team also engages in proprietary exchange and over-the-counter derivatives and spot commodities trading for Investec. Investec decided to enter this business in early 2001 to provide a broader range of financial markets services to the division's clients, as well as to enhance the cross-selling opportunities within the division. Commodities trading operates mainly from trading desks in the United Kingdom, although Investec intends to expand its trading capabilities in South Africa in the near term.

The Directors believe that Investec can grow its commodities trading activities by broadening its product offering and expanding into new geographic markets. Investec has recently introduced fuel hedging, and decisions with respect to future product offerings will be determined largely in response to demand from the division's existing corporate customer base. Investec also intends to introduce commodities trading in Australia in the medium term.

In the United Kingdom, Investec participates in the commodities markets whereas in South Africa, Investec competes with both domestic and foreign providers mainly in the area of structuring and hedging on behalf of South African corporate and mining clients. The division intends to offer hedging and structuring facilities to United Kingdom and/or continental European corporations.

Foreign exchange trading

Investec trades principally in certain G-7 currencies and Rand in the spot, forward and derivatives markets in connection with the provision of trading, hedging and structured products and services. In addition, Investec also engages in foreign currency market making and limited proprietary dealing. Investec conducts its foreign exchange operations mainly through desks in South Africa and the United Kingdom, with limited participation from a newly established desk in New York.

In this business, Investec does not have a large retail or smaller corporate client base and hence the opportunity to generate the large trading volumes associated with major commercial banks. The Treasury and Specialised Finance division provides specialised hedging and structured foreign exchange solutions to other divisions within Investec, as well as to its corporate and institutional clients. In the South African market, the division acts as a market maker in the spot, forward and derivatives markets for Rand and certain foreign currencies. The Directors believe that the opportunities for offering customised solutions to South African customers to deal with the volatile Rand remain positive. In the United Kingdom, due to the size of the Treasury and Finance division, Investec's foreign exchange business is currently limited. However, the Directors believe that this business will benefit from its strategy of creating a larger scale corporate treasury function, and generally expanding the Treasury and Specialised Finance division's operations in the United Kingdom and Europe. The Directors believe these foreign exchange operations will benefit from the extended trading time span afforded by Investec's New York capability and, in the future, through an expected foreign exchange presence in Australia that would facilitate 24 hour trading of major currencies.

Competition in the foreign exchange business has always been intense, and the Directors believe that this will continue. By focusing on product innovation and not having to compete on the basis of volume and pricing alone, Investec has been able to gain competitive advantage in South Africa. In the United Kingdom, competition is unlikely to impact on Investec's foreign exchange business materially until such time as its foreign exchange activity has increased significantly.

Interest rates trading

Investec trades a wide range of interest rate linked instruments, including government bonds, forward rate agreements, interest rate swaps, options and futures, money market instruments and repurchase agreements in the cash and derivatives markets. Investec's principal interest rate activities take place in South Africa and the United Kingdom.

In South Africa, Investec provides trading strategies and structured solutions and products to institutions and corporations, and in 2001 had the status of being among the top three market makers in domestic forward rate agreements, interest rate swaps, interest rate caps, floors and swaptions. The Directors believe Investec will benefit from the migration of new clients as a result of industry consolidation, as well as the general environment of regional interest rate volatility. The Treasury and Specialised Finance division will look to expand its United Kingdom-based activities to serve Investec's operations better and the corporate treasury function in the United Kingdom, as well as to grow its client base. This process has already begun through the hire of professionals to trade in interest rate-related forward rate agreements, futures and swaps. In addition, as with its foreign exchange activities, Investec intends to offer interest rate products and services through its operations in Australia in the medium term.

In both South Africa and the United Kingdom, Investec participates in an active market with the local and foreign banks who are also important counterparties. As a significant amount of the revenue of this business line is generated from the activities of Investec's other operations, the success of Investec's South African interest rate activities is also subject to the ability of these operations to remain competitive in the markets in which they operate.

Equity derivatives

Investec is engaged in the derivatives and spot equities markets in a number of locations around the world. Investec's principal equity derivatives activity involves the provision of hedging and structuring services to financial intermediaries and institutions, through, among other instruments, index and stock options and futures. Arbitrage is also a significant area of operation, examples of which include futures and index arbitrages. Market making in stocks is the remit of Investec's institutional trading operations. Investec launched its equity derivatives business in South Africa in the first quarter of 2000 and in the United Kingdom in the third quarter of 2001. It conducts its equity derivatives operations mainly in South Africa, as well as in the United Kingdom, with limited participation from a newly established desk in New York.

In South Africa, Investec is among the top issuers by value of warrants traded on the JSE for the period January to June 2002. Investec seeks to derive a significant amount of revenues from structuring and hedging activities on behalf of investment institutions, corporate clients and high net worth individuals. The continued growth of Investec's South African operations is dependent in part upon corporate transactional activity and equity market volatility. The recently established operations in the United Kingdom are exploring a number of market growth opportunities. Presently, revenues are generated by developing arbitrage opportunities and investment products for asset managers. The equity derivatives business intends to establish an operation in Australia in line with the other areas of the Treasury and Specialised Finance division.

Investec faces considerable competition in South Africa from one domestic and several offshore banks. In the United Kingdom competition is unlikely to impact on Investec's equity derivatives business materially until such time as the level of its equity derivatives activity with investment houses and funds has increased significantly.

Private Client Activities

The Private Client Activities division is made up of two businesses: Private Banking and Private Client Portfolio Management and Stockbroking. The division has grown both organically and through the select acquisition of assets and businesses and the hiring of additional staff. Private Client Activities, the third largest contributor to Investec's operating profit before goodwill amortisation, accounted for operating profit before goodwill amortisation of £44.1 million for the year ended 31 March 2002, which represented 22.8 per cent. of Investec's total for the period (excluding the loss made by Group Services and Other Activities). For the year ended

31 March 2002, Private Banking represented 60.9 per cent. of the division's operating profit before goodwill amortisation, with the remaining 39.1 per cent. contributed by Private Client Portfolio Management and Stockbroking. The division had retail deposits and a total loan portfolio as at 31 March 2002 of £2.1 billion and £1.7 billion, respectively. The total assets under management by the division at that date was approximately £7.9 billion.

Private Banking

Investec provides a range of private banking services, targeting select, high income and high net worth individuals in chosen niche markets, primarily in South Africa and the United Kingdom. In addition, Investec provides a more limited product and service offering in Israel and Australia, and has limited operations in the Channel Islands and Switzerland. The products and services provided by the Private Banking business principally comprise structured finance and specialised lending activities; trust and fiduciary services; banking services; investment management; and private client investment banking. Investec seeks to position its private banking operations in the low volume, high value advisory market. As Investec's private banking operations are at different stages of maturity and operate in markets with distinct demographics, the breadth and nature of the products and services offered in each of its markets varies. The Directors believe that one of Investec's strengths is its ability to originate new business by leveraging off the strong client relationships it has been able to establish through its lending activities. The Directors believe that this operating model positions it more favourably during times of high market volatility compared to private banks that are dependent on the more traditional asset-gathering model.

South Africa

Investec operates one of South Africa's leading private banks, offering comprehensive wealth management services to its target client base. Investec achieved its current market status primarily by leveraging off its residential and commercial lending and deposit taking operations. In 1998, it built upon this platform with the addition of structured finance activities, as well as trust and fiduciary services, investment management services and private client investment banking. In South Africa, Investec targets and offers services and products to three distinct market segments. These comprise individuals with a net asset value of at least R50 million and investible assets of at least R15 million; private clients with a net asset value of at least R5 million and minimum earnings of at least R1 million; and professionals and others with high earnings potential. As at 31 March 2002, Investec's South African private banking operation had a loan portfolio of R13.8 billion (£854.1 million) and retail deposits of R6.9 billion (£427.0 million). Investec has received a number of accolades, including the PricewaterhouseCoopers' peer rating as the number one private bank in Southern Africa in the last two years.

The United Kingdom

Investec entered the United Kingdom private banking market in 1992 with the acquisition of Allied Trust Bank Limited, a domestic bank with a predominantly retail banking product and service offering, as well as a limited lending capability. Since that time, Investec has focused on the development of its structured finance and specialised lending operation, which has a strong property bias and currently accounts for the largest proportion of private bank's operating profit before goodwill amortisation in the United Kingdom. Since 1998, Investec has provided international trust, fiduciary and structuring services, which it used, together with its lending activities, as a platform from which to launch limited investment management operations in mid-2001. The United Kingdom private banking operation is based in London, with offshore booking centres including the Channel Islands and Switzerland. Investec's principal target market comprises individuals with an average net worth in excess of £5 million and investible assets of £3 million. The Directors believe that this market is highly fragmented in the United Kingdom, and offers an opportunity to provide bespoke, comprehensive wealth management services. As at 31 March 2002, Investec's United Kingdom private banking operation had a loan portfolio of £797 million and retail deposits of £1.2 billion.

Other

Investec also has private banking operations in Israel, as a result of its acquisition of approximately 80 per cent. of Israel General Bank (now Investec Bank (Israel) Limited) in 1996. Investec Bank (Israel) Limited currently focuses on the provision of traditional and internet banking services to a broader range of retail clients than is the case in the United Kingdom or South Africa. In Australia, Investec intends to develop its private banking operation by leveraging off the existing clients and client relationships, and local market knowledge of Investec Wentworth. Investec has applied for a banking licence in Australia, which will facilitate the building of a deposit book and will expand the types of banking products and services it can offer.

Products and Services

Investec's principal private banking product and service offering includes the following:

Structured finance and specialised lending. Structured finance and specialised lending accounts for the largest proportion of both the South African and the United Kingdom private banks' operating profit before goodwill amortisation. In South Africa, this service comprises the provision of loan finance, sometimes with equity participation by Investec, and is targeted principally at the commercial property market. In the United Kingdom, Investec's target market is residential development, although it also engages in limited commercial lending. The private bank funds its lending activities either through its deposit base or by borrowing funds from Investec's Treasury and Specialised Finance division.

Trust and fiduciary services. The trust and fiduciary services provided by the Investec Trust Group include comprehensive trustee and executorship services, company formation and management, trust advice, international tax planning and qualifying employee share ownership trusts. During 2001, Investec enhanced its international trust, fiduciary and structuring capabilities through the acquisitions of Theodores Trust and Law Group based in Jersey and Radcliffes Trustee Company based in Geneva. Together with Guinness Flight Trustees, these three trust companies, which operate as the Investec Trust Group, have established Investec as a provider of trust and fiduciary services to its target market of high net worth individuals.

Banking services. Complementing the private banking offering, in both South Africa and the United Kingdom, Investec offers a range of banking services to its targeted clients. The services include a broad range of multi-currency deposit accounts, foreign exchange facilities and, in the United Kingdom, a cheque book facility for both business and personal accounts. In South Africa, Investec has been a product innovator by providing a combined credit card and current account which incorporates an online transactional capability which has allowed it to attract new clients to whom it can offer a broader private banking service.

Investment management. Through its private banks in South Africa and, more recently, the United Kingdom Investec offers its clients an independent advisory investment service. By providing both in-house and third-party products, or an "open architecture" approach, Investec is able to use the global expertise of many leading international investment providers. Investec's investment methodology, utilising specialist resources within the wider organisation to formulate a house view, is based on the investment principles of providing independent best advice, client risk profiling, strategic and tactical asset allocation and regular reporting to each client. Investec attempts to take a longer term view to investment management, emphasising stable real returns while taking into account prevailing market conditions. Products and services offered encapsulate a wide range of asset classes, including equities, cash, bonds, property and alternative investments including guaranteed and structured products.

Private client investment banking. In South Africa and the United Kingdom, Investec provides loan funding, often with equity participation, to entrepreneurs and small, privately held corporations to enable them to expand their businesses and make acquisitions.

Private Client Portfolio Management and Stockbroking

Investec's Private Client Portfolio Management and Stockbroking business offers a range of personal investment and stockbroking services to a client base comprising predominantly high net worth individuals (based on assets under management) in South Africa and the United Kingdom. Investec also has limited private client capabilities in the United States and Australia. As at 31 March 2002, this business had approximately £7.7 billion in assets under management, of which £4.0 billion and £3.7 billion were managed on a discretionary and non-discretionary basis, respectively.

South Africa

Investec commenced its private client portfolio management and stockbroking business in South Africa in 1996 through the acquisition of Fergusson Bros., and now operates under the name Investec Securities Limited. Investec Securities Limited is one of the largest private client stockbrokers and one of the largest private client portfolio managers in the South African market as measured by assets under management. This business has grown primarily through strategic acquisitions, including the purchase in June 1999 of the Johannesburg private client operations of HSBC (resulting in the addition of approximately R4.5 billion in assets under management), in October 2000 of Quyn Martin Asset Management (resulting in the addition of R1.8 billion in assets under management) and in January 2002 of Merrill Lynch South Africa's private client operation in Cape Town (resulting in the addition of R4.3 billion in assets under management). As at 31 March 2002, Investec's South African private client stockbroking business had assets under management in excess of R27.3 billion (£1.7 billion), of which

R6.8 billion (£420.9 million) and R20.5 billion (£1.3 billion) were managed on a discretionary and non-discretionary basis, respectively.

The following table provides information for the years ended 31 March 2001 and 2002 regarding the net flows of assets under management, as well as changes resulting from market movements:

	For the year ended 31 March 2001		For the year ended 31 March 2002	
	(R million)	**(£ million)**	**(R million)**	**(£ million)**
Opening balance	14,200	1,357	18,550	1,628
Acquired funds(1)	1,770	164	4,330	317
Net new other funds	4,110	380	3,120	229
Change in market value during period	(1,530)	(141)	1,270	93
Gain/loss as a result of movement in the exchange rate	–	(132)	–	(579)
Closing balance	**18,550**	**1,628**	**27,270**	**1,688**
Of which discretionary	5,710	501	6,790	420
Of which non-discretionary	12,840	1,127	20,480	1,268

(1) For the year ended 31 March 2001, the closing balance reflects the acquisition of Quyn Martin Asset Management and, for the year ended 31 March 2002, the closing balance reflects the acquisition of Merrill Lynch South Africa's private client operation in Cape Town.

(2) Investec's private client and institutional client stockbroking operations were integrated during the year ended 31 March 2000, accordingly this breakdown is not available for the period.

Clients' funds are invested on an individual, segregated basis, principally in South African equities and cash money market accounts, as well as international equity and money market funds (including those operated by Investec's Asset Management division). Investec's brokers are guided by the firm's investment process and clients' mandates. The vast majority of discretionary accounts are managed as long-term portfolios, with an investment approach suited to longer-term investors seeking a more conservative portfolio management style. Research is acquired from third parties and Investec's South African institutional research operation, and is used by the investment committee to help formulate investment strategies. Execution and advisory services focusing on the domestic equity and equity derivative markets, as well as internet trading, are also offered. In addition, Investec Securities Limited offers specialised products, such as cash transfers (asset swaps) (although currently the South African Reserve Bank has not renewed any authorities to South African institutions to offer cash transfers). Offshore discretionary fund management is also offered through Investec's United Kingdom-based private client portfolio management company, Carr Sheppards Crosthwaite, and, most recently, through access to an open ended investment company established and operated in co-operation with Carr Sheppards Crosthwaite.

The South African market in which Investec Securities Limited operates is mature. Investec Securities Limited has been at the forefront of the consolidation in the South African private client stockbroking market, through the acquisition of four of the leading businesses in the market. As a result of these acquisitions Investec Securities Limited is a leading player in the South African market.

The United Kingdom

Private client portfolio management and stockbroking activities in the United Kingdom are carried out through Carr Sheppards Crosthwaite, which was formed through the merger in February 1999 of Carr Sheppards, which Investec acquired in January 1997, and the private client portfolio management and stockbroking business of Henderson Crosthwaite which Investec purchased in 1998. The vast majority of Carr Sheppards Crosthwaite's revenue and operating profit is attributable to commissions and fees generated by its portfolio management business. In addition to portfolio management, Carr Sheppards Crosthwaite also provides stockbroking and personal equity plan ("PEP") and individual savings account ("ISA") administration, as well as third-party settlement and custodial services, to banks, investment managers, independent financial advisers ("IFAs") and FTSE 100 and 250 companies. The portfolio management business targets individual clients, as well as charities and small pension funds, that ideally have investible assets of at least £500,000, a long term outlook and a preference for less speculative, independent investment advice. Clients' funds are invested principally in the United Kingdom, as well as international, equities, debt and equity-linked securities. Research is obtained from independent third-party providers and distilled by an in-house team of analysts who support Carr Sheppards Crosthwaite's portfolio management service. As at 31 March 2002, total assets under management were approximately £6.0 billion, of which £3.6 billion and £2.4 billion were managed on a discretionary and non-discretionary basis, respectively. In addition, Carr Sheppards Crosthwaite had a further £750 million PEP and ISA funds under administration for third parties.

In 2001, Carr Sheppards Crosthwaite extended its discretionary management capabilities through the recruitment of most of the international team of the Gerrard Group. This enabled Carr Sheppards Crosthwaite to provide an international fund management offering to existing and potential new clients of Investec. Another growth area has been the successful targeting of the small- to medium-sized charities sector where as at 31 March 2002 £800 million of assets were under management for over 400 charities. Over the three years to 31 March 2002, Carr Sheppards Crosthwaite was invited to tender for 93 charities with total funds of £500 million and was successful in winning 48 mandates worth £185 million.

The following table provides information for the years ended 31 March 2000, 2001 and 2002 regarding the net flows of assets under management, as well as changes resulting from market movements:

	For the year ended 31 March 2000	For the year ended 31 March 2001	For the year ended 31 March 2002	The three years to 31 March 2002
	(£ million)	(£ million)	(£ million)	(£ million)
Discretionary				
Opening balance	3,002	3,524	3,513	3,002
Net new funds	164	210	413	787
Net conversion from non- discretionary	68	37	52	157
Net change in market value	290	(258)	(399)	(367)
Closing balance	3,524	3,513	3,579	3,579
Non-discretionary				
Opening balance	2,921	3,020	2,646	2,921
Net new funds	54	11	92	157
Net conversion to discretionary	(68)	(37)	(52)	(157)
Net change in market value	113	(348)	(207)	(442)
Closing balance	3,020	2,646	2,479	2,479
Total closing balance	**6,544**	**6,159**	**6,058**	**6,058**

Over the past three years, 83 per cent. of net new funds were discretionary funds, resulting in an increase in the proportion of total funds that are managed on a discretionary basis from 51 per cent. as at 31 March 1999 to 59 per cent. as at 31 March 2002.

The portfolio management business in the United Kingdom is intensely competitive. However, the Directors believe that there are continuing growth opportunities for Carr Sheppards Crosthwaite based on favourable demographics and continuing investor desire both for bespoke services and reliability rather than short-term index outperformance. Thus, Carr Sheppards Crosthwaite's preferred market niche is between the large investment institutions that are increasingly seeking to provide only centrally-processed matrix portfolio management and those private banks and large IFAs that are essentially product providers. Neither of these offerings suit all those investors to whom they are intended to appeal, which the Directors believe leaves Carr Sheppards Crosthwaite with a market opening in which it can operate effectively with relatively limited competition.

The United States

Private client stockbroking in the United States had been carried out through Investec Ernst & Company. As part of Investec's strategic focus on the development of its investment banking operations in the United States, Investec decided to exit this business and sold it to its management on 10 May 2002.

Asset Management

The Asset Management division is made up of two businesses: Asset Management and Assurance. The division has grown organically and through select acquisitions, including most recently the acquisition of the insurance and financial services business of Fedsure Holdings in 2001. Asset Management contributed £55.2 million of operating profit before goodwill amortisation for the year ended 31 March 2002, or 28.5 per cent. of Investec's total for the period (excluding the loss made by Group and Other Services). The Asset Management division was the largest contributor to operating profit for the period. The division's Asset Management operations represented 43.7 per cent. of its operating profit before goodwill amortisation for the period, with the remaining 56.3 per cent. attributable to the Assurance business.

Asset Management

Investec Asset Management provides a comprehensive range of portfolio management services and products to institutional and retail clients in South Africa and the United Kingdom. In addition, Investec Asset Management provides a selection of offshore unit trust products to investors in Hong Kong, the United States and Israel. Total assets under management as at 31 March 2002 exceeded £16 billion. Investec Asset Management's operating profit before goodwill amortisation was £24.1 million for the period.

Investec Asset Management commenced operations in South Africa in 1991 with R225 million of assets under management. Investec Asset Management has continued to grow this business since that time, principally organically and, recently, through the addition of R45.6 billion of assets acquired through Investec's purchase of Fedsure Holdings on 1 June 2001. Prior to the acquisition of this business, Investec Asset Management's South African assets under management have grown at a compound annual rate (in Rand terms) of 79.4 per cent. between 1 April 1991 and 31 March 2001, at which time Investec Asset Management had R77.8 billion under management.

Investec Asset Management currently derives the bulk of its operating profit before goodwill amortisation from its South African business. The South African market for retirement and investment services is reasonably sophisticated. Investec Asset Management is one of the three largest managers of third party assets in South Africa, and competes for large segregated mandates, market linked pooled funds and, in the high end of the retail funds market, as a provider of unit trusts and linked products. However, for most of the 1990s, the South African economy did not create net new formal employment and, with an already mature pensions system, there appears to be an absence of catalysts for growth in this industry. Accordingly, Investec Asset Management's future growth opportunities in this market in South Africa are more limited than in the past.

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

In the United Kingdom, the Directors believe that Investec Asset Management can leverage off its experience in South Africa to establish itself as a provider to United Kingdom fund supermarkets and institutional multi-managers. With the rise of multi-managers, a fund's track record is increasingly replacing brand as a differentiating feature in the industry and there is a trend towards specialisation among managers. This has resulted in the decline of traditional balanced, or multi-asset, mandates in both the United Kingdom and South Africa. In the United Kingdom, the Directors believe this trend, combined with the elimination of competitors as a result of the ongoing consolidation in the industry, will lead to a growing demand for specialist fund managers such as Investec Asset Management.

On the institutional side, the acquisition of Guinness Flight Hambro in 1998 provided a cash and short term fixed income position and a platform from which to launch an institutional offering aimed at the United Kingdom pension fund market. Much of the last three years has been spent building integrated specialist equity and fixed income teams. During this period no active attempts were made to grow the businesses' funds under management other than in the short term fixed income area, in order to allow the new processes time to develop and mature. Despite the loss of two large equity accounts and weak equity markets, the United Kingdom institutional business was larger at 31 March 2002 than at acquisition in 1998. This growth is largely due to the success in the cash and short term fixed income market.

Internationally, Investec Asset Management has emphasised the elimination of non-core funds and business activities. The core offshore funds business of Guinness Flight Hambro was also centralised around Investec Asset Management's two key domestic markets, plus Hong Kong and the Caribbean.

Operating structure

Investec Asset Management operates as a single international organisation, comprising client-facing strategic business units that are supported by a unified investment team, which leverages off a scaleable operations platform. This structure facilitates maximum leverage of experience and expertise across markets, and enables central management to direct resources to the best opportunities available.

Investec Asset Management seeks to position itself as a manufacturer of a limited number of high quality core products. Investec Asset Management's current core specialities are South African equities and fixed income, United Kingdom equities and fixed income, global fixed income and global equities. In addition to this, Investec Asset Management offers a range of Asian equity funds and a range of absolute return products.

Investec Asset Management's investment team operates from London, Cape Town and Hong Kong. Domestic mandates are handled in each location, while global and international mandates are lead managed from London, with support from the relevant experts in the other regions. The investment team works closely with the client-facing business units to satisfy the demands of the different client niches served by Investec Asset Management.

The following table provides information about Investec Asset Management's total assets under management as at 31 March 2000, 2001 and 2002.

	31 March 2000			31 March 2001			31 March 2002		
	South Africa	UK & Other	Total	South Africa	UK & Other	Total	South Africa	UK & Other	Total
Retail (£ million)	2,506	2,437	4,943	2,110	2,419	4,529	2,544	2,741	5,285
Institutional (£ million)	5,024	6,873	11,897	4,714	6,752	11,466	6,127	5,825	11,952
Less Double Counting (£ million)	*(227)*	*(435)*	*(662)*	*(261)*	*(545)*	*(806)*	*(517)*	*(439)*	*(956)*
Total (£ million)	**7,303**	**8,875**	**16,178**	**6,563**	**8,626**	**15,189**	**8,154**	**8,127**	**16,281**
Total (Rand million)	**76,399**	**92,848**	**169,247**	**74,787**	**98,298**	**173,085**	**131,750**	**131,314**	**263,064**

Note: The South African assets, excluding Fedsure, declined in pounds sterling terms, as a consequence of a significant depreciation in the R/£ exchange rate (approximately 30 per cent.) over the 12 months to 31 March 2002. Business volumes actually grew in domestic currency terms.

The focus over the last two years has not been on growth in funds under management outside of South Africa, but rather on the establishment of a platform for future growth. Contributing to this was the impact of the sharp depreciation in the Rand, the downward movement in developed equity markets and the decision to narrow the focus of the business, for example the closure of certain non-core businesses such as the United States institutional fixed income business, the United Kingdom onshore private client business and a range of non-core funds such as the Dublin registered India fund.

Of the total assets under management of £16.3 billion as at 31 March 2002, 37.8 per cent. was invested in equity funds, 61.8 per cent was invested in fixed income and cash and 0.4 per cent. invested in hedge funds. Income derived from the management of these funds was split between institutional and retail clients (46.2 per cent. compared to 53.8 per cent.) and by region between South Africa and outside of South Africa (47.4 per cent. compared to 52.6 per cent.). The source of such funds was evenly split between South Africa and outside of South Africa.

Business units

South Africa

South African institutional investments

Investec Asset Management services the South African institutional market and is one of the largest managers of segregated institutional mandates in South Africa. As at 31 March 2002, institutional funds under management amounted to £6.1 billion. Products include balanced as well as specialist mandates, defined by asset class or risk objective.

Investec Asset Management's South African institutional performance ranking in the domestic balanced fund category was second out of 10 for the year ended 31 March 2002, and second out of 10 for the five-year period ended 31 March 2002 according to the Alexander Forbes Large Manager Watch.

Over a five-year period, Investec Asset Management has been ahead of the median competitor, further reinforcing its long-term consistent performer status. In the five years to 31 December 2001 Investec Asset Management was consistently ranked in the top three by the Alexander Forbes Large Manager Watch in respect of the five-year rolling returns ending June and December of each year.

The major distribution channels for the institutional business are investment consultants to retirement funds and employee benefit consulting firms, as well as institutional multi-managers. Investec Asset Management's key competitors are the 12 large managers of institutional assets in South Africa, as well as a further 20 investment management boutiques.

South African retail

Investec Asset Management has the second largest retail unit trust business in South Africa, as well as the largest retail linked investment product platform. Linked investment product is a term used in the South African market for a "fund supermarket" that allows investors to access a choice of both insurance-wrapped and direct investment products from a single administrative platform.

The following table provides certain information regarding Investec Asset Management and the South African unit trust and linked product industries as at 31 March 2000, 2001 and 2002.

	31 March 2000		31 March 2001		31 March 2002	
South African Unit Trust Industry	**(R million)**	**(£ million)[1]**	**(R million)**	**(£ million)[1]**	**(R million)**	**(£ million)[1]**
IAM funds under management	16,342	1,562	13,394	1,175	19,965	1,236
Total industry size	117,334	11,216	124,337	10,911	176,338	10,914
Market share (per cent.)	–	14%	–	11%	–	11%
Ranking in the industry in terms of size	–	2nd of 31	–	3rd of 29	–	2nd of 29
Industry gross sales	99,989	9,558	114,197	10,021	130,939	8,104
IAM per cent. of gross industry sales		19%		16%		10%

(1) The Rand amounts have been converted at the rate of £1.00=R10.46, £1.00=R11.40 and £1.00=R16.16 for 31 March 2000, 2001 and 2002, respectively.

Source: Association of Unit Trusts statistics
All figures include Money Funds but exclude Fund of Funds and have not been adjusted.

In addition, the March 2002 Plexus Survey, which reviews the performance of unit trust companies across their entire suite of funds over a rolling three year period, ranked Investec Asset Management third out of 16 competitors. A number of the in-house unit trusts managed by Investec Asset Management were ranked in the top quartile as at 31 March 2002.

The following table provides certain information regarding Investec Asset Management and the South African linked investment product industry as at 31 March 2000, 2001 and 2002.

	31 March 2000		31 March 2001		31 March 2002	
South African Linked Product Industry	**(R million)**	**(£ million)[1]**	**(R million)**	**(£ million)[1]**	**(R million)**	**(£ million)[1]**
IAM funds under management	10,577	1,011	10,593	930	19,313	1,195
Total industry size	62,982	6,020	58,125	5,101	77,024	4,767
Market share (per cent.)	–	17%	–	18%	–	25%
Industry gross sales	–	–	18,523	1,625	19,864	1,229
IAM per cent. of gross industry sales	–	–	–	21%	–	18%

(1) The Rand amounts have been converted at the rate of £1.00=R10.46, £1.00=R11.40 and £1.00=R16.16 for 31 March 2000, 2001 and 2002, respectively.

Source: Linked Investments Service Providers Association
All figures include Money Funds but exclude Fund of Funds and have not been adjusted.

Investec Asset Management distributes its unit trust and linked products principally through independent financial intermediaries. Competitors comprise largely the same companies with which it competes on the institutional side of the business, although not necessarily across the entire retail product spectrum. Investec Asset Management was named in the 2002 Standard & Poors Fund Awards as the best larger group over one year, as well as best group over five years. A number of Investec's funds also received individual sector awards.

United Kingdom and Other

United Kingdom institutional investments

Investec Asset Management currently provides portfolio management services to its United Kingdom client base, and has a leading position in the United Kingdom public sector pound sterling fixed income market. Investec Asset Management intends to penetrate the consultant channel with specialist offerings, focusing on United Kingdom equities, pound sterling, and global fixed income. Investec Asset Management also offers global balanced and global equity funds managed out of the United Kingdom to its South African and Hong Kong client base. Institutional funds managed as at 31 March 2002 totalled £5.0 billion.

Investment trusts

Investec Asset Management offers a range of London and Guernsey listed equity investment trusts. Although this is not a high growth business, it is complementary to the rest of Investec Asset Management's United Kingdom equity offering. As at 31 March 2002, Investec Asset Management managed £859 million of investment trusts. In the 2002 Standard & Poor's Fund Awards, Investec Asset Management was named runner-up in the United Kingdom investment trust category for smaller groups, over both one and five years.

United Kingdom retail

Investec Asset Management currently manages 14 United Kingdom domestic retail funds. Since the Guinness Flight Hambro acquisition in 1998, Investec Asset Management has significantly grown the size of its United Kingdom retail funds business (from £340 million at acquisition to £649 million at 31 March 2002). The following table provide certain information regarding Investec Asset Management and the United Kingdom retail funds industry as at 31 March 2000, 2001 and 2002:

United Kingdom Retail Fund Industry	**31 March 2000** (£ million)	**31 March 2001** (£ million)	**31 March 2002** (£ million)
IAM funds under management	422	519	649
Total industry size	262,279	244,394	242,281
Size ranking in industry	81st of 152	74th of 151	62nd of 136
Industry net sales	15,459	17,891	10,233
IAM per cent. of net industry sales	0.20%	0.70%	1.76%
Industry gross sales	49,485	54,763	49,102
IAM per cent. of gross industry sales	0.15%	0.30%	0.51%

Source: Investment Management Association

Competition in this market includes independent United Kingdom fund managers with unit trusts of open ended investment companies authorised in the United Kingdom.

Offshore funds business (Ireland and Channel Islands)

The Investec Asset Management offshore fund ranges are domiciled in these jurisdictions, with the major operations being in Guernsey and Dublin. This family of funds has achieved positive net inflows for twelve consecutive quarters up to the period ending 31 March 2002. The offshore retail funds now exceed £1.6 billion. Sales responsibility for these funds lies with the regional retail business units. The United Kingdom retail business has additional responsibility for the European distribution of these funds, while the South African retail unit distributes them into Southern Africa.

At the Standard & Poors Offshore Fund Awards held in 2002, Investec Asset Management was named best larger offshore Fund Group for 2001. In 2001 Investec Asset Management was also named by Lipper (another leading fund rating agency) as the best overall fund group in the United Kingdom, based on the performance of the onshore and offshore funds marketed in the United Kingdom.

Asia

Investec Asset Management has an office in Hong Kong, which distributes the offshore funds through the banking and independent financial advisory channel. This operation also houses the Asian ex-Japan equities investment team. The South China Morning Post in 2001 named Investec Asset Management as the second best Performing Fund Management Group over ten years and the Investec GSF US dollar Bond Fund, the best fixed income US dollar Bond Fund over 10 years. In this market, Investec Asset Management competes with the offshore funds of the major fund groups in the world.

United States

Investec Asset Management has a distribution office in Stamford, Connecticut, the prime focus of which is to sell the offshore fund range via the intermediary channel, to United States based individuals who are entitled to invest in offshore funds and to the financial centres of the Caribbean.

Assurance

Investec acquired the financial and insurance businesses of Fedsure Holdings with effect from 1 June 2001. The asset management, property and traded endowments businesses have been integrated into other Investec business divisions. Aside from these integrated businesses, the principal retained operations comprise an employee benefits business. Certain life assurance operations were reinsured with Capital Alliance as described below. Investec's assurance operations contributed £31.1 million of operating profit before goodwill amortisation for the year ended 31 March 2002.

Life assurance

As at 1 June 2001 (the effective date of the acquisition), the life assurance interests acquired comprised assets of R41.3 billion which included individual life business of R22.7 billion and pension fund administration and management business of R18.6 billion. The individual life business had been closed to new business prior to the acquisition. A reinsurance agreement was concluded with Capital Alliance Life Limited ("Capital Alliance"), a third party insurer, pursuant to which Investec reinsured a net amount of R11.8 billion of potential net life assurance liabilities in return for the transfer to Capital Alliance of R11.2 billion of assets. The R0.6 billion net liabilities assumed by Capital Alliance was settled by the issue of Capital Alliance Holdings Limited shares pursuant to which Investec increased its shareholding in Capital Alliance Holdings Limited to approximately 29 per cent. An additional amount of R2.6 billion was reinsured with Capital Alliance and assets of R2.6 billion were transferred to Capital Alliance. Capital Alliance has assumed the risks associated with the reinsured life assurance business from the date of the reinsurance agreement and Investec has agreed to manage the underlying funds. As at 1 July 2002 the market capitalisation of Capital Alliance was R1,752.9 million. Effective as of 1 April 2002 Investec Employee Benefits Limited direct shareholding in Capital Alliance Holdings Limited has reduced to approximately 9 per cent. as the remaining 20 per cent. was transferred to Lexshell 519 Investments (Pty) Limited as part of a black empowerment transaction Further details of this transaction are set out in "Additional Information – Material contracts" in Part XIII.

Investec Employee Benefits

The life company (Fedsure Life Assurance Company Limited) acquired from Fedsure Holdings as part of insurance businesses acquired was renamed Investec Employee Benefits during November 2001 and currently comprises a pension fund administration and management business. Investec Employee Benefits has four principal lines of business: investment only business; administration business; annuity and group life; and disability cover.

Investment only. The investment only business involves the investment management of linked or guaranteed funds where the administration is conducted by an independent administrator.

Administration business. The administration business involves member record keeping in addition to the investment management function described above. Administration is done for funds with assets under management of approximately R10.1 billion.

Annuity. The annuity business involves the provision of annuities to individuals after they retire from their pension fund.

Group life and disability. The group life and disability cover is provided to corporations and institutions insuring their employees against death or disability during the course of their employment. For the fifteen months ended 31 March 2002 premium income for group life and disability (excluding industrial business) amounted to approximately R881 million.

In addition, the business includes certain individual life contracts valued at R7.8 billion which were not included in the reinsurance agreement described above as management believed the risk profile of these contracts to be low. Since acquisition, Investec has restructured the business to align it with Investec's target market and strategy of focusing on selling its products through selected, accredited intermediaries who the Directors believe are able to access Investec's target clients. In addition, Investec has restructured the investment portfolios to align them more closely with the business liabilities.

Following Investec's acquisition of the financial and insurance business of Fedsure Holdings (including Investec Employee Benefits) in June 2001, certain allegations have been made regarding, *inter alia*, mal-administration and mis-management of that business – see "Risk factors" in Part II.

Group Services and Other Activities

Group Services and Other Activities consists primarily of three components: Central Costs; the Central Funding of Investec; and Other Activities. Group Services and Other Activities accounted for a loss of £35.1 million of operating profit before goodwill amortisation for the year ended 31 March 2002. For the same period, Central Costs incurred net costs of £39.1 million, Central Funding contributed a loss of £10.6 million to operating profit before goodwill amortisation with the Other Activities within the division contributing £14.6 million of operating profit before goodwill amortisation.

Central Costs

Central Costs is made up of functional areas which provide services centrally across all of Investec's business operations. Consistent with Investec's philosophy of operating as a single organisation, Central Costs provide integrating mechanisms between the business operations. As these services do not form part of the four operating divisions, their costs are generally not allocated to any of those divisions.

Central Costs include Investec's head office, Group Risk Management, internal audit and compliance, Group Information Technology, Group Finance and Investor Relations, Group Marketing, and other group support services, such as legal, human resources, development, company secretarial, tax, information centre, regulatory and facilities. Investec's principal Central Costs, relating to the operations and control of its business, are Group Risk Management, Group Information Technology, Group Finance and Investor Relations, Group Marketing and Organisational Development.

Group Risk Management

Investec's Group Risk Management operations are described in detail in "Risk management" in Part V.

Group Information Technology

Investec's central chief information officer is accountable for the overall development of the technology direction of Investec, co-ordinating the information technology resources across Investec's operations and ensuring that appropriate processes and controls around information technology exist in all areas of Investec's operations.

The range of different applications required and used throughout the divisions means that the information technology organisation is structured so that each of Investec's divisions has an established information technology capability. Each of Investec's operating divisions has a chief information officer that reports in a matrix fashion to the division as well as to the central chief information officer. This approach is designed to ensure that each business division is able to satisfy its own needs within Investec's overall strategic direction.

This divisional structure is also designed to accommodate Investec's acquisitive nature and ensure that Investec is agile enough to deal with the diversity of applications that inevitably arise within an acquisitive group. The various applications are electronically integrated via the central financial and risk systems.

Each division has the responsibility of ensuring best practice and appropriate governance standards in the *operation of each of its information technology areas. The monitoring of these standards, which include business* resumption and security, is conducted by a central operational risk unit and Investec's internal audit function.

Whilst Investec's existing information technology systems support its current business, Investec has developed an action plan designed to reduce the Group's exposure to information technology related risks:

Key points of this information technology action plan include:

- establishing a global network management structure to ensure global change control processes exist for the network;
- appointment of a Group Network Security Officer to work in conjunction with operation risk for the purposes of monitoring compliance with security policies, conducting compliance testing and recommending automated tools for compliance monitoring;
- implementing arrangements for ensuring that information technology security policies are properly applied on a group wide basis;
- testing and roll-out of intrusion detection software across Investec's entire network;
- review and upgrade of disaster recovery facilities and planning; and

- creation of complete and formal documentation of the information technology strategy for all material parts of the Group.

The Directors believe that the successful implementation of this action plan will reduce the risk of business interruption and improve both network security and disaster recovery procedures.

Group Finance and Investor Relations

In line with Investec's objective of providing its shareholders with meaningful and accurate information on which to base their investment decisions, the primary responsibility of Group Finance and Investor Relations is to ensure that Investec strives to operate to the highest standards of financial reporting discipline and control, including compliance with international best practice for accounting policies, disclosure and adherence to applicable statutory requirements.

This division operates through a combination of local and central management. Each of the four operating divisions and geographic businesses has its own finance function. These functions interlink and have responsibility for monitoring compliance with statutory, regulatory and management reporting standards. Overlaying these divisional and regional functions is Group Finance and Investor Relations which assumes ultimate responsibility for the review and analysis of all financial information prepared by the divisional and geographic functions, consolidation of group-wide information, the setting of disclosure standards, and the dissemination of financial information. With respect to the latter responsibility, Investec's Investor Relations function also forms part of Group Finance and Investor Relations.

Group Marketing

Group Marketing's primary function is to build the Investec brand internationally. Investec's marketing efforts are intended to create long term equity in one primary brand, Investec, and to ensure that the brand is promoted consistently across both the geographies in which Investec operates and the various operating divisions. Investec currently uses the tagline 'Out of the Ordinary', which symbolises the psyche of the organisation. This positioning has as a basis the principles of creativity, passion, performance and focus. Group Marketing's operations are supplemented by more specific initiatives in the geographies in which Investec operates and by marketing staff in the four principal operating divisions, to which Group Marketing provides resources, expertise and support in the areas of advertising, sponsorship, public relations, event management, promotions, technical marketing services and marketing strategy.

Organisational Development

Organisational Development comprises a global team of specialists that provide independent support and consultancy for management. A key aim is to assist Investec to initiate and manage its own transformation as an ongoing, consultative process, rather than a planned event. The focus is on facilitating processes that ensure learning, sustainability and the capacity to thrive. Organisational Development is committed to the creation of an entrepreneurial, collegiate environment in which people are encouraged to engage in open dialogue and debate in the interests of achieving extraordinary performance.

Central Funding

Investec has a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained.

Investec employs various sources of funding, the determination of which depends on the specific financial and strategic requirements it faces at the relevant point in time. The funds raised are applied towards the making of acquisitions, the funding of central services and debt obligations, and the purchase of corporate assets and investments not allocated to the four operating divisions.

Established during 2001, Investec has a Capital Committee which manages Investec's central capital pool in order to assist in effective capital management governance. The Committee comprises Investec's executive directors, heads of Group Risk Management, Corporate Governance and Compliance, Group Finance and Investor Relations, and a select number of Investec's non-executive directors. As required, senior members of Investec's tax, legal, regulatory, compliance and financial products areas are co-opted to the Capital Committee.

For the year ended 31 March 2002 Central Funding contributed a loss of £10.6 million to the operating profit before goodwill amortisation of the Group.

Other Activities

Other Activities comprise those operations which are either better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations or that do not fall into one of Investec's four principal business divisions yet and have been grown organically by Investec or retained following acquisition due to their profitability and diversifying effect on Investec's income streams. These operations include Property Worldwide, International Trade Finance and Investec's United Kingdom Traded Endowments business. For the year ended 31 March 2002, Other Activities contributed £14.6 million to Investec's operating profit before goodwill amortisation.

Property Worldwide

Property Worldwide has operations in South Africa and the United Kingdom. The services provided by Property Worldwide in South Africa include property trading and development, property investment broking, property management, property loan stock management and property syndications. As at 31 March 2002, the South African property assets under management were valued at R7.1 billion (£439.4 million), including R2.6 billion (£160.9 million) acquired as a result of the acquisition of the insurance and financial services businesses of Fedsure Holdings.

Property Worldwide in the United Kingdom manages a portfolio of commercial properties inherited from the acquisition of Guinness Mahon and Guinness Flight in 1998. As at 31 March 2002, the United Kingdom property portfolio had a book value of £36.8 million.

International Trade Finance

Investec acquired its International Trade Finance business, Reichmans, in South Africa in 1990. International Trade Finance offers trade and asset finance and factoring services to medium sized privately owned businesses involved mainly in manufacturing, trading and wholesale distribution, in order to provide working capital to fund the growth of these businesses. Services provided by International Trade Finance include import and export finance and receivables finance, as well as instalment sale and rental facilities. International Trade Finance operates predominantly in South Africa and also has operations in Switzerland.

United Kingdom Traded Endowments

Investec's traded endowments business, which operates in the United Kingdom under the brand names Policy Portfolio and Beale Dobie, was acquired in June 2001 as part of the acquisition from Fedsure Holdings. This business involves the purchase of with-profit endowment policies in the secondary market at a price above their surrender value yet below the asset value and the resale of such policies to investors who are seeking to diversify their investment portfolios with an insurance product.

The majority of Investec's traded endowments customers are United Kingdom-based IFAs and a limited number of funds.

US Clearing and Execution Activities

Investec recently sold Investec Ernst and Company's private client stockbroking business (see "Additional Information – Material Contracts" in Part XIII). Investec Ernst and Company is a registered broker-dealer and provides clearing, settlement and execution services to retail and institutional broker dealers, and professional traders in the United States. The clearing business clears for correspondent broker-dealers and prime broker relationships, and has retail and institutional customers. Investec is evaluating its options with regard to Investec Ernst and Company.

Following Investec Ernst and Company's annual examination by the New York Stock Exchange ("NYSE") in September 2000 it was referred to the NYSE's Enforcement Division in connection with the record keeping of its prime brokerage business. An agreement in principle has been reached with the NYSE whereby it is proposed that Investec Ernst & Company shall be fined US$735,000. The settlement is due to be published in The Wall Street Journal.

Current trading and prospects

Since 31 March 2002, the trading position of the Group is as set out below.

Asset Management. The two businesses comprising the Asset Management Business, Asset Management and Assurance are performing in line with the Directors' expectations.

Private Client Activities. The performance of the Private Client Stockbroking businesses within the Private Client division continues to be affected by the equity markets' underperformance and their negative impact on client equity investment appetite. This has resulted in a slight decline in volumes and trading commissions.

Investment Banking. The current economic slowdown and turbulence in the financial markets is impacting upon the performance of the Investment Banking division. While Investment Banking in South Africa is marginally down on the Directors' expectations, Investment Banking in the United Kingdom is substantially down on the Directors' expectations. Of the smaller markets where Investec's Investment Banking division operates, performance in the United States is considerably below Directors' expectations while Australia and Israel are broadly performing in line with the Directors' expectations.

Treasury and Specialised Finance. Apart from the financial markets activities within the Treasury and Specialised Finance division, which have been negatively impacted by the turbulence and resultant illiquidity in financial markets, the rest of the division is performing satisfactorily.

Other. Those businesses comprised within Group Services and Other Activities, continues to perform in line with the Directors' expectations.

Overall. The Directors' consider the Group to have performed satisfactorily given the current economic slowdown and turbulence in the financial markets. The Asset Management and Private Client divisions have demonstrated their resilience and although Investment Banking in the United Kingdom and the United States and the financial market activities within the Treasury and Specialised Finance division have been negatively impacted by the current market conditions in the financial markets, the other parts of these two divisions continue to perform broadly in line with the Directors' expectations. Overall in the circumstances, the Directors believe that the financial and trading prospects of the Group could follow a similar pattern for the remainder of the current financial year.

PART IV – MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors

The boards of the Company and IGL are separate and subject to separate legal obligations to each respective company and comprise the same persons who are authorised, as boards, to manage Investec as if it were a unified economic enterprise. The Boards of the Company and IGL will, in addition to their duties to the company concerned, have regard to the interests of the shareholders of both the Company and IGL in the management of Investec. For a description of the responsibilities of the Boards, see "Details of the DLC Structure – Management" in Part XI.

The current members of the Boards of Investec are:

Executive Directors

Stephen Koseff, aged 50, Chief Executive Officer, BCom CA(SA) H Dip BDP MBA. Stephen Koseff joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer, general manager of banking, treasury and merchant banking. His directorships include the JSE Securities Exchange, South Africa, Investec Group Limited, Investec Bank Limited, Investec Bank (UK) Limited and The Bidvest Group Limited.

Bernard Kantor, aged 52, Managing Director. Bernard Kantor joined Investec in 1980. He has had diverse experience within Investec as a manager of the trading division, marketing manager and chief operating officer. His directorships include Investec Group Limited, Investec Bank Limited and Investec Bank (UK) Limited.

Glynn Burger, aged 45, Executive Director responsible for Finance and Risk, MBL, B.Acc., CA(SA). Glynn Burger joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer, group risk manager and joint managing director for South Africa. His directorships include Investec Bank Limited.

Alan Tapnack, aged 55, Executive Director, BCom, CA(SA). Alan Tapnack practised as a chartered accountant and is a former partner of Price Waterhouse. Formerly managing director of Grey Phillips Bunton Mundell and Blake. Alan Tapnack joined Investec in 1991. He subsequently became chief executive officer of Investec's United Kingdom operations and he has responsibility for Investec's Israeli operations. His directorships include Investec Bank (UK) Limited and Carr Sheppards Crosthwaite Limited.

Non-Executive Directors

Hugh S. Herman, aged 61, Non-Executive Chairman, BA, LLB. Hugh Herman practised as a lawyer before joining Pick 'n Pay, a leading South African supermarket group where he became Managing Director. He joined Investec in 1994. His directorships include Investec Group Limited, Investec Bank (UK) Limited, and he is a non-executive director of Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

John Abell, aged 70, Non-Executive Director, MA (Hons). John Abell is former chairman and chief executive of Orion Royal Bank and former chairman of CIBC Wood Gundy Europe. His directorships include Investec Group Limited and Investec Bank (UK) Limited.

Sam E. Abrahams, aged 63, Non-Executive Director, FCA CA(SA). Sam Abrahams is a former international partner and South African managing partner of Arthur Andersen. His current directorships include Foschini Limited, Super Group Limited, Investec Group Limited and Investec Bank Limited.

George Alford, aged 54, Non-Executive Director, FCIS, FIPD, MSI. George Alford was appointed as head of private banking at Kleinwort Benson Group in 1991 and is currently a senior adviser to the FSA. His directorships include Investec Group Limited and Investec Bank (UK) Limited.

Donn E. Jowell, aged 60, Non-Executive Director, BCom, LLB. Donn Jowell is chairman of Jowell Glyn & Marais Inc., the South African legal advisers to the Company. His current directorships include Anglovaal Mining Limited, Investec Group Limited and Investec Bank Limited and various other Investec companies.

Ian R. Kantor, aged 55, Non-Executive Director, BSc(Eng), MBA. Ian Kantor is former chief executive of Investec Bank Limited, resigning in 1985 and relocating to the Netherlands. His current directorships include Insinger de Beaufort Holdings SA (where he is chairman of the management board and in which Investec holds an 8.6 per cent. interest), Bank Insinger de Beaufort NV, Investec Group Limited, Investec Bank Limited and Investec Bank (UK) Limited.

Sir Chips Keswick, aged 62, Non-Executive Director. Sir Chips Keswick is former chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American Plc and was on the Court of the Bank of

England. His directorships include De Beers SA, De Beers Consolidated Mines Limited, IMI Plc, Persimmon Plc, Investec Group Limited and Investec Bank (UK) Limited.

Peter Malungani, aged 44, Non-Executive Director, BCom, MAP, LDP. Peter Malungani is executive chairman and founder of Peu Investment Group and deputy chairman of Phumelela Gaming and Leisure Limited. His current directorships include SA Rail Commuter Corporation Limited, Super Group Limited and Investec Bank Limited.

Peter R. S. Thomas, aged 57, Non-Executive Director, CA(SA). Peter Thomas is a chartered accountant and former managing director of The Unisec Group Limited. His current directorships include Investec Group Limited and Investec Bank Limited.

Corporate Governance

The Combined Code provides that the board of directors of a United Kingdom public company should include a balance of executive and non-executive directors, with non-executive directors comprising at least one-third of the board. The Combined Code further provides that a majority of non-executive directors should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board will consist of four Executive Directors and nine Non-Executive Directors. A third of the Non-Executive Directors: (i) are independent of management; and/or (ii) do not have any other relationship which could materially interfere with the exercise of their independent judgement. In addition, the Directors consider Peter Malungani to be independent, notwithstanding his directorship and shareholding in Peu Investment Group (Pty) Limited (further details of Investec's relationship with Peu Investment Group (Pty) Limited is set out in "Additional Information – Material Contracts" in Part XIII). Furthermore, the Directors consider that Sam Abrahams and Peter Thomas are independent notwithstanding the consulting fees paid to them to sit on various of Investec's compliance and decision making committees (such as the Group Credit Committee, Board Risk Review Committee and various Audit Sub-Committees) in an advisory capacity as non-executive directors (for details of the consulting fees paid see "Additional Information – Directors" in Part XIII).

The Boards support high standards of corporate governance. The Directors will seek to comply with the requirements of all applicable guidelines on corporate governance including the Combined Code and the King II Code and will seek to operate procedures required to comply with appropriate internal control aspects of all applicable corporate governance provisions including the Combined Code in accordance with the Turnbull Report. The Boards have, *inter alia*, established an Audit Committee, a Remuneration Committee and a Nominations Committee.

Audit Committee

The Audit Committee is chaired by Donn Jowell and its other members are George Alford, and John Abell. In accordance with the requirements of the Combined Code all members of the Audit Committee are Non-Executive Directors and a majority of the voting members are independent directors for the purposes of the Combined Code. In addition, Sam Abrahams is a non-voting member of the Audit Committee who attends meetings of, and lends his experience to, the Audit Committee. This committee has responsibility for, among other things, the planning and reviewing of Investec's combined consolidated report and accounts and the supervision of Investec's auditors in the review of such reports and accounts. The Audit Committee will focus particularly on Investec's compliance with legal requirements, accounting standards and the relevant listing requirements and will seek to ensure that effective systems of internal financial controls and for reporting non-financial operating data are maintained. The ultimate responsibility for reviewing and approving the annual and half yearly report and accounts will remain with the Boards.

Remuneration Committee

The Remuneration Committee is chaired by John Abell and the other members are Sir Chips Keswick and George Alford. In accordance with the requirements of the Combined Code all members of the Remuneration Committee are Non-Executive Directors and are independent directors for the purposes of the Combined Code. This committee has responsibility for the determination, within agreed terms of reference, of Investec's policy on the remuneration of senior executives and specific remuneration packages for each of the Executive Directors including pension rights, any compensation payment and implementation of employee share plans. The Remuneration Committee will also administer and establish performance targets for Investec's employee share schemes. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Combined Code. The policy on the remuneration packages for the Non-Executive Directors are agreed by the Directors as a whole.

Nominations Committee

The Nominations Committee is chaired by Hugh Herman and its other members are Sir Chips Keswick and Sam Abrahams. In accordance with the Combined Code all members of the Nominations Committee are Non-Executive Directors. The Nominations Committee is responsible for nominating candidates to fill board vacancies and for making recommendations on board composition and balance. In exercising this role, the Directors will have regard to the recommendations put forward in the Combined Code.

Executive Management

Management Structure

Investec's management structure, reporting lines and the division of responsibilities have been built around a geographic, divisional and functional matrix. It is structured around global divisional leaders, global roles and geographic business leaders. The Directors believe that the links between its overlapping parts, and the degree of effective integration, make the matrix an effective model. The names of the relevant individuals, together with their roles within the matrix, are set out in the tables appearing below.

On an operational level, below the Board are two principal forums: the Operations Forum and the Global Group Management Forum ("Global GMF"). In addition, there are also regional management forums in the United Kingdom and South Africa.

Global Operations Forum

The Global Operations Forum meets on a monthly basis, with half the meetings in the United Kingdom and half in South Africa. The key role of this forum is the implementation of Investec's strategy and global operational responsibility and co-ordination. The members of the Global Operations Forum are:

Name	Title	Joined Investec	Residence	Age
Stephen Koseff	Chief Executive Officer	1980	South Africa	50
Bernard Kantor	Managing Director	1980	United Kingdom	52
Glynn Burger	Executive Director responsible for Finance and Risk and joint managing director of Investec's South Africa operations	1980	South Africa	45
Andy Leith	Joint managing director of Investec's South Africa operations and Joint Global Head of Investment Banking	1994	South Africa	42
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's United Kingdom operations	1999	United Kingdom	36
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	United Kingdom	41
Sam Hackner	Global Head of Private Banking	1989	South Africa	46
Hendrik du Toit	Global Head of Investec Asset Management	1991	United Kingdom	41
Allen Zimbler	Chief Integrating Officer	2001	United Kingdom	52

Global Group Management Forum

The Global GMF meets on a bi-monthly basis, alternating between the United Kingdom and South Africa. The purpose of this forum is to identify and discuss key strategic and policy issues and opportunities facing the divisions, geographic operations and Investec as a whole. It also provides a forum for communication between senior management and the Executive Directors. Typically, acquisition proposals, critical Investec projects, and other key growth and development recommendations are raised and debated at the Global GMF and approved by the Directors. The members of the Global GMF are:

Name	Title	Joined Investec	Residence	Age
Stephen Koseff	Chief Executive Officer	1980	South Africa	50
Bernard Kantor	Managing Director	1980	United Kingdom	52
Glynn Burger	Executive Director responsible for Finance and Risk and joint managing director of Investec's South Africa operations	1980	South Africa	45
Alan Tapnack	Executive Director and Joint Regional Head of Investec's United Kingdom operations and Head of Investec's Israeli operations	1991	United Kingdom	55
Bradley Tapnack	Global Head of Corporate Governance and Compliance	1986	South Africa	55
David Lawrence	Deputy Chairman of South Africa and Global responsibility for banking, institutions and corporate relations	1996	South Africa	51
Andy Leith	Joint managing director of Investec's South Africa operations and Joint Global Head of Investment Banking	1994	South Africa	42
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's United Kingdom operations	1999	United Kingdom	36
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	United Kingdom	41
Sam Hackner	Global Head of Private Banking	1989	South Africa	46
Patsy McCue	Global Head of Human Resources	1984	South Africa	39
Hendrik du Toit	Global Head of Investec Asset Management	1991	United Kingdom	41
Rayanne Jacobson	Global Head of Group Finance	1996	South Africa	33
Fred Carr	Head of Private Client Portfolio Management and Stockbroking – United Kingdom	1997	United Kingdom	57
Perry Crosthwaite	Head of Investment Banking – United Kingdom	1998	United Kingdom	53
Steve Elliott	Executive director Carr Sheppards Crosthwaite	1989	United Kingdom	48
Geoff Levy	Chief executive officer of Investec's Australian operations	2001	Australia	43
Farrel Meltzer	Managing director of Investec's Australian operations	2000	Australia	37
Caryn Solomon	Head of Organisational Development	2000	United Kingdom	48
Simon Shapiro	Global Head of Group Information Technology	1990	South Africa	43
Raymond van Niekerk	Global Head of Group Marketing	2001	South Africa	39
Allen Zimbler	Chief Integrating Officer	2001	United Kingdom	52

Regional Management Forums

Investec has Regional Management Forums in each of the principal geographies in which it operates. Meetings of the forums are fortnightly and have responsibility for the day to day management of their respective geographies. Each of these forums play an instrumental role in communications and in the sourcing of debates and ideas that are ultimately presented to the relevant Boards. The two principal Regional Management Forums are the Investec PLC Group Management Forum based in the United Kingdom and the IGL Regional Management Forum in South Africa and the members are as follows:

Investec PLC Group Management Forum

Name	Title	Joined Investec	Residence	Age
Alan Tapnack	Executive Director and Joint Regional Head of Investec's United Kingdom operations and Head of Investec's Israeli operations	1991	United Kingdom	55
Leon Blitz	Joint Head of Private Banking – United Kingdom	1990	United Kingdom	38
Steve Burgess	Head of Accounts and Finance – United Kingdom	1998	United Kingdom	45
Fred Carr	Head of Private Client Portfolio Management and Stockbroking – United Kingdom	1997	United Kingdom	57
Perry Crosthwaite	Head of Investment Banking – United Kingdom	1998	United Kingdom	53
Michael Cullen	Head of Investec's Irish operations	2000	United Kingdom	43
Hendrik du Toit	Global Head of Investec Asset Management	1991	United Kingdom	41
Steve Elliott	Executive director Carr Sheppards Crosthwaite	1989	United Kingdom	48
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's United Kingdom operations	1999	United Kingdom	36
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	United Kingdom	41
Steve Heilbron	Head of Private Banking – South Africa and Joint Head of Private Banking – United Kingdom	1993	United Kingdom	36
Jonathan Irroni	Managing director of Investec Bank (Israel) Limited	1999	Israel	52
Kim McFarland	Global Head of Investec Asset Management's Operations and Finance	1993	United Kingdom	38
Farrell Meltzer	Managing director of Investec's Australian Operations	2000	Australia	37
John Murabito	Chief Executive Officer of Investec Ernst & Company	1999	United States	46
Mark Segall	Chief Executive Officer of Investec Inc.	1999	United States	48
Caryn Solomon	Head of Organisational Development	2000	United Kingdom	48
Ian Wohlman	Head of Risk Management – United Kingdom and Europe	1991	United Kingdom	47
Allen Zimbler	Chief Integrating Officer	2001	United Kingdom	52

IGL Regional Management Forum

Name	**Title**	***Joined*** **Investec**	**Residence**	**Age**
Henry Blumenthal	Head of Private Client Portfolio Management and Stockbroking – South Africa	1999	South Africa	42
Glynn Burger	Executive Director responsible for Finance and Risk and joint managing director of Investec's South Africa operations	1980	South Africa	45
José de Nobrega	Global Head of Project and Infrastructure Finance	1996	South Africa	36
Domenico Ferrini	Head of South Africa Institutional Business – Asset Management	1992	South Africa	33
John Green	Head of South Africa Retail Business – Asset Management	2001	South Africa	36
Sam Hackner	Global Head of Private Banking	1982	South Africa	46
Rayanne Jacobson	Global Head of Group Finance	1996	South Africa	33
Robin Jacobson	Head of Risk Management – South Africa	1992	South Africa	58
David Lawrence	Deputy Chairman of South Africa and Global responsibility for banking, institutions and corporate relations	1996	South Africa	51
Andy Leith	Joint managing director of Investec's South African operations and Joint Global Head of Investment Banking	1994	South Africa	42
Carole Mason	Head of Institutional Stockbroking – South Africa	1994	South Africa	41
Patsy McCue	Global Head of Human Resources	1984	South Africa	39
Simon Shapiro	Global Head of Information Technology	1990	South Africa	43
Bradley Tapnack	Global Head of Corporate Governance and Compliance	1986	South Africa	55
Ciaran Whelan	Head of Group Benefits Business – South Africa	1988	South Africa	39
David van der Walt	Global Head of Structured Finance	1994	South Africa	37
Raymond van Niekerk	Global Head of Group Marketing	2001	South Africa	39
Richard Wainwright	Global Head of Financial Products	1995	South Africa	39

Employees

As at 31 March 2002, Investec had 5,529 employees worldwide. The table below sets out Investec's total number of employees by division as at 31 March 2000, 31 March 2001 and 31 March 2002.

Division	**Year ended 31 March 2000**	**Year ended 31 March 2001**	**Year ended 31 March 2002**
Investment Banking	291	344	462
Treasury and Specialised Finance	384	441	503
Private Client Activities	1,828	2,028	1,813
Asset Management(1)	630	670	1,339
Group Services and Other Activities	1,308	1,353	1,412
Total	4,441	4,836	5,529

Note:

(1) Figures for 31 March 2002 include 576 employees within the Assurance sub-division which was acquired during the period. The figures for 31 March 2001 and 31 March 2000 relate only to Asset Management.

Investec aspires to be one of the world's great specialist banking groups, and its success is dependent on its employees. Investec recognises that its people are the most important asset, and therefore Investec's philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation and demonstrate compatibility with Investec's philosophy and core values. Investec has a flat, integrated structure, where individuality is encouraged. The Directors believe that ultimately Investec's success depends upon its people working together in the interests of Investec's clients. For this reason, Investec places strong emphasis on the processes of recruitment, education and development. To this end, Investec has an internal business school which, together with the various divisions, has created a wide range of training programmes aimed at enhancing employee potential.

PART V – RISK MANAGEMENT

Introduction

Risk management is of critical importance to Investec. Investec continuously seeks to comply with international best practice in risk management. Investec has an extensive risk management process to identify, understand and manage the risks associated with its business. Investec monitors and controls its risk exposure through a variety of separate but complementary market, credit, liquidity, operational and legal reporting systems. Through these systems Investec aims to ensure that it assumes a tolerable risk and reward profile in its pursuit of growth in all areas of business in which it operates. Furthermore, Investec continues to embed a culture of risk awareness, control and compliance in its activities. However, the effectiveness of any bank's policies and procedures for managing risk can never be completely or accurately predicted or fully assured. See "Risk factors" in Part II.

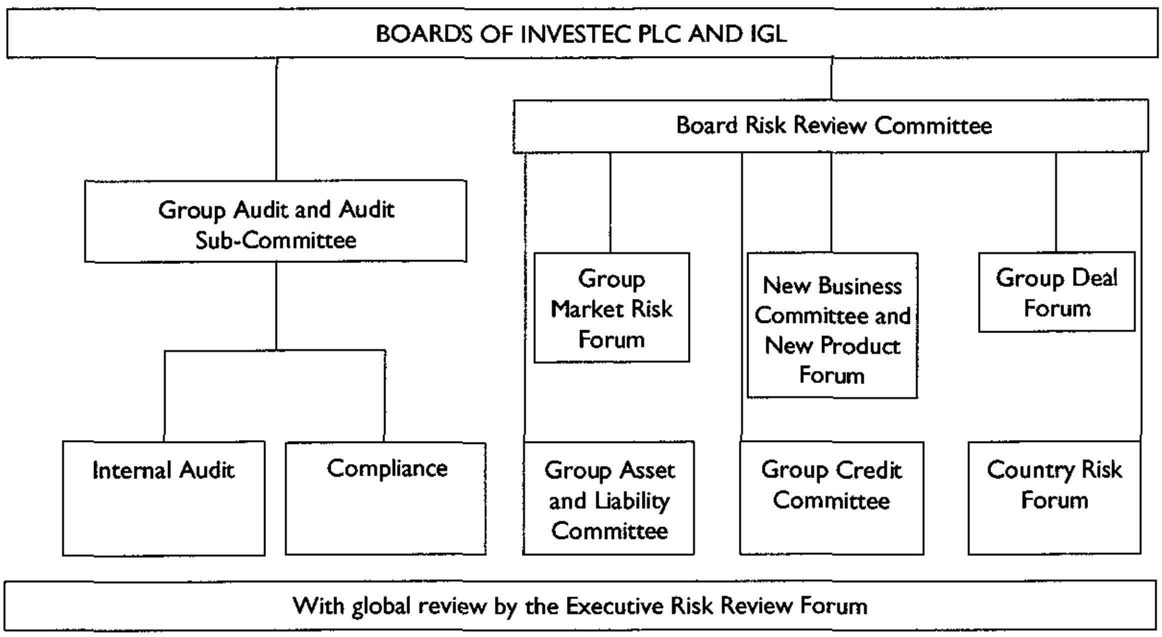
While each business unit is primarily responsible for managing risk associated with its business, a centralised division, Group Risk Management (which forms part of Group Services), independently monitors, controls and reports on Investec's risk. Group Risk Management has well developed operational divisions in South Africa and the United Kingdom, as well as smaller risk departments in the other geographies in which Investec operates.

The primary objectives of Group Risk Management are:

- To be the custodian of Investec's risk management culture.
- To set or approve risk parameters and limits across the Group and seek to ensure that these are consistently implemented.
- To aggregate and monitor Investec's exposures across all classes of risk.
- To co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions.
- To give the Boards reasonable assurance that the risks to which Investec is exposed are identified, and to the extent possible, managed and controlled.
- To facilitate various risk committees as mandated by the Boards of Investec PLC and IGL.

Group Risk Management operates within a matrix structure, in line with Investec's management approach, to ensure that all risks across the Group are dealt with using the appropriate processes. Investec seeks to ensure that Group Risk Management divisions which have international responsibility, are both locally responsive yet globally aware, to ensure that all initiatives and businesses operate within Investec's defined risk parameters and objectives.

Group Risk Management has grown into a function that aims to meet the international needs of Investec and operates in conjunction with a number of committees, forums and teams (across the group and locally) dedicated to risk management as shown in the diagram below and described more fully below:



Committee	Function
Board Risk Review Committee ("BRRC")	The BRRC acts as agent of the Boards to ensure all decisions of the Boards in respect of risk management policies and procedures are implemented and monitored throughout Investec, and that the risk management structure is adequate with sufficient resource and budget and would report exceptions to the Boards. It also ratifies exposure limits for market and credit risk. In addition, the BRRC ensures that there is an ongoing process of risk and control identification, particularly with regard to any changes to business objectives and the bases of measuring risk.
Executive Risk Review Forum	The forum generally meets weekly to review and evaluate the most significant risks Investec faces in the ordinary course of business (credit, market, liquidity, operational, legal and reputational). It ensures that limits are adhered to and agreed recommendations to mitigate risks are implemented. It receives a weekly report from Group Risk Management to assist it in the review and recommendation process.
Group Credit Committee	This committee considers and approves the granting of credit to counterparties in excess of the mandates granted to divisional and other credit forums on a global basis. Specifically the committee sets Investec's maximum counterparty exposures.
Country Risk Forum	This forum considers and manages risks associated with the country in which Investec assumes exposure.
Group Market Risk Forum	This forum manages market risk by identifying and quantifying risks, on the basis of current and future expectations and ensuring that trading occurs within defined parameters. The forum is responsible for consolidating market risk on a global basis.
Group Asset and Liability Committee ("ALCO")	ALCO sets and reviews Investec's funding and liquidity framework and policies and ensures compliance with these. It also mandates the regional ALCOs to manage liquidity risk in line with Investec's parameters. The forum is responsible for consolidating asset and liability risk on a global basis.
New Business Committee and New Product Forum	This forum considers and approves the risk issues inherent in all new businesses that Investec is considering entering. A new business is one that either exposes Investec to a new product or market that it has not traded in previously or a new geographic location in which Investec has not operated.
Group Deal Forum	This forum considers, approves and mitigates the risks inherent in any acquisition, disposal or other non-standard transaction that Investec is considering.
Group Audit and Audit Sub-Committees	The duties and responsibilities of the Audit Committees are described in "Management and corporate governance" in Part IV. In addition, internal audit and compliance report to the Audit Committees.

Assessment of Risks, Policies and Procedures

In the ordinary course of business operations, Investec is exposed to a number of risks. Credit, market, liquidity, operational, legal and reputational risks are set out in further detail in "Risk factors" in Part II. The process set up to mitigate these risks is described below.

Investec has invested heavily in recognised risk management systems to manage market, credit, liquidity and operational risks across Investec's operations.

Credit Risk

The credit risk section of Group Risk Management, supervised by the Group Credit Committee, measures and manages the extension of credit.

Management of credit risk and the credit process

Credit risk represents the loss Investec might incur if a counterparty or issuer of securities or other instruments Investec holds fails to perform its contractual obligations to Investec. Credit and counterparty risks are incurred both in the traditional areas of banking and by virtue of Investec's trading activities.

Credit philosophy and policies are developed and guided centrally by Group Risk Management, in co-operation with Investec's executive directors and operational management. The credit process is, within prescribed limits, decentralised throughout the regions in which Investec operates. Central and regional credit forums have been established with predetermined authority limits and quorums for conducting business. The Group Credit Committee approves transactions above the regional authority thresholds. The members of the credit forums are nominated credit officers, drawn from senior management and Executive Directors and, for the Group Credit Forum, Non-Executive Directors, and are independent of those extending credit. Sector and industry specialists are included where appropriate. Credit facilities, irrespective of size, are always extended on the basis of consensus. No facilities may be established on the judgement of only one credit officer.

Measurement of credit exposures

Investec uses the principles of equivalent lending risk ("ELR") to monitor and measure credit exposures. ELR is a term specifically used by Investec and is defined in-house as the translation of the credit risk on treasury products into banking product equivalent terms, i.e. what size/value loan has the same credit risk as the treasury product being evaluated.

For banking products (such as loans), the calculation of credit exposure is clear. The amount that the organisation can potentially lose is the net amount of money that has been lent to the counterparty plus any accrued interest. For treasury products this calculation is more difficult, as Investec has to consider both what it stands to lose should the counterparty default at inception of the trade, plus any changes in this amount as it moves through time towards the ultimate maturity of the deal or financial instrument.

There are two components to the calculation of ELR, namely, current cumulative mark to market and potential future credit exposure ("PFE"). Investec incorporates a measure of PFE because the credit exposure of treasury products is highly correlated to the volatility of the relevant market factors. Since it is difficult in many instances to reduce credit exposure once it has been incurred, it is necessary to adjust the exposure at inception of the deal to take into account potential future movements in amounts owed by counterparties as a result of market movements.

The philosophy behind the ELR methodology adopted is that Investec will use both historical data and future expectations to determine what the expected ruling market price will be for the product under review, both at maturity and over the life of the product.

An internal credit rating model is being developed to facilitate the most efficient use of regulatory capital under the New Basel Capital Accord proposals.

Non-performing loans

Investec's approved policy on non-performing loans incorporates the following:

- An exposure is classified as non-performing when there is a prospect of non-recovery of interest or capital or it is deemed imprudent to bring interest to account. There is no formula-driven approach but there is a documented provisions policy for non-performing loans. This also covers arrears, specific and general provisions.
- Exposures in arrears are continually scrutinised. Based on this scrutiny, if it becomes evident that the account requires additional supervision and attention it will be included in the managed book and fall under the "Watchlist Committee", comprising members of the Group Credit Committee. Unless there are reasonable prospects of recovering interest and capital in full, the accounts are classified as non-performing. Each individual exposure that is in arrears is assessed on its merits and classified accordingly.

- The "Watchlist Committee" assesses perceived and/or actual deterioration in a counterparty's credit risk profile. The "watchlist" is managed and monitored on an ongoing basis, with review by the relevant board(s) and the BRRC.
- Interest is charged on non-performing accounts. The corresponding amount is not brought to income but credited to a suspended interest provision.
- A specific bad debt provision is made when there is a probability that Investec will not be able to collect the full amount of capital and interest due.
- The amount of the provision is determined after taking into account:
  - The value of the asset or other collateral securing the debt.
  - The value of other assets owned by the debtor after giving consideration to secured and unsecured liabilities.
  - The value of any sureties or guarantees given in respect of the debt.
  - The amount, if any, already raised as a provision for suspended interest.
- A general provision is made in respect of all debtors other than those where a specific provision has been made.

Quality of the Group's loan portfolio and provision levels

The percentage of non-performing loans to total core loans and advances was 1.2 per cent. as at 31 March 2002 compared to 1.7 per cent. as at 31 March 2001 and 2.2 per cent. as at 31 March 2000.

Provision levels exceed the Registrar of Bank's requirements in South Africa. The UK group provisions are at a prudent level within the policy agreed with the Financial Services Authority. The adequacy of provisions was supported by a total provision coverage of gross non-performing loans of 168.5 per cent. as at 31 March 2002 compared to 134.1 per cent. as at 31 March 2001 and 117.3 per cent. as at 31 March 2000.

Market Risk

Market risk refers to the potential for change in the market value of a portfolio of financial instruments (including derivatives) caused by adverse movements in market factors such as interest and foreign exchange rates; equity, bond and commodity prices; volatility; and credit spreads.

Market risk exists where Investec has taken on principal trading positions. These positions result from proprietary trading, market making, arbitrage, underwriting and investments in the commodity, foreign exchange, equity, capital and money markets. Investec's market risk team supervised by the Group Market Risk Forum, manages market risk by identifying and quantifying risks, on the basis of historic and future expectations and ensuring that trading occurs within defined parameters.

Management of market risk

An independent, centralised market risk function manages and reviews Investec's market risk across all geographic locations on a day-to-day basis. All trading positions are marked-to-market daily. All appropriate risk measurement indicators, values, and metrics are calculated using automated processes. The associated model risk, that is, the risk of Investec's models not providing accurate valuations and risk measures, is mitigated through the use of recognised computer software and regular verification and review by Investec's internal and external auditors, the regulatory authorities, and other appropriate experts.

Investec manages trading risk through the establishment of appropriate limits. These are determined by Investec's risk appetite both for the markets and/or products traded, the volatility, liquidity and maturity of the market and Investec's desired risk/return profile. The Group Market Risk Forum and the Boards, through the BRRC, approve trading limits. In addition, trading book policy statements have been prepared and approved by the Boards for the Group entities, these also comply with regulatory requirements. The statements outline the scope of trading activities, the trading limits in place, and the procedures for monitoring risk limits.

The Group Market Risk Forum is chaired by the Group Risk Manager and is attended by the market risk managers, representatives of the various dealing teams globally and executive directors. This forum meets weekly to approve new trading products and limits. New products and limits will only be referred to the forum once they have been discussed and approved within the business unit.

Measurement of market risk

Investec measures market risk using a combination of historically simulated Value at Risk ("V@R") and stress testing. V@R is a summary measure of potential losses based on experience in the relevant markets over a given time horizon with a specified confidence level. A series of stress tests are applied to determine the market risk for parallel shifts and twists in the underlying yield curves, for basis risk between yield curves, and for extreme market conditions. Daily reports are produced containing this V@R and stress test information. Daily profitability is also analysed to ensure that sources of revenue are understood.

The table below represents the Group's V@R at the year ended 31 March 2002, for a 95 per cent. confidence level and a one-day holding period, assuming no mitigating action is taken. This means that there is a one in 20 chance that daily losses will be at least as large as the reported V@R amount. V@R, however, does not indicate how much the Group can expect to lose in these cases.

The consolidated V@R presented below is significantly lower than the aggregated V@R due to offsets taking place when the correlation between the various asset classes is taken into consideration. The consolidated V@R, calculated using exponentially weighted historical simulations at a 95 per cent. confidence level for a one-day holding period, is:

V@R 95 per cent. (one day) as at 31 March 2002

	Southern Africa(1)	UK, Europe & Australia(2)	Consolidated SA and UK	USA	Israel	Group aggregate
			(£'000)			
Interest rates	476	455	637	25	9	671
Equity	83	363	380	38	–	418
Foreign exchange	422	138	490	8	21	519
Commodities	–	193	193	–	–	193
Consolidated	**879**	**508**	**982**	**71**	**30**	**1,083**

(1) Comprising the United Kingdom, Ireland, Switzerland, the Channel Islands and Australia.

(2) Comprising mainly South Africa, but also, includes Botswana, Namibia and Mauritius.

Market risk – derivatives

The risks associated with the use of swaps, futures, forwards, options and other derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take possible correlations into account.

The table below shows the Group's derivative trading portfolio as at 31 March 2002 on the basis of the notional principal and the fair value of all derivatives.

The notional principal indicates Investec's activity in the derivatives market and represents the aggregate size of total outstanding contracts at year-end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the Group in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Notional principal	**As at 31 March 2002**
	(£ million)
Foreign exchange derivatives	21,878.8
Interest rate contracts	48,663.6
Equity and stock derivatives	1,051.8
Commodity derivatives	5,802.4
Credit derivatives	46.4

Fair value	As of 31 March 2002 Positive (£ million)	Negative (£ million)
Foreign exchange derivatives	922.3	1,035.5
Interest rate contracts	324.0	327.0
Equity and stock derivatives	64.3	63.0
Commodity derivatives	161.4	130.6
Credit derivatives	0.5	0.5
Effect of netting	(1,062.5)	(1,062.5)
Net fair values	410.0	494.1

Asset and Liability Management

The role of Group ALCO is to manage the risk/reward relationship between liquidity and interest rate risk that arises from the term, structure and concentration of the assets and liabilities on Investec's balance sheets, adjusting to changing economic conditions.

The techniques employed combine the use of traditional gap analysis and dynamic modelling. These include quantitative models and stress tests designed to measure the range of possible future liquidity needs and potential distribution of net interest income over a range of scenarios. The modelling process is supported by an ongoing technical and economic analysis. The objective is to identify and quantify undesirable risks, which are mitigated through the implementation of appropriate on and off balance sheet strategies.

Regional ALCOs are mandated by their respective boards of directors and Group ALCO to manage the regional liquidity risk on a basis consistent with pre-approved ALCO principles and policy, and the regional regulatory requirements.

Policies cover domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of Investec's operations without undue interruption, while complying with the regulatory requirements of the jurisdiction.

Investec maintains, wherever possible, a diversified high quality surplus liquidity position in the short term, placing liquidity as a priority over a short-term profit and further excludes taking material interest rate and currency mismatches.

Liquidity Risk

Liquidity risk is the risk that Investec does not have sufficient cash to meet its financial obligations as they fall due.

Liquidity risk is defined by the contractual maturity cash flow mismatch between assets and liabilities. Sources of liquidity risk include the unforeseen withdrawals of demand deposits, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset in a timely manner with acceptable capital loss, unpredicted non-payment of a loan obligation and a sudden increased demand for loans.

Liquidity risk is managed by Group and regional ALCOs through monitoring and/or implementing:

- The volume of liquid assets held for resale.
- The capacity to raise funds in the wholesale market.
- The availability and reliability of committed standby facilities.
- The continuation and further building of a diversified retail deposit base.
- A securitisation programme for parts of Investec's loan portfolio.

Investec's ALCO process also monitors its liquidity position in line with relevant regulatory guidelines and the relevant legal entity's liquidity policy. Investec holds surplus prudential liquidity in excess of its statutory requirements. In addition, Investec closely monitors defined liquidity gaps within each legal entity and globally. Investec bases its liquidity management processes around four essential steps:

- The preparation of cash flow projections (assets and liabilities).

- The maintenance of a stock of readily available high quality liquid assets in line with the cash flow projections.
- Measurement and control of Investec's funding requirements.
- Management of Investec's access to funds in the market.

Interest Rate Risk

Interest rate risk is the risk that interest rates paid to depositors and yields earned from loans change at different times, with varying degrees of certainty.

Interest rate risk is defined as the impact on net interest earnings as a result of increases or decreases in the absolute levels of interest rates and/or changes in the shape of the term structure of interest rates, when applied to the bank's balance sheet. The cumulative repricing gap represents the contractual repricing characteristics of assets and liabilities within given intervals. Interest rate risk is monitored and managed by the Group Market Risk Forum.

Operational Risk

Operational risk is the risk of direct or indirect losses arising from inadequate or failed internal processes, people and technology, and from external events.

International regulatory focus on operational risk is increasing, as evidenced by the New Basel Capital Accord, which is planned to come into effect in 2006. This calls for the active monitoring of the control environment, the measurement and monitoring of key performance indicators and the allocation of and maintenance of adequate capital for operational risk.

Primary responsibility for operational risk lies with business unit management. The business unit leaders of Investec's principal businesses report to the Boards on key business objectives, and the significant internal risks and external environment factors that could affect their respective businesses.

Investec has put in place a process to achieve compliance with the Turnbull Guidance, which contains principles for consideration by directors on the implementation of the Accountability and Audit Principles of the Combined Code on good governance and best practice. An ongoing process has been implemented to embed a culture of risk awareness and provide assurance that relevant risks are being identified and managed. This process will be reviewed regularly by Investec's audit committees and Boards in the principal subsidiaries and business units, and by the Group Audit Committee.

Legal and Documentary Risk

The legal and documentary risk capability evaluates the vulnerability to, and the business implications of, legal and documentary issues. Investec's legal teams seek to ensure that the documentation entered into by Investec provide it with appropriate rights and remedies.

Compliance

Compliance seeks to ensure Investec complies with applicable regulatory requirements.

Each operating unit is responsible for its own compliance function and has appointed a compliance officer. Investec's compliance officers collaborate across its geographies to identify best practice while focusing on local regulatory requirements.

Group Compliance co-ordinates and monitors the activities of the divisional compliance functions. All compliance officers have unrestricted access to the Chairman of the Group Audit Committee.

Internal Audit

Internal Audit provides assurance to management and the boards that risks are being managed and that the control environment within Investec is appropriate for the nature and complexity of the various operations of Investec.

Investec's Internal Audit functions collaborate and carry out regular risk-focused reviews of the systems of internal control, to assess effectiveness and appropriateness.

Internal Audit operates independently from executive management, and reports to the chairmen of the Group's Audit Committees. An Internal Audit Charter and annual audit programmes which are reviewed and approved by the Group Audit Committee, govern internal audit activity.

Control failures are reported in terms of an escalation protocol to the Audit Committee. Rectification procedures and progress are monitored for timely completion by Internal Audit and the operational Audit Sub-Committee and, as appropriate, by the Group Audit Committee and the Boards.

Future Direction

Against the background of the ever-changing nature, structure and dynamics of the international markets in which Investec operates, Investec will continue to keep its risk management procedures under review and modify them as appropriate.

PART VI – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with the UK GAAP financial statements and the notes to such statements included elsewhere in this document. This discussion contains forward-looking statements based on Investec's current expectations, assumptions, estimates and projections about the Group and the industries in which Group companies operate. These forward-looking statements involve risks and uncertainties. Investec's actual results could differ materially from those expected in these forward-looking statements as a result of certain factors, as more fully described under "Risk factors" in Part II and elsewhere in this document. In addition, the financial information discussed below is based on an historical geographical split of Investec's business, and may not necessarily reflect the financial condition or results of operations of the Group operating under the DLC Structure going forward.

Overview

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, South Africa and the United Kingdom, as well as certain other markets, including Australia, the United States and Israel. Investec is organised as a network comprising four business divisions:

- *Investment Banking*, which provides a range of investment banking products and services comprising corporate finance, institutional research and sales and trading, private equity, and direct investments;
- *Treasury and Specialised Finance*, which comprises the bulk of Investec's proprietary activities, including all of the Group's non-private client deposit taking, corporate and public sector lending, structuring and proprietary trading;
- *Private Client Activities*, which comprise the Group's private banking and private client portfolio management and stockbroking businesses; and
- *Asset Management*, which comprises (i) the provision of a range of institutional and retail portfolio management services and products and (ii) a pension fund administration and management business with investment, administration, annuity, and group life and disability operations.

In addition, Investec's head office function 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 Investec's property business, trade finance and traded endowment operations, and the US clearing and execution business.

The following discussion provides an overview of the primary drivers of Investec's operating income, and identifies where such income is reflected on Investec's consolidated profit and loss accounts.

Investment Banking

The Investment Banking division derives the bulk of its operating income from the following areas:

- *Corporate Finance.* Operating income attributable to Investec's corporate finance activities principally reflects fees resulting from the provision of capital markets and financial advisory work. These fees are reflected under "net fees and commissions receivable – deal income" in Investec's consolidated profit and loss accounts. These fees can be affected by a number of factors, including macro- and micro-economic fundamentals, industry-specific trends and underlying stock market activity, particularly in Investec's primary markets, the United Kingdom and South Africa.
- *Institutional Stockbroking and Sales and Research.* Historically, operating income attributable to these activities has been earned in the form of brokerage commissions. However, in response to a change in local market demands, in August 2000, Investec began to engage in an increasing volume of market making activities in the United Kingdom and, in January 2001, began to take more principal positions in order to facilitate third-party equity trades in South Africa. This has resulted in an increase in the level of income attributable to transaction fees and dealing profits. These revenue sources are reflected principally under "fees and commissions receivable – annuity income" and "deal income", as well as "dealing profits", and are affected by stockmarket trading volume and volatility, client allocation of broking transactions and Investec's ability to source securities and execute trades on behalf of its clients.

- *Private Equity and Direct Investments.* Operating income attributable to these activities is realised on the sale of investments and revaluation of dealing securities, and is reflected under "other operating income" and "dealing profits". This income is affected by, among other things, macro- and micro-economic market conditions, principally in South Africa and the United Kingdom, as well as the availability of profitable exit routes in the case of private equity and, in the case of direct investments, whether appropriate market conditions exist to maximise gains upon sale. In addition, due to the nature of these activities, the income stream generated in the past has been unpredictable. Accordingly, these activities have had and are expected to continue to have a material impact, which may be positive or negative, on the revenues and profitability of the division. Investec expects that the income derived from its UK-based private equity investments will decline over time, as it continues to divest itself of the portfolio of investments it inherited in connection with Investec's acquisitions of Guinness Mahon and Hambros PLC in 1998.

Treasury and Specialised Finance

This division derives the bulk of its operating income from its financial markets and banking activities:

- *Financial Markets Activities.* Operating income attributable to Investec's financial markets activities comprises "net interest income" and "dealing profits" earned through Investec's commodities, foreign exchange, equity derivative and interest rate activities. Income flows can be significantly affected by how well these businesses are positioned to react to sudden changes in market liquidity, volume and volatility, as well as limitations imposed on trading opportunities as a result of applicable regulatory capital requirements.

- *Banking Activities.* Operating income attributable to Investec's banking activities principally comprises net interest income, as well as deal fees and commissions earned, in connection with the management of the Group's liquidity and interest rate exposure and the provision of a range of treasury and financial products to the Government and inter-bank, corporate and institutional markets. This income is reflected under "net interest income" and "fees and commissions – deal income". Investec's ability to generate income through its banking activities is significantly affected by the degree of sophistication of the financial markets in which the Group operates and the resulting demand for highly specialised structuring advice, as well as the continued development of the private finance initiative and public-private partnership markets. In addition, income is affected by the Group's credit rating and its consequent ability to attract lower cost funding.

A large proportion of the Group's "interest receivable – interest income" arising from debt securities is attributable to the Treasury and Specialised Finance division's interest rate and balance sheet management activities.

Private Client Activities

This division's principal sources of income are derived from its private banking and private client portfolio management and stockbroking operations:

- *Private Banking.* There are two principal sources of operating income attributable to Investec's private banking activities. The first is interest earned in connection with the banks' lending activities, which is reflected under "interest receivable – other interest income". The level of interest receivable is affected by, among other factors, the size of Investec's loan portfolio and, in the case of the United Kingdom, the general state of the property market, as well as the interest rate environment in the markets in which these activities are conducted. The second significant income stream comprises fees earned for advisory services, including investment management and trust and fiduciary services, which is reflected primarily under "fees and commissions receivable – annuity income". This income is affected by the demand for Investec's specialised advisory services, principally in the United Kingdom and South Africa, which in turn is affected by applicable tax, regulatory and other economic factors.

- *Private Client Portfolio Management and Stockbroking.* The primary income streams generated by these activities are fees levied as a percentage of assets under management and commissions earned for executing transactions for clients. These fees and commissions are reflected under "fees and commissions receivable – annuity income". Fee income is primarily affected by movements in the value of assets underlying client portfolios, which can result from a variety of factors, including fund inflows or outflows and changes in the market price of the securities held. In addition, prior to February 2001, the South African business engaged in cash transfers (asset swaps) on behalf of clients. However, the South

African Reserve Bank has not as yet renewed the authorisation to South African institutions to offer such cash transfers in the current or future periods. Commissions earned are affected by the level of clients' investment activity, which is in turn affected by, among other factors, the performance of the stockmarkets in which the businesses operate and the equity investment risk appetite of Investec's clients.

Asset Management

This division's principal sources of income are primarily derived from its asset management operations and assurance business:

- *Asset Management.* The principal source of income for Investec's asset management business is fees levied as a percentage of assets under management, which are reflected under "fees and commissions receivable – annuity income". These fees can be significantly affected by a small movement in the value of the underlying assets, which can result from a variety of factors, including fund inflows or outflows, changes in the market price of the securities held in a particular fund, relative fund performance compared to funds operated by competitors and a strategic shift by investors of their allocation of assets from one class to another.
- *Assurance.* Income generated by Investec's long-term assurance business comprises two components, and is reflected under "income from long-term assurance business". The first source is operating profit generated from existing assurance activities, which is driven by premiums earned and benefits paid in respect of existing policies, the investment performance of the assets underlying policies and the degree of matching between policyholder assets and liabilities. The level of income derived from existing assurance activities is influenced by the types of policies written and the economic factors in South Africa that affect the performance of the assets supporting such policies, as well as the underlying assumptions used in the actuarial valuation of policy liabilities. The second source of income is the movement in the present value of future profits to be derived from in-force business. Investec acquired this business on 1 June, 2001 and, accordingly, its results are consolidated with those of Investec from that date. Investec is currently reviewing the strategic options relating to the extent and nature of its continued engagement in this business.

Group Services and Other Activities

In addition, Investec derives operating income from its Group Services and Other Activities division through the activities of its US clearing and execution business, its worldwide property business, its UK traded endowments business and its international trade finance business. These businesses earn a variety of management and banking fees, brokerage, commissions and income on the sale of investment and dealing properties. Income generated is reflected almost entirely under "fees and commissions receivable – annuity income", which is derived from the US clearing and execution and property businesses, as well as under "dealing profits" and "net interest income", which are derived from the traded endowment and international trade finance activities, respectively. As this division is responsible for the Group's central funding requirements, this income is offset by the cost of Group funding (net of return on the Group's central capital) incurred in connection with acquisitions, central costs and debt obligations, as well as the purchase of corporate assets and investments not allocated to the four principal business divisions.

Critical accounting policies

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its Consolidated Financial Statements. The accounting policies used in the preparation of the consolidated financial statements are set out in the notes to the consolidated financial statements. UK accounting standards require the Directors, in preparing these accounts, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. Where UK GAAP allows a choice of policy, Financial Reporting Standard 18 "Accounting Policies" requires the Group to adopt those policies judged to be most appropriate to its particular circumstances for the purpose of giving a true and fair view. The judgements and uncertainties involved in the Group's accounting policies that are most important to the portrayal of its financial condition are discussed below.

Recoverability of loans and investments

Where management perceives that there is a significant risk that Investec will not receive full repayment of the amounts advanced to clients, provisions are made in the financial statements to reduce the carrying value of loans and advances and investments to the amount expected to be recovered.

As at 31 March 2002, Investec held provisions for bad and doubtful debts of £64.2 million against total core loans and advances to customers of £3,314.5 million. These provisions were determined through a combination of specific reviews and management estimates. Certain aspects of this process require material judgmental evaluations, such as the amounts and timing of future cash flows and the assessment of the value of collateral held (such as guarantees), which may be susceptible to significant variation. Investec considers that the provisions for bad and doubtful debts, debt securities and equity shares at 31 March 2002 were adequate based on information available at that time. However, amendments to the provisions may be required in the future as a result of changes in collateral values or in the timing and amounts of cash flows, or other economic events.

Goodwill

The goodwill arising on the acquisition of businesses from Fedsure Holdings by Investec in June 2001 is being amortised over eight years, its estimated useful economic life. The goodwill is subject to an annual impairment review, evaluated by comparing the present value of future cash flows (the "value-in-use") to the carrying value of the underling net assets. In the event that the carrying value of the net assets exceeds the value-in-use, an impairment is deemed to have occurred resulting in a charge being made to the profit and loss account. During the most recent impairment review conducted by Investec for the 2002 financial year, goodwill arising on the acquisition of the businesses from Fedsure Holdings was deemed to have been impaired, which has resulted in a charge to the profit and loss account of £41.7 million for the year ended 31 March 2002. Any future adverse changes in the performance of the businesses acquired from Fedsure Holdings, or other businesses acquired by the Company as set forth under "Basis of preparation of the consolidated financial statements; changes in Group composition", affecting the amount and timing of future cash flows, or changes in the economic environment, may lead to related goodwill becoming further impaired in future periods.

Embedded value

Investec accounts for the value of the shareholders' interest in the long-term assurance business using the embedded value basis of accounting, which is in accordance with UK GAAP for banking groups owning life assurance operations. The embedded value can be affected by assumptions over investment returns, lapse rates, mortality rates, investment expenses, basis of calculation and timing of other net cash flows, principally annual management charges and other fees levied upon the policyholders, which are reflected in the profit and loss account using smoothed fund values. To the extent that actual experience is different from that assumed, the effect is recognised in the profit and loss account for the relevant period. The effect of changes in the underlying assumptions and variations between actual and assumed experience on the results of the current and prior periods are disclosed in Note 23 in the consolidated financial statements in Part VII – "Accountants' Report".

Transfers between investment and dealing portfolios

Investment securities, which are intended for use on a continuing basis in the activities of Investec, are carried in the accounts at cost, less provision for any permanent diminution in value. Securities held for dealing or market-making purposes are valued at market price, or in the case of unquoted securities, at management's estimate of market value.

Although investment securities are held for continuing use in the business, Investec may on occasions dispose of certain of these securities. The incidence of profits arising from such securities will therefore depend on the timing of their disposal.

In rare circumstances, Investec may alter the purpose for which securities are held, reclassifying them from an investment portfolio to a dealing portfolio or vice versa. Transfers on reclassification are effected at market value and consequently transfers from investment to dealing portfolios will in general give rise to a profit or a loss. The effect to the profit and loss account of transfers between investment securities and dealing securities portfolios is disclosed in Note 15 in the consolidated financial statements. Changes in the purpose for which securities positions are held could give rise to further reclassifications between debt and equity securities which could result in changes in reported financial results.

Fair value

Securities and derivatives held by Investec for trading purposes are carried at fair value. Investec reflects changes in these values in the profit and loss account. Fair values are based on quoted market prices for their components using appropriate pricing models. Where Investec's position is of such a size that the price obtainable would be materially different from the quoted price, Investec adjusts the quoted price based on management's estimate of the price that Investec would realise from the holding in current market conditions.

Where instruments such as over-the-counter derivatives are valued using pricing models, the value of the instrument and changes in that value are determined by the model and its underlying assumptions. The use of different models or other assumptions could result in changes in reported financial results.

Macro-economic factors affecting results of operations

Due to the nature of the businesses engaged in by the Group, it has been and will continue to be affected by changes in a number of macro-economic fundamentals, including the condition of worldwide financial markets, general economic cycles, levels of exchange and interest rates, and inflation, in each case in particular in the United Kingdom and South Africa where the Group derives the substantial majority of its operating income and profit, as well as, to a lesser extent, the United States, Israel and Australia.

The following tables set out certain macro-economic data for the Group's two principal geographies, South Africa and the United Kingdom, as of and for the three years ended 31 March 2002.

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
South Africa			
GDP (real growth)(1)(2)	3.4%	2.2%	NA(3)
Consumer price index:			
% change over the period(1)	7.5%	6.4%	8.4%
JSE All-Share Index(4)	7,768.4	8,069.7	10,999.5
JSE All-Share Index: % change over the period	30.1%	3.9%	36.3%
Per capita GDP(1) (Rand)	14,287	14,321	NA(3)
Per capita GDP (real growth)(1)(2)	1.3%	0.2%	NA(3)

Notes:

(1) Source: South African Reserve Bank Quarterly Bulletin – June 2002

(2) Data for calendar year ending during the period

(3) Data not yet available

(4) Source: Datastream

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
UK			
UK GDP: % change over the period	3.4%	2.3%	1.1%
UK RPI: percentage change over the period	2.62%	2.26%	1.34%
FTSE All Share	3,110.6	2,711.4	2,557.4
FTSE All Share: % change over the period	7.5%	–12.8%	–5.7%
UK GDP per capita (at PPP) (£)	24,215.7	25,210.0	26,060.0
UK GDP per capita (at PPP): % change over the period	4.6%	4.1%	3.4%

Source: Datastream

Exchange rates

The Group's reporting currency has historically been the Rand. Following implementation of the DLC Structure, the Group's reporting currency will be pounds sterling. A significant portion of the Group's revenues and expenses during the three years ended 31 March 2002, however, were denominated in Rand.

While changes in the relative value of the Rand do not have a significant direct impact on the operating performance of the majority of Investec's South African businesses because the vast majority of their revenues and costs arise in South Africa and are denominated in Rand, the depreciation of the Rand against pounds sterling can have a significant detrimental effect on the results of the Group's South African businesses when these amounts are translated into pounds sterling. This was particularly significant during the year ended 31 March 2002, when the Rand versus pounds sterling daily average exchange rate as quoted by Bloomberg declined by 26.2 per cent., from 10.82 Rand for 2001 to 13.65 Rand for 2002.

In addition, certain of the Group's subsidiaries maintain their accounting records in local currency, including US dollars, Australian dollars and Israeli Shekels, which are then translated, as described above, into the Group's reporting currency. The relative movements of these currencies against pounds sterling do not currently have a significant impact on the Group's results, as Investec's businesses in these jurisdictions do not form a significant part of the Group.

The following table sets out the movements in certain relevant exchange rates against pounds sterling over the three years ended 31 March 2002:

	Year ended 31 March 2000		Year ended 31 March 2001		Year ended 31 March 2002	
Currency per £1.00	**Average**	**Period end**	**Average**	**Period end**	**Average**	**Period end**
South African Rand	9.93	10.46	10.82	11.40	13.65	16.16
US dollar	1.61	1.59	1.48	1.42	1.43	1.43
Israeli Shekel	6.66	6.41	6.04	5.97	6.19	6.77
Australian dollar	2.50	2.63	2.62	2.91	2.78	2.67

Source: Bloomberg

Interest rates

The shape of the yield curve, the time lag between changes in interest rates applicable to assets and liabilities, and the volatility of interest rates in each of Investec's principal geographic markets can affect its net interest income by either positively or negatively affecting the spread between interest paid and interest earned. As a matter of policy, the Group does not take on unhedged, long-dated interest rate positions. Sharply rising interest rates can also result in a higher number of defaults, as an increasing number of existing variable rate borrowers cannot service their obligations. This can lead to higher bad debt charges and provisions. The following table sets out movements in certain interest rates affecting the Group's businesses as at 31 March 2000, 2001 and 2002.

	Year ended 31 March 2000		Year ended 31 March 2001		Year ended 31 March 2002	
Interest rate	**Average**	**Period end**	**Average**	**Period end**	**Average**	**Period end**
South African Prime Overdraft	16.53	14.50	14.50	14.50	13.71	15.00
JIBAR – 3 month	11.91	10.09	10.44	10.59	9.92	11.03
UK Clearing Banks Base Rate	5.39	6.00	5.97	5.75	4.67	4.00
LIBOR – 3 month	5.59	6.19	5.98	5.44	4.57	3.97

Source: Bloomberg for JIBAR, Datastream for others.

Basis of preparation of the consolidated financial statements; changes in Group composition

Investec's consolidated financial statements, from which the financial information discussed below has been extracted, have been prepared in accordance with UK GAAP. Investec has fully consolidated the financial statements of all subsidiary companies in which it holds more than one-half of the voting rights or over which it exercises control. Majority interests in companies acquired are consolidated from the date of acquisition. Companies in which Investec owns between 20 per cent. and 50 per cent. of the outstanding voting stock are accounted for using the equity method of accounting. The minority interests of owners of shares in Investec's non-wholly owned subsidiaries have been reflected in the Group's consolidated financial statements.

The acquisition of interests in the businesses discussed below was accounted for using acquisition accounting. The financial performance of these acquisitions has had a significant effect on the comparability of Investec's results from period to period and is an important factor in interpreting its results. Unless otherwise indicated, the results of operations of the businesses acquired were consolidated into Investec's financial results as of the date of acquisition.

Acquisitions of financial services companies usually result in a significant amount of goodwill arising on the balance sheet of the acquiror. This is as a result of the net asset value of financial services companies being low in comparison to the intangible value of the companies' staff, and the value imputed to the acquiree's proprietary knowledge of markets and transactions, client base and other similar factors. Accordingly, the goodwill that has arisen on the acquisitions made by Investec over the three years ended 31 March 2002 is significant. It is Investec's policy to amortise goodwill over its estimated useful economic life. The goodwill write-off period for the acquisitions described below is between three and ten years.

- In May 1999, Investec acquired certain assets and 100 per cent. of the issued share capital of some of the subsidiary companies of Gandon Capital Markets Ltd, WIL Management Services Ltd & GE Capital Woodchester Bank Ltd for total consideration of £18.6 million. The excess of cost over estimated fair value of the assets acquired, totalling £18.5 million, was recorded as goodwill. The majority of the income derived from this acquisition is reflected in the Treasury and Specialised Finance division.

- In June 1999, Investec acquired for £6.5 million the Johannesburg retail division of HSBC Simpson McKie (Pty) Ltd. The excess of cost over estimated fair value of the assets acquired, totalling £6.5 million, was recorded as goodwill. This operation was merged into the operations of Investec Securities Limited's private client stockbroking business.

- In September 1999, Investec acquired the private banking business of Kleinwort Benson in the United Kingdom and certain trade and assets of Royce Investment Group Inc. in the United States of America for £9.7 million and £4.3 million, respectively. The excess of cost over estimated fair value of the assets acquired, totalling £9.7 million and £3.0 million, respectively, was recorded as goodwill. Kleinwort Benson's business was merged into Investec's UK private banking operations, and Royce's business was merged into the private client stockbroking operations of Investec Ernst & Co. in the United States.

- In August 2000, Investec increased its interest in Securities Investment Bank Holdings ("SIBH"), a South African holding company from 25.1 per cent. to 100 per cent. Its assets comprised a 100 per cent. interest in Securities Investment Bank ("SIB"), a financial markets and instruments trading bank, and a portfolio of private equity and direct investments. The aggregate purchase price was £45.0 million, in respect of which £20.0 million was recorded as negative goodwill. The goodwill of £3.6 million relating to the previous investment in SIBH was transferred from interests in associated undertakings. SIBH was consolidated into the Group's financial statements, with the results of SIB incorporated into the Treasury and Specialised Finance division and the income generated by the remaining assets of SIBH reflected in the Investment Banking division.

- In December 2000, Investec acquired a 100 per cent. interest in the international trust companies, Radcliffes Trustee Company SA ("Radcliffes") and Theodore Holdings Limited ("Theodore"), for aggregate consideration of £25.4 million, of which £23.0 million was recorded as goodwill. The results of these subsidiaries are reflected in Investec's UK private banking business.

- In March 2001, Investec acquired a 100 per cent. interest in Wentworth Associates Pty Limited, an Australian corporate finance boutique, for £24.5 million, of which £23.5 million was recorded as goodwill.

- In June 2001, Investec acquired 100 per cent. of the issued ordinary share capital of Fedsure Investments (Pty) Ltd and Fedsure International (Pty) Ltd for a total consideration of £373.0 million. The excess of cost over estimated fair value of the assets acquired, totalling £289.3 million, was recorded as goodwill, of which £41.7 million was written off as impairment of goodwill for the year ended 31 March 2002. The assets of this business were allocated to Investec's assurance business, as well as its property and traded endowments businesses.

- In June 2001, Investec acquired a 100 per cent. interest in PMG Group, a Pennsylvania based investment bank, and its subsidiaries. The total consideration was £22.7 million of which £15.5 million was recorded as goodwill.

- In October 2001, Investec purchased a 100 per cent. interest in European Capital Company Ltd. for total consideration of £2.6 million, which resulted in goodwill of £1.8 million. This project finance advisory and arranging business is reflected in the Treasury and Specialised Finance division.

- In February 2002, Investec acquired a 100 per cent. interest in Chronworth (Pty) Limited, an Australian corporate finance business, for total consideration of £1.8 million. Goodwill of £1.8 million was recognised.

As a consequence of the foregoing and in light of Investec's strategy to seek to grow its operations in part through the acquisition of complementary businesses, intangible fixed assets and amortisation of goodwill could increase in future periods. Due to the fact that Investec has integrated the operations of its critical mass enhancing acquisitions into its existing businesses, it is not possible to distinguish between organic and acquired growth over the periods discussed below.

Taxation

Tax is imposed in the United Kingdom and South Africa at the statutory corporate rate of 30 per cent. In respect of South African resident entities, the statutory rate may be increased up to a maximum of 37.78 per cent. due to a secondary tax on companies of 12.5 per cent. that is calculated on the quantum of net dividends declared by an entity, being dividends declared less dividend credits.

The effective tax rate of the Group has been reduced by the recognition of deferred tax assets which are raised where it is considered probable that the asset will be utilised in the foreseeable future by the entity in which the tax loss results. Estimated tax losses for relief against future taxable income of £33.7 million existed as at 31 March 2002.

Results of operations for the years ended 31 March 2001 and 2002

The depreciation of the Rand against pounds sterling can have a significant negative effect on the results of those Investec businesses that generate the majority of their revenues and profits in Rand when the Rand amounts are translated into pounds sterling. Given the rapid depreciation of the Rand towards the end of calendar year 2001, the results of these businesses for the year ended 31 March 2002 were adversely affected. Where the impact of Rand depreciation is key to understanding the year-on-year movement of a profit and loss account line, this has been noted below.

Operating income

The following table sets out certain information regarding Investec's operating income by division for the years ended 31 March 2001 and 2002.

	For the year ended 31 March 2001	per cent. of total operating income	For the year ended 31 March 2002	per cent. of total operating income	Period-on-period change (per cent.)
		(£ millions, except percentages)			
Division					
Investment Banking	111.6	20.3%	114.6	18.5%	2.7%
Private Client Activities	180.4	32.7%	191.2	30.9%	6.0%
Treasury & Specialised Finance	107.5	19.5%	107.8	17.4%	0.3%
Asset Management	88.3	16.0%	131.6	21.3%	49.0%
Group Services and Other Activities	63.1	11.5%	73.5	11.9%	16.5%
Total	550.9	100.0%	618.7	100.0%	12.3%

The following table sets out certain information regarding Investec's operating income by geographical jurisdiction for the years ended 31 March 2001 and 2002.

	For the year ended 31 March 2001	per cent. of total operating income	For the year ended 31 March 2002	per cent. of total operating income	Period-on-period change (per cent.)
		(£ millions, except percentages)			
Jurisdiction					
Southern Africa(1)	182.3	33.1%	226.1	36.5%	24.0%
United Kingdom, Europe & Australia(2)	277.3	50.3%	294.0	47.5%	6.0%
United States of America	64.6	11.7%	75.6	12.2%	17.0%
Israel	26.7	4.9%	23.0	3.8%	−13.9%
Total	550.9	100.0%	618.7	100.0%	12.3%

Notes:

(1) This jurisdiction contains Investec's operations in South Africa, Botswana, Namibia and Mauritius.

(2) This jurisdiction includes Investec's operations in the United Kingdom, Ireland, Switzerland, the Channel Islands and Australia.

Investec's operating income increased by £67.8 million, or 12.3 per cent., from £550.9 million for the year ended 31 March 2001 to £618.7 million for the year ended 31 March 2002. This increase was caused primarily by a £43.3 million, or 49.0 per cent., increase in operating income attributable to the Asset Management division as a result of the acquisition of Fedsure on 1 June 2001, as well as a £10.8 million, or 6.0 per cent., and £10.4 million, or 16.5 per cent., increase in operating income attributable to the Private Client Activities and Group Services and Other Activities divisions, respectively.

The split of operating income attributable to the Group's principal geographies remained relatively stable over the period, with the United Kingdom, Europe & Australia accounting for 50.3 per cent. and 47.5 per cent. of operating income in 2001 and 2002, respectively, and Southern Africa accounting for 33.1 per cent. and 36.5 per cent. of operating income in 2001 and 2002, respectively.

Investec's operating income can be analysed as follows:

- *Net interest income.* Net interest income represents interest earned net of interest paid in connection with Investec's portfolio of bank accounts, deposits, loans and financial and structured products. The majority of net interest income in 2001 and 2002 was attributable to Investec's Treasury and Specialised Finance and Private Client Activities divisions.

  Net interest income was relatively stable at approximately £159.1 million in 2001 and 2002 as a result of an increase in net interest income in the Private Client Activities division of £8.8 million, or 13.2 per cent., from £66.8 million in 2001 to £75.6 million in 2002. This reflected strong growth in the loan books of the private banks in South Africa and the United Kingdom. However, the growth in the South African loan book is reflected as a decline on Investec's UK GAAP balance sheet due to the significantly lower Rand/pound sterling exchange rate used to convert the loan book balances as at 31 March 2002. The increase in net interest income was offset, however, by a decrease in net interest income attributable to the Treasury and Specialised Finance division, which fell by £5.7 million, or 7.8 per cent., from £73.1 million for the year ended 31 March 2001 to £67.4 million for the year ended 31 March 2002 as a result of the significant depreciation of the Rand. In addition, a £4.0 million decline in net interest income was attributable to Group Activities and Other Services, which fell from £12.2 million in 2001 to £8.2 million in 2002. This was due to the full year's impact of funding acquisitions made during the prior year and the additional funding incurred in connection with acquisitions made and the recapitalisation of certain Group business during 2002.

- *Net fees and commissions receivable.* Net fees and commissions receivable consists of fees receivable for the provision of fund management, investment advice, banking services, retainers, institutional stockbroking commissions and brokerage, and similar items that are likely to recur due to the repetitive nature of these activities (i.e., "fees and commissions receivable – annuity income"), plus facility arrangement fees, corporate finance fees and similar items that are transactional in nature and therefore generate more erratic income streams (i.e., "fees and commissions receivable – deal income"), offset by fees and commissions payable which predominantly comprise brokerage payable, banking fees and other similar charges (i.e., "fees and commissions payable").

  Net fees and commissions receivable increased by £11.1 million, or 3.3 per cent., from £339.1 million for the year ended 31 March 2001 to £350.2 million for the year ended 31 March 2002. This increase reflected a £15.2 million rise in fees and commissions receivable that was attributable to the Asset Management division as a result of Investec's acquisition of Fedsure in June 2001 and the increased contribution during the period from the division's UK retail fund operations. The acquisition of Fedsure resulted in the addition of R45.6 billion in assets under management to the division's base of assets under management of R171.9 billion as at 31 March 2001, and the United Kingdom retail fund operations' market share of net industry sales rose from 0.7 per cent. in 2001 to 1.8 per cent. in 2002. This resulted in an increase of £130.0 million in the amount of UK-retail funds' assets under management during the period. In addition, the increase also reflected a £7.7 million rise in such fees and commissions attributable to Group Activities and Other Services, which increased from £44.6 million in 2001 to £52.3 million. This increase was due to higher property management fees resulting from the assumption of the Fedsure property portfolio in June 2001 and increased fees generated by the US clearing and execution business as a consequence of the acquisition of the clearing arm of Herzog, Heine, Geduld, Newood, Inc.

  These increases were offset by a £9.2 million decrease in net fees and commissions receivable in the Investment Banking division, principally as a result of significantly lower corporate advisory fees received as a consequence of the dramatic decline in equity capital markets work in the 2002 financial year, particularly in the technology, media and telecoms sectors in the United Kingdom, as well as a £2.8 million decline in the Treasury and Specialised Finance division, where the majority of fees and commissions earned during the period were generated by the division's South African operations. Due to the significant depreciation of the Rand during this period, the increase in Rand-denominated income was not fully reflected when translated into pounds sterling.

Net fees and commissions receivable attributable to Private Client Activities remained flat during the period, increasing from £109.0 million in 2001 to £109.3 million in 2002. This primarily reflected higher income earned by the UK private bank as a consequence of solid growth in lending fees that were driven by continued buoyancy in the London property market, a full year's consolidation of, and good performance by, Theodore and Radcliffes, and Rand-denominated growth in fees and commissions generated by advisory work undertaken by the South African private bank. However, these increases were offset by a decline over the period in fees and commissions generated by the South African private client stockbroking business as a result of poor client appetite for equity trading, as well as, in the case of all of the division's Rand-denominated income, the adverse translation effects referred to above.

- *Dealing profits.* Dealing profits comprise trading income and the marking-to-market of interest rate instruments, equities and other securities such as foreign exchange instruments, and profit on the disposal of dealing properties and, as a result of the acquisition of Fedsure in June 2001, traded endowments. Debt securities and equity shares held for trading purposes are revalued at each balance sheet date and the change in value is recognised as a charge or a profit under dealing profits. In 2001, the Treasury and Specialised Finance and Investment Banking divisions contributed significantly to dealing profits. In addition, in 2002, Group Services and Other Activities also generated significant dealing profits.

  Dealing profits increased by £9.1 million, or 25.2 per cent., from £36.2 million for the year ended 31 March 2001 to £45.3 million for the year ended 31 March 2002. This was the result of a £8.7 million increase in dealing profits attributable to Group Services and Other Activities, from £1.9 million in 2001 to £10.6 million in 2002, which reflected the inclusion of the results of Fedsure's traded endowments business from June 1, 2001. In addition, dealing profits attributable to the Treasury and Specialised Finance division increased by £7.1 million, or 40.3 per cent., to £24.7 million in 2002 from £17.6 million in 2001 as a result of a particularly profitable structured transaction by the commodities trading desk in its first full year of operation that is expected to generate income in future periods, as well a positive contribution from the South African foreign exchange trading desk. These contributions were partially offset by a poor performance by the South African interest rate options desk as a consequence of its inability to hedge a proprietary position due to a lack of market liquidity.

  These increases were also offset by a dealing loss of £1.6 million attributable to the Asset Management division for the year ended 31 March 2002, compared to dealing profits of £2.0 million for the same period in 2001, a £2.0 million decline in dealing profits from £4.5 million in 2001 to £2.5 million in 2002 in the Private Client Activities division, and a £1.1 million decline in dealing profits from £10.1 million in 2001 to £9.0 million in 2002 in the Investment Banking division. Profits attributable in 2001 to the Asset Management division reflected profits earned on proprietary trading of shares or units held in inventory by the division, as well as the practice in South Africa of generating income by a limited amount of proprietary trading, taking advantage of the bid-offer spread when there are net inflows into a particular fund. In 2002, losses were incurred as a result of adverse changes in the market price of the shares and units held in inventory, as well as the discontinuation of bid-offer spread trading in accordance with a change in applicable law. The decline over the period attributable to Private Client Activities was due to losses incurred by the US private client stockbroking business, which was sold in May 2002, and proprietary foreign exchange trading losses incurred in connection with the facilitation of foreign exchange transactions on behalf of UK private banking clients. The decline attributable to Investment Banking was principally due to declining global stockmarkets.

- *Income from long-term assurance business.* Income from long-term assurance business was £31.1 million for the year ended 31 March 2002, and reflected the profits of the assurance business that was acquired in connection with Investec's purchase of Fedsure on June 1, 2001. These profits, which are reflected in the results of the Asset Management division, included the operating results of the life assurance business which amounted to £15.5 million and the profits recognised as a result of the change in the present value of the in-force life business which totalled £15.6 million.

- *Other operating income.* Other operating income increased by £19.7 million, or 174.3 per cent., from £11.3 million in 2001 to £31.0 million in 2002. Of this increase, £15.3 million was due to an increase in other operating income generated by the Investment Banking division, which rose from £9.7 million in 2001 to £24.0 million in 2002. This resulted from the reclassification of certain securities from investment securities to dealing securities due to management's intention to sell these securities in the near term, as well as the realisation of profits earned on the disposal of certain UK private equity investments. The effect of these positive contributions was partially offset by impairment charges taken in respect of certain South African direct investments. In addition, other operating income also increased in part as a result of profits earned by the Private Client Activities and Investment Banking divisions from their sale during the period of London Stock Exchange plc shares.

Administrative expenses

Administrative expenses primarily consist of personnel costs (including wages and salaries, social security and similar pension related costs), business and equipment expenses, and marketing and premises costs. Administrative expenses increased by £42.7 million, or 11.1 per cent., from £385.8 million in 2001 to £428.5 million in 2002. Investec's administrative expenses can be broken down by division for the years ended 31 March 2001 and 2002 as follows:

	For the year ended 31 March 2001	per cent. of total administrative expenses	For the year ended 31 March 2002	per cent. of total administrative expenses	Period-on-period change (per cent.)
		(£ millions, except percentages)			
Division					
Investment Banking	61.3	15.9%	70.5	16.4%	15.0%
Private Client Activities	131.6	34.1%	133.2	31.1%	1.2%
Treasury & Specialised Finance	49.4	12.8%	52.3	12.2%	5.9%
Asset Management	65.7	17.0%	75.0	17.5%	14.2%
Group Services and Other Activities	77.8	20.2%	97.5	22.8%	25.3%
Total	385.8	100.0%	428.5	100.0%	11.1%

The following table sets out certain information regarding Investec's administrative expenses by geographical jurisdiction for the years ended 31 March 2001 and 2002.

	For the year ended 31 March 2001	per cent. of total administrative expenses	For the year ended 31 March 2002	per cent. of total administrative expenses	Period-on-period change (per cent.)
		(£ millions, except percentages)			
Jurisdiction					
Southern Africa(1)	126.9	32.9%	124.6	29.1%	−1.8%
United Kingdom, Europe & Australia(2)	187.1	48.5%	219.4	51.2%	17.3%
United States of America	54.7	14.2%	72.1	16.8%	31.8%
Israel	17.1	4.4%	12.4	2.9%	−27.5%
Total	385.8	100.0%	428.5	100.0%	11.1%

Notes:

(1) This jurisdiction contains Investec's operations in South Africa, Botswana, Namibia and Mauritius.

(2) This jurisdiction includes Investec's operations in the United Kingdom, Ireland, Switzerland, the Channel Islands and Australia.

The increase in administrative expenses in 2002 was primarily attributable to rising administrative expenses in the Group Services and Other Activities, Investment Banking and Asset Management divisions. Administrative expenses recognised by Group Services and Other Activities increased by £19.7 million, or 25.3 per cent., to £97.5 million for the year ended 31 March 2002 compared to £77.8 million for the year ended 31 March 2001. This was primarily due to increased personnel costs resulting from the acquisition of Fedsure's traded endowment and property businesses in June 2001, as well as the addition of personnel in the Group's risk management and internal audit, organisational development, central finance and investor relations departments. In addition, business expenses were higher in 2002 due to a global employee incentivisation review and the execution of the Fedsure acquisition.

In 2002, administrative expenses attributable to Investment Banking increased by £9.2 million, or 15.0 per cent., from £61.3 million in 2001 to £70.5 million in 2002. This was primarily due to increased costs attributable to the acquisitions of PMG Group, Inc. in the United States and Wentworth Associates in Australia which were partially offset by lower bonuses paid to investment banking personnel in the United Kingdom as a result of the decline in corporate finance activity in 2002 compared to 2001.

Administrative expenses attributable to Asset Management increased by £9.4 million, or 14.3 per cent., from £65.6 million in 2001 to £75.0 million in 2002. This reflected the additional costs associated with the integration and systems enhancements associated with the acquisition of the asset management business from Fedsure, together with selective hiring of additional senior staff in all locations.

The increase in administrative expenses reflected, in the case of the United States and the United Kingdom, Europe & Australia, the addition of expenses associated with the businesses acquired during 2001 and 2002. This was partially offset by a reduction in the expansion of business in Israel compared to the prior period due to the downturn in financial markets and the effect of the depreciation of the Rand on the Group's cost base in Southern Africa.

Depreciation

Depreciation comprises depreciation of fixtures, fittings and equipment. Depreciation increased by £3.0 million, or 21.6 per cent., from £13.9 million in 2001 to £16.9 million in 2002, as a result of the investment in operational systems for certain businesses, such as US clearing and execution and US private client stockbroking, as well as the depreciation charge arising on assets acquired through acquisitions made during the current and prior period.

Provision for bad and doubtful debts

Provision for bad and doubtful debts is predominantly related to the lending operations of Investec's banks in the United Kingdom and South Africa, and comprises the unserviced interest on loans made and capital amounts outstanding for which provisions have been made. Investec's provision for bad and doubtful debts decreased by £3.3 million, or 18.3 per cent., from £18.0 million in 2001 to £14.7 million in 2002 primarily as a result of the overall improvement in the quality of the Group's loan book.

Operating profit before amortisation of goodwill

As a result of the foregoing factors, Investec's operating profit before amortisation of goodwill increased by £25.4 million, or 19.1 per cent., from £133.2 million for the year ended 31 March 2001 to £158.6 million for the year ended 31 March 2002.

Amortisation of goodwill

Amortisation of goodwill increased by £82.3 million during the period, from £20.9 million in 2001 to £103.2 million in 2002. This increase primarily resulted from the additional amortisation of goodwill resulting from the acquisition of Fedsure and the full year's amortisation of Wentworths, Radcliffes and Theodore, as well as the incurrence of an impairment loss of £46.1 million, of which £41.7 million related to the Fedsure acquisition and the remainder related to the Group's private client stockbroking business in the United States, which has since been sold.

Operating profit

As a result of the foregoing factors, Investec's operating profit decreased by £56.9 million, or 50.7 per cent., from £112.3 million for the year ended 31 March 2001 to £55.4 million for the year ended 31 March 2002.

Exceptional items

During the year ended 31 March 2002, Investec recognised a number of exceptional items that did not arise during the year ended 31 March 2001. The most significant exceptional items were as follows:

- *Provision for losses on termination and disposal of Group operations.* A charge of £7.0 million was recognised during the year ended 31 March 2002. This charge represented a provision for the estimated costs of disposing of the private client stockbroking business in the United States. The majority of the expense reflects a write-off of fixed assets and other leasehold improvements.

- *Reorganisation and restructuring costs.* During 2002, an exceptional charge to profits of £11.8 million was recognised. The charge primarily comprised post-acquisition reorganisation costs resulting from the integration and restructuring of Fedsure within Investec's existing divisions.

Tax on profit on ordinary activities

Tax on profit on ordinary activities decreased by £1.5 million, or 5.0 per cent., from £30.0 million in 2001 to £28.5 million in 2002. The decrease was largely the result of the significant decline in profits attributable to the Group's operations in the United States and, in particular, tax credits resulting from losses incurred by Investec's investment banking operations in the United States, as well as the provision for losses raised in connection with the termination and disposal of the US private client stockbroking business. This decrease was partially offset by the increased profits attributable to the Group's operations, particularly in South Africa.

Profit on ordinary activities after taxation

As a result of the foregoing factors, Investec's profit on ordinary activities after taxation decreased by £69.7 million, or 84.9 per cent., from £82.1 million for the year ended 31 March 2001 to £12.4 million for the year ended 31 March 2002.

Minority interest

Minority interest reflects that portion of Investec's profit on ordinary activities after taxation that is contributed to the minority shareholders of its subsidiaries. For the year ended 31 March 2002, minority interest almost entirely represented the 20 per cent. publicly held interest in Investec Bank (Israel) Ltd., which had declined from 25 per cent. in 2001. Notwithstanding this decline, the charge related to minority interest increased from £1.2 million for the year ended 31 March 2001 to £1.6 million for the year ended 31 March 2002 as a result of the increased profitability of this subsidiary during the period.

Profit attributable to shareholders

As a result of the foregoing factors, profit attributable to shareholders decreased by £70.2 million, or 86.7 per cent., in 2002, from £81.0 million for the year ended 31 March 2001 to £10.8 million for the year ended 31 March 2002.

Headline earnings attributable to ordinary shareholders

Headline earnings attributable to ordinary shareholders reflect profit attributable to shareholders after adjusting for amortisation of goodwill and certain exceptional items. Headline earnings attributable to ordinary shareholders increased from £100.9 million for the year ended 31 March 2001 to £115.8 million for the year ended 31 March 2002. For a detailed breakdown of headline earnings attributable to ordinary shareholders, see Note 9 to the consolidated financial statements under Part VII – "Accountants' Report".

Results of operations for the years ended 31 March 2000 and 2001

Operating income

The following table sets out certain information regarding Investec's operating income by division for the years ended 31 March 2000 and 2001.

	For the year ended 31 March 2000	per cent. of total operating income	For the year ended 31 March 2001	per cent. of total operating income	Period-on-period change (per cent.)
	(£ millions, except percentages)				
Division					
Investment Banking	105.6	21.9%	111.6	20.3%	5.7%
Private Client Activities	144.1	29.9%	180.4	32.7%	25.2%
Treasury & Specialised Finance	96.0	19.9%	107.5	19.5%	12.0%
Asset Management	78.2	16.3%	88.3	16.0%	12.9%
Group Services and Other Activities	57.6	12.0%	63.1	11.5%	9.5%
Total	481.5	100.0%	550.9	100.0%	14.4%

The following table sets out certain information regarding Investec's operating income by geographical jurisdiction for the years ended 31 March 2000 and 2001.

	For the year ended 31 March 2000	per cent. of total operating income	For the year ended 31 March 2001	per cent. of total operating income	Period-on-period change (per cent.)
		(£ millions, except percentages)			
Jurisdiction					
Southern Africa(1)	157.9	32.8%	182.3	33.1%	15.5%
United Kingdom, Europe and Australia(2)	241.1	50.1%	277.3	50.4%	15.0%
United States of America	60.7	12.6%	64.6	11.7%	6.4%
Israel	21.8	4.5%	26.7	4.8%	22.5%
Total	481.5	100.0%	550.9	100.0%	14.4%

Notes:

(1) This jurisdiction contains Investec's operations in South Africa, Botswana, Namibia and Mauritius.

(2) This jurisdiction includes Investec's operations in the United Kingdom, Ireland, Switzerland, the Channel Islands and Australia.

Investec's operating income increased by £69.4 million, or 14.4 per cent., from £481.5 million for the year ended 31 March 2000 to £550.9 million for the year ended 31 March 2001. This increase was caused primarily by a £36.3 million, or 25.2 per cent., increase in operating income attributable to the Private Client Activities division, as well as a £11.5 million, or 12.0 per cent., and £10.1 million, or 12.9 per cent., increase in operating income attributable to Treasury and Specialised Finance and Asset Management divisions, respectively.

The split of operating income attributable to the Group's principal geographies remained relatively constant over the period, with the United Kingdom, Europe & Australia accounting for 50.1 per cent. and 50.3 per cent. of operating income in 2000 and 2001, respectively, and Southern Africa accounting for 32.8 per cent. and 33.1 per cent. of operating income in 2000 and 2001, respectively.

Investec's operating income can be analysed as follows:

- *Net interest income.* The majority of net interest income in 2000 and 2001 was attributable to the Treasury and Specialised Finance and Private Client Activities divisions. Net interest income increased by £40.6 million, or 34.3 per cent., from £118.5 million in 2000 to £159.1 million in 2001. This increase was primarily attributable to a £24.2 million increase in net interest income in Group Services and Other Activities, from negative net interest income of £12.0 million in 2000 to net interest income of £12.2 million in 2001. This resulted from the more stable and declining interest rate environment in South Africa during 2001 that allowed Investec to replace higher interest rate debt in the pool of central funding with debt at a lower rate and to take advantage of interest rate derivative opportunities. In addition, net interest income attributable to the Private Client Activities division increased by £16.6 million during the period, or by 33.1 per cent., from £50.2 million in 2000 to £66.8 million in 2001, primarily as a result of loan book growth across geographies.

- *Net fees and commissions receivable.* Net fee and commissions receivable increased by £54.4 million, or 19.1 per cent., from £284.7 million for the year ended 31 March 2000 to £339.1 million for the year ended 31 March 2001. This was attributable to a £21.9 million, or 34.1 per cent., increase in net fees and commissions receivable in the Investment Banking division, from £64.3 million in 2000 to £86.2 million in 2001, principally as a result of the strong performance of corporate advisory work undertaken by Investec Henderson Crosthwaite, particularly in relation to initial public offerings by UK companies in the technology, media and telecoms sectors. In addition, net fees and commissions attributable to Private Client Activities increased by £18.6 million, or 20.6 per cent., from £90.4 million to £109.0 million. This increase was caused by higher lending fees generated by the private banks in the United Kingdom and South Africa due to loan book growth and the focus on larger, shorter term loans that usually earn higher fees, as well as the full year's consolidation of the fee and commission income generated by the Johannesburg private client stockbroking operation of HSBC which was acquired in June 1999. Net fees and commissions receivable attributable to the Asset Management division also increased during the period by £8.9 million, or 12.1 per cent., from £73.8 million in 2000 to £82.7 million in 2001. This principally reflected the full year's impact of fees generated by a number of significant pension fund mandates won in the later part of the financial year ended 31 March 2000.

- *Dealing profits.* Dealing profits rose by £10.7 million, or 42.0 per cent., from £25.5 million for the year ended 31 March 2000 to £36.2 million for the year ended 31 March 2001. The majority of dealing profits were earned by the Treasury and Specialised Finance and Investment Banking divisions in both years.

  Dealing profits attributable to Treasury and Specialised Finance increased by £5.4 million, or 44.3 per cent., to £17.6 million in 2001 from £12.2 million in 2000. This was primarily due to the full year's consolidation of Gandon Capital Markets, which Investec acquired in September 1999, the inclusion of eight months of earnings attributable to SIB, which Investec acquired in August 2000, and a strong contribution from the equity derivatives team in its first full year of operations. These positive contributions were partially offset by trading losses incurred by the foreign exchange desk. Dealing profits generated by the Investment Banking division increased by £3.0 million, or 42.3 per cent., to £10.1 million for the year ended 31 March 2001 from £7.1 million for the year ended 31 March 2000. This reflected a combination of mark-to-market gains in the United Kingdom and South African private equity portfolios, as well as the initiation of market making activities in the United Kingdom, which more than offset losses attributable to the South African direct investment activities resulting from revaluation of dealing securities as the South African equity markets declined.

- *Other operating income.* Other operating income decreased by £32.9 million, or 74.4 per cent., from £44.2 million in 2000 to £11.3 million in 2001. Other operating income attributable to the Investment Banking division decreased by £15.0 million, or 60.7 per cent., from £24.7 million in 2000 to £9.7 million in 2001. A substantial portion of the profits in 2000 was due to gains realised on securities originally held as collateral. When the counterparty defaulted, Investec inherited the securities and managed the portfolio through to successful realisation. In addition, other operating income earned by Group Services and Other Activities decreased from £19.3 million to £4.0 million as a result of the opportunistic sale of a corporate investment in late 1999 off the back of buoyant equity markets in the United States.

Administrative expenses

Administrative expenses increased by £61.2 million, or 18.9 per cent., from £324.6 million in 2000 to £385.8 million in 2001. Investec's administrative expenses can be broken down, by division, for the years ended 31 March 2000 and 2001 as follows:

	For the year ended 31 March 2000	per cent. of total administrative expenses	For the year ended 31 March 2001	per cent. of total administrative expenses	Period-on-period change (per cent.)
	(£ millions, except percentages)				
Division					
Investment Banking	48.5	14.9%	61.3	15.9%	26.4%
Private Client Activities	105.4	32.5%	131.6	34.1%	24.9%
Treasury & Specialised Finance	42.9	13.2%	49.4	12.8%	15.2%
Asset Management	59.0	18.2%	65.7	17.0%	11.4%
Group Services and Other Activities	68.8	21.2%	77.8	20.2%	13.1%
Total	324.6	100.0%	385.8	100.0%	18.9%

The following table sets out certain information regarding Investec's administrative expenses by geographical jurisdiction for the years ended 31 March 2000 and 2001.

	For the year ended 31 March 2000	per cent. of total administrative expenses	For the year ended 31 March 2001	per cent. of total administrative expenses	Period-on-period change (per cent.)
	(£ millions, except percentages)				
Jurisdiction					
Southern Africa[1]	114.3	35.2%	126.9	32.9%	11.0%
United Kingdom, Europe and Australia[2]	158.0	48.7%	187.1	48.5%	18.4%
United States of America	41.4	12.7%	54.7	14.2%	32.1%
Israel	10.9	3.4%	17.1	4.4%	56.9%
Total	324.6	100.0%	385.8	100.0%	18.9%

Notes:

(1) This jurisdiction contains Investec's operations in South Africa, Botswana, Namibia and Mauritius.

(2) This jurisdiction includes Investec's operations in the United Kingdom, Ireland, Switzerland, the Channel Islands and Australia.

The increase in administrative expenses in 2001 was primarily due to rises in administrative expenses in the Investment Banking and Private Client Activities divisions. Administrative expenses attributable to Private Client Activities increased by £26.2 million, or 24.9 per cent., to £131.6 million for the year ended 31 March 2001 from £105.4 million for the year ended 31 March 2000. This was mainly due to the acquisitions by the private bank in the United Kingdom of Theodore and Radcliffes in December 2000, the acquisition by Investec Ernst & Co. of Royce Investment Group Inc. in September 1999 and the acquisition of the Johannesburg private client stockbroking operation of HSBC in June 1999 as well as the payment of guaranteed bonuses to the management of the Carr Sheppards Crosthwaite business.

Administrative expenses incurred by the Investment Banking division increased by £12.8 million, or 26.4 per cent., from £48.5 million in 2000 to £61.3 million in 2001. This was primarily due to increased bonus payments made to corporate finance personnel in the United Kingdom as a result of strong income generated by that business during 2001. In addition, administrative expenses attributable to Group Services and Other Activities increased by £9.0 million, or 13.1 per cent., from £68.8 million to £77.8 million primarily as a result of the launch of a new marketing campaign in the United Kingdom in 2001, increased costs of funding and equipping new premises in the United Kingdom, increased expenditure by central IT and the introduction of an organisational development team in the United Kingdom. The remaining increase in administrative expenses was attributable to the Treasury and Specialised Finance and Asset Management divisions, which together grew by £13.2 million in line with the overall growth of their businesses during the period.

Depreciation

Depreciation increased during the period by £0.8 million, or 6.1 per cent., from £13.1 million in 2000 to £13.9 million in 2001.

Provision for bad and doubtful debts

Investec's provision for bad and doubtful debts declined by £2.2 million, or 10.9 per cent., from £20.2 million in 2000 to £18.0 million in 2001. This principally reflected slower growth in the Treasury and Specialised Finance loan book in 2001 compared to the strong loan portfolio growth in 2000, as well as a more favourable interest rate environment in South Africa in 2001. This necessitated a higher provision in 2000 of £11.1 million compared to £4.6 million of new provisions in 2001 for that division. The decrease was offset by the aggregate increases in provisions in other Group divisions in line with the expansion of their business activities.

Operating profit before amortisation of goodwill

As a result of the foregoing factors, Investec's operating profit before amortisation of goodwill increased by £9.7 million, or 7.9 per cent., from £123.5 million for the year ended 31 March 2000 to £133.2 million for the year ended 31 March 2001.

Amortisation of goodwill

Amortisation of goodwill increased by £6.6 million or 46.2 per cent., from £14.3 million in 2000 to £20.9 million in 2001. This increase primarily resulted from the additional amortisation of goodwill resulting from the major acquisitions made during the period.

Operating profit

As a result of the foregoing factors, Investec's operating profit increased by £3.0 million, or 2.7 per cent., from £109.3 million for the year ended 31 March 2000 to £112.2 million for the year ended 31 March 2001.

Tax on profit on ordinary activities

Tax on profit on ordinary activities declined by £6.1 million, or 16.8 per cent., from £36.1 million in 2000 to £30.0 million in 2001. The decline was almost entirely attributable to the raising of a deferred tax asset in the United Kingdom in recognition of the utilisation of tax losses carried forward from prior periods.

Profit on ordinary activities after taxation

As a result of the foregoing factors, Investec's profit on ordinary activities after taxation increased by £8.8 million, or 12.0 per cent., from £73.3 million for the year ended 31 March 2000 to £82.1 million for the year ended 31 March 2001.

Minority interest

For the year ended 31 March 2000, minority interest almost entirely represented the 31 per cent. publicly held interest in Investec Bank (Israel) Ltd., which declined to 25 per cent. in 2001. The charge related to minority interest decreased by £0.5 million, or 29.9 per cent., from £1.7 million for the year ended 31 March 2000 to £1.2 million for the year ended 31 March 2001.

Profit attributable to shareholders

As a result of the foregoing factors, profit attributable to shareholders increased by £9.4 million, or 13.1 per cent., from £71.6 million for the year ended 31 March 2000 to £81.0 million for the year ended 31 March 2001.

Headline earnings attributable to ordinary shareholders

Headline earnings attributable to ordinary shareholders increased from £87.2 million for the year ended 31 March 2000 to £100.9 million for the year ended 31 March 2001. For a detailed breakdown of headline earnings attributable to ordinary shareholders, see Note 9 to the consolidated financial statements under Part VII – "Accountants' Report".

Review of operating profit before goodwill amortisation for the years ended 31 March 2000, 2001 and 2002

The table below analyses operating profit before goodwill amortisation by division for the years ended 31 March 2000, 2001 and 2002.

	Year ended 31 March		
	2000	2001 £ thousands	2002
Investment Banking			
Corporate Finance	16,389	29,530	12,274
Institutional stockbroking and research	11,900	7,653	9,636
Direct Investments	22,544	(7,231)	9,222
Private Equity	5,302	18,001	11,412
	56,135	47,953	42,544
Private Banking			
Private Client	14,382	19,580	26,867
Stockbroking and Portfolio Management	14,750	16,666	17,273
	29,132	36,246	44,140
Treasury and Specialised Finance			
Banking Activities	29,400	35,839	39,662
Financial Market Activities	11,471	16,462	12,122
	40,871	52,301	51,784
Asset Management			
Asset Management	17,942	21,252	24,115
Assurance			31,080
	17,942	21,252	55,195
Group Services and Other Activities			
International Trade Finance	4,719	3,466	2,424
Property Worldwide	3,657	6,712	5,781
USA Other Activities	4,476	6,183	3,855
Traded Endowments			2,531
Other Activities	12,852	16,361	14,591
Centralised Funding and Net Return on Capital	(3,782)	(1,702)	(10,556)
Central Costs	(29,676)	(39,215)	(39,131)
	(20,606)	(24,556)	(35,096)
Total	123,474	133,196	158,567

Investment Banking

Operating profit before goodwill amortisation attributable to the Investment Banking division declined from £56.1 million in 2000 to £48.0 million in 2001 to £42.5 million in 2002. In 2001, the decrease reflected improved corporate finance activity in the United Kingdom and increased profitability attributable to the United Kingdom and South African private equity operations. This was primarily offset by a greater decrease in the division's direct investment activities, the bulk of which was attributable to the realisation of gains in 2000 on a portfolio held in the United Kingdom, and the negative revaluations of the South African direct investment portfolio, and a decrease in income attributable to institutional stockbroking and research activities, principally in Israel. In 2002, the decline reflected decreased corporate finance activity in the United Kingdom and to a lesser extent in South Africa, reduced profits attributable to both the United Kingdom and South African private equity activities as a result of the lower level of realisations and, in the case of the division's South African operations, the depreciation of the Rand against pounds sterling over the period. These decreases were offset in part by a rebound in profits attributable to the South African direct investment activities.

Over the three year period, operating income grew at a compound annual growth rate of 4.2 per cent., while administrative expenses grew at a compound annual growth rate of 20.6 per cent. Consequently, the cost to income ratio deteriorated over the periods, from 45.9 per cent. to 55.0 per cent. to 61.6 per cent. for the years ended 31 March 2000, 2001 and 2002, respectively.

Private Client Activities

Operating profit before goodwill amortisation attributable to the Private Client Activities division increased from £29.1 million in 2000 to £36.2 million in 2001 to £44.1 million in 2002. The principal driver of growth during the periods was the improved performance of Investec's private banking operations across geographies due to a number of factors, including the growth in loan portfolios and the increased focus on the provision of fiduciary and other advisory services, both of which were aided by critical mass enhancing acquisitions in the United Kingdom and South Africa as well as platform acquisitions in the Channel Islands (Theodore) and Europe (Radcliffes). To a lesser extent, private client stockbroking and portfolio management activities also improved as a result of additional acquisitions of teams and businesses, the effects of which were partially offset by subdued client equity investment appetite across all geographies.

Over the three year period, operating income grew at a compound annual growth rate of 15.2 per cent., while administrative expenses grew at a compound annual growth rate of 12.4 per cent. Consequently, the cost to income ratio improved marginally over the periods, from 73.2 per cent. to 73.0 per cent. to 69.7 per cent. for the years ended 31 March 2000, 2001 and 2002, respectively.

Treasury and Specialised Finance

Operating profit before goodwill amortisation attributable to the Treasury and Specialised Finance division increased from £40.9 million in 2000 to £52.3 million in 2001 and decreased marginally to £51.8 million in 2002. The banking activities within this division continued to demonstrate strong organic growth throughout the periods, particularly as a result of the strength of the South African structured finance unit, improved performance of the South African project finance team in 2002 and a strong contribution from the financial product unit in 2002. This growth was achieved in pound sterling-terms, despite the depreciation of the Rand over the periods. The division's financial market activities delivered more variable results over the three year period, as some desks, such as the equity derivatives desk and Irish trading operations in 2001 and the commodities desk in 2002, turned in particularly strong performances, which were offset to varying degrees by declining profitability of other desks, particularly the foreign exchange desk in 2001 and the interest rate desk in all three years.

Over the three year period, operating income grew at a compound annual growth rate of 6.0 per cent., while administrative expenses grew at a compound annual growth rate of 10.4 per cent. Consequently, the cost to income ratio deteriorated slightly over the periods, from 44.7 per cent. to 45.9 per cent. to 48.5 per cent. for the years ended 31 March 2000, 2001 and 2002, respectively.

Asset Management

Operating profit before goodwill amortisation attributable to the Asset Management division increased from £17.9 million in 2000 to £21.3 million in 2001 to £55.2 million in 2002. The increase in 2001 compared to 2000 was primarily the result of organic growth in income generated by increases in assets under management. The increase in 2002 compared to 2001 reflected the growth in assets under management as a consequence of Investec's acquisition of Fedsure in June 2001, as well as its acquisition of Fedsure's assurance operations.

Over the three year period, operating income grew at the compound annual growth rate of 29.7 per cent., while administrative expenses grew at a compound annual growth rate of 12.8 per cent. However, excluding the income of £31.1 million generated by the assurance business from its date of acquisition on 1 June 2001 through 31 March 2002, operating income grew at a compound annual growth rate of 13.4 per cent. Consequently, excluding assurance, the cost to income ratio remained relatively constant over the period, falling from 75.4 per cent. to 74.3 per cent. for the years ended 31 March 2000 and 2001, respectively, and rising to 74.6 per cent for the year ended 31 March 2002.

Group Services and Other Activities

The adverse impact on operating profit before goodwill amortisation attributable to the Group Services and Other Activities division increased from £20.6 million in 2000 to £24.6 million in 2001 to £35.1 million in 2002. Operating income before goodwill amortisation included in this division that is attributable to the Group's other activities increased from £12.9 million in 2000 to £16.4 million in 2001, and then decreased to £14.6 million in 2002. The increase in 2001 was primarily the result of increased disposals of dealing properties in the United Kingdom and high transactional volume in the first half of financial year 2001 by the US clearing and execution business, which were partially offset by a drop in operating profit attributable to the South African trade finance business as a result of the depreciation of the Rand. Operating profit declined in 2002 due to a fall in operating profit in all the Group's other business activities (excluding the traded endowments business, which was only consolidated into the division's results following its acquisition in June 2001) due to a less favourable operating environment. The adverse impact on operating profit was almost entirely attributable to the Group's central funding and costs activities expenses, which increased from £33.5 million in 2000 to £40.9 million in 2001 to £49.7 million in 2002. These increases reflected the additional funding and central costs incurred as the Group expanded its businesses organically and through acquisitions worldwide.

The table below analyses operating profit before goodwill amortisation by jurisdiction for the years ended 31 March 2000, 2001 and 2002.

	Year ended 31 March		
	2000	2001 £ thousands	2002
Jurisdiction			
United Kingdom, Europe & Australia[1]	76,924	84,807	68,530
Southern Africa[2]	19,017	34,032	79,267
Israel	9,453	5,772	9,130
United States of America	18,080	8,585	1,640
Total	123,474	133,196	158,567

Notes:

(1) This jurisdiction includes Investec's operations in the United Kingdom, Ireland, Switzerland, the Channel Islands and Australia.

(2) This jurisdiction contains Investec's operations in South Africa, Botswana, Namibia and Mauritius.

United Kingdom, Europe & Australia

Operating profit before goodwill amortisation attributable to the Group's operations in the United Kingdom, Europe & Australia increased from £76.9 million in 2000 to £84.8 million in 2001 and decreased to £68.5 million in 2002. The increase in 2001 resulted from growth in corporate finance activities in the United Kingdom, the UK private bank's profits and increased profitability from the UK property businesses included within Group Services and Other Activities. In 2002, the decline in operating profits before goodwill amortisation reflected a significant drop in the levels of corporate finance activity. Operating profits before goodwill amortisation from Group Services and Other Activities in this region also declined, as a lower return on surplus capital and reduced profits from the property business more than offset the contribution from traded endowments business which was consolidated for the first time in 2002 following the acquisition of Fedsure. This was partially offset by higher profits earned by both the UK private bank and Carr Sheppards Crosthwaite.

Southern Africa and Other

Operating profit before goodwill amortisation attributable to the Group's operations in Southern Africa and Other increased from £19.0 million in 2000 to £34.0 million in 2001 to £79.3 million in 2002. Profitability from this region has been adversely affected throughout the three years ended 31 March 2002 by the depreciation of the Rand. This was particularly significant in the year ended 31 March 2002. Growth in operating profit before goodwill amortisation was achieved in 2001 primarily as a result of a strong performance by the banking activities in the Treasury and Specialised Finance division. Operating profit before goodwill amortisation generated by the Private Client Activities division in this region also increased, largely reflecting a successful year for the private bank which was driven, in particular, by its loan book growth. Partially offsetting this was a decline in Investment Banking profits primarily as a result of a lower level of profits earned from the division's direct investments activities. Operating profits before goodwill amortisation generated in this region increased in 2002 as a result of the addition to the Group of the Fedsure businesses. In addition, operating profits before goodwill amortisation attributable to the South African Investment Banking division increased as a result of gains generated by its direct investment activities.

Israel

Operating profit before goodwill amortisation attributable to the Group's operations in Israel decreased from £9.5 million in 2000 to £5.8 million in 2001 and increased to £9.1 million in 2002. Operating profit before goodwill amortisation from Investec's Israeli operations has remained relatively stable throughout the three years ended 31 March 2002, with the exception of the decline in 2001 being largely attributable to losses incurred in respect of a particular counterparty in the last quarter of that financial year.

United States of America

Operating profit before goodwill amortisation attributable to the Group's operations in the United States of America decreased from £18.1 million in 2000 to £8.6 million in 2001 to £1.6 million in 2002. Operating profits before goodwill amortisation in 2000 were favourably impacted by the disposal of a corporate investment, an event which did not recur in later periods. While profits declined in 2001, they were boosted by stockmarket buoyancy which aided Investec Ernst & Co.'s clearing and execution business. Due to continued market inactivity in 2002, all three businesses in the United States continued to experience difficult trading conditions. Consequently, their contribution to operating profit before goodwill amortisation was adversely affected.

Liquidity and capital resources

Cash Flows

Cash flows are primarily related to the operating and capital expenditure and financial investment activities of the Group. Financial investment activities include the purchase and sale of debt and equity securities which, *inter alia*, are used to manage the liquidity profile of the bank.

Year ended 31 March 2000

Cash and cash equivalents increased by £2,174.5 million to £3,665.2 million in 2000. Operating activities provided a net cash inflow of £2,385.5 million. Cash of £91.6 million was used to fund capital expenditure and financial investment which primarily reflects the purchase of investment securities. Cash of £41.5 million was used to fund corporate acquisitions. Ordinary share dividends of £43.1 million were paid in cash during the year. In addition, the Group paid £15.2 million in taxation during the year ended 31 March 2000.

Year ended 31 March 2001

Cash and cash equivalents decreased by £1,500.7 million to £2,164.4 million in 2001. Operating activities produced a net cash outflow of £1,489.8 million. This was primarily due to a significant decrease in non-investment debt and equity securities held and a smaller decrease in customer deposits. Cash of £72.2 million was used to fund corporate acquisitions whilst Investec raised £216.3 million mainly from the issue of subordinated debt and preference share capital. Ordinary share dividends of £55.1 million were paid in cash during the year. In addition, the Group paid £36.3 million in taxation during 2001.

Year ended 31 March 2002

Cash and equivalents decreased by £101.5 million to £2,062.9 million in 2002. Operating activities produced a net cash inflow of £595.6 million. Investec spent £461.7 million on capital expenditure and financial investment activities which primarily reflects the purchase of investment securities and tangible fixed assets. The net cash outflow from the purchase and disposal of subsidiaries was £95.7 million. Ordinary share dividends of £58.6 million were paid in cash during the year. In addition, the Group paid £19.4 million in taxation during 2002.

Investec's indebtedness

As of 31 March 2002, Investec Bank Limited had entered into the following loan agreements.

- Rand-denominated unsecured subordinated compulsory convertible debentures ("CCDs") in the aggregate amount of £15.8 million, bearing interest at the rate of 15.25 per cent. and maturing on 31 July 2008.
- Rand-denominated Class A unsecured subordinated CCDs in the aggregate amount of £17.3 million, bearing interest at the rate of 15.0 per cent. and maturing on 15 December 2004.
- Rand-denominated Class A Series II unsecured subordinated CCDs in the aggregate amount of £3.5 million, bearing interest at the rate of 15.0 per cent. and maturing on 15 December 2004.

- Rand-denominated Class B unsecured subordinated CCDs in the aggregate amount of £6.5 million, bearing interest at the rate of 12.0 per cent. and maturing on 15 December 2004.
- Rand-denominated Class C unsecured subordinated CCDs in the aggregate amount of £8.6 million, bearing interest at the rate of 11.0 per cent. and maturing on 31 March 2008.
- A Rand-denominated subordinated loan in the amount of £121.4 million bearing interest at the rate of 16 per cent. per annum and maturing on 31 March 2012.
- Rand-denominated Class E unsecured redeemable debentures in the amount of £17.6 million bearing interest at the rate of 15.0 per cent. per annum and maturing on 31 March 2014.

As of 31 March 2002, Investec Bank (UK) Limited had entered into a syndicated revolving loan facility for up to a maximum of US$180 million, in respect of which the full amount is outstanding and is due on 7 December 2004.

As of the date of this document, the amounts outstanding under the foregoing loans had not changed.

Summary of indebtedness

As at 31 March 2002, the scheduled maturities of Investec's obligations, assuming any available rollover provisions were inapplicable, were as follows:

	Total	Repayable in one year or less, or on demand	In more than one year, but not more than five years	Over five years
			(£ millions)	
Subordinated debt	190.7	0	27.2	163.5
Customer accounts	7,584.4	6,955.7	375.2	253.5

- *Customer accounts.* Customer accounts comprise the deposits made by Investec's clients. These amounts are predominantly held by the Group's private banking operations in the United Kingdom and South Africa. As with deposits by banks, these amounts provide regulatory capital and help to fund the Group's assets. The interest rates payable on these liabilities is dependent on a number of factors similar to those listed above for deposits by banks.

Contingent liabilities

Investec's contingent liabilities as at 31 March 2002 can be broken down as follows;

	(£ millions)
Guarantees and irrevocable letters of credit	249.0
Assets pledged as collateral security	21.0
Other contingent liabilities	29.3
Total	299.3

The amounts shown above are intended only to provide an indication of the volume of business outstanding at 31 March 2002.

- *Guarantees and irrevocable letters of credit.* These balances represent guarantees over client debt issued by the Treasury and Specialised Finance division and the private bank operations of the Private Client Activities division. In addition, these businesses also issue irrevocable letters of credit to its clients which may become balance sheet assets in the event that clients draw down funds on these letters.
- *Assets pledged as collateral security.* These amounts reflect assets owned by the Group that have been placed with third parties to secure structured transactions by the Treasury and Specialised Finance division and the private bank operations of the Private Client Activities division.
- *Other contingent liabilities.* These balances include guarantees in relation to clients' commitments under customs and performance bonds as well as other similar guarantees.

Capital Expenditure

The majority of Investec's capital expenditure has related to the acquisitions made by the Group during the three years ended 31 March 2002. Consideration paid in relation to acquisitions was £41.6 million in 2000, £96.9 million in 2001 and £406.7 million in 2002. £373.0 million of consideration paid in 2002 related to the acquisition of Fedsure, of which £305.5 million comprised net ordinary share capital issued. The remaining £67.5 million comprised cash and other assets. The majority of consideration paid in 2000 and 2001 was in the form of cash.

Investec also incurs capital expenditure on the addition of fixed assets. Cash expended on tangible fixed assets was £25.2 million in 2000, £36.5 million in 2001 and £78.2 million in 2002. The increase in 2002 was primarily due to the acquisition of a portfolio of investment properties as part of the Fedsure transaction.

Off balance sheet financing

Details of certain commitments, contingent liabilities and off balance sheet financial instruments of the Group are set out in notes 37 to 39 of "Accountants' report" in Part VII.

PART VII – ACCOUNTANTS' REPORT

The Accountants' Report contained in this Part VII is prepared on a consolidated basis for the Group for the three years ended 31 March 2000, 2001 and 2002. It appears as an IGL report because prior to the implementation of the DLC Structure, IGL and its subsidiaries constituted the Group.

IGL and Investec PLC intend to publish a single primary set of consolidated financial statements, denominated in pounds sterling and prepared in accordance with UK GAAP, and IGL will publish consolidated financial statements denominated in Rand and prepared in accordance with generally accepted accounting principles in South Africa. IGL and Investec PLC will furthermore also prepare any other financial information needed to meet their respective local requirements. The financial year-end of both IGL and Investec PLC will be 31 March.

ERNST & YOUNG

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Dear Sirs

Investec Group Limited and its subsidiaries (the "Group")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Preliminary Offering Circular dated 5 July 2002 (the "Preliminary Offering Circular") relating to the proposed admission to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange of Investec PLC.

Basis of preparation

The financial information set out in this report is based on the audited consolidated financial statements of the Group for the three years ended 31 March 2000, 2001 and 2002 and has been prepared after making such adjustments as we considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Investec Group Limited who approved their issue. The directors of Investec PLC are responsible for the contents of the Preliminary Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of the evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by Ernst & Young South Africa and KPMG Inc. South Africa as joint auditors relating to the audit of the consolidated financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the consolidated financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Preliminary Offering Circular, *a true and fair view of the state of affairs of the Group* as at the dates stated and of their profits, cash flows and recognised gains and losses for the periods then ended.

Ernst & Young LLP
London

5 July 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Interest receivable				
– interest income arising from debt securities		266,163	335,014	226,950
– other interest income		619,906	792,347	713,293
Interest payable on subordinated liabilities		–	(12,271)	(23,408)
Interest payable on convertible debt		(16,342)	(14,437)	(12,177)
Other interest payable		(751,239)	(941,566)	(745,541)
NET INTEREST INCOME		118,488	159,087	159,117
Dividend income	4	8,567	5,231	2,008
Fees and commissions receivable		332,044	390,577	424,889
– recurring		263,791	302,623	352,988
– non-recurring		68,253	87,954	71,901
Fees and commissions payable		(47,388)	(51,444)	(74,671)
Dealing profits	5	25,519	36,179	45,300
Income from long-term assurance business		–	–	31,079
Other operating income		44,220	11,264	30,949
OPERATING INCOME		481,450	550,894	618,671
Administrative expenses	6	(324,609)	(385,758)	(428,510)
Depreciation and amortisation		(27,423)	(34,810)	(120,113)
– tangible fixed assets	23	(13,142)	(13,925)	(16,926)
– goodwill	21	(14,281)	(20,885)	(103,187)
Provision for bad and doubtful debts		(20,225)	(18,015)	(14,668)
OPERATING PROFIT		109,193	112,311	55,380
Share of income of associated companies		148	(143)	3,083
Provision for losses on termination and disposal of Group operations	10	–	–	(7,056)
Reorganisation and restructuring costs	10	–	–	(11,836)
Profit on disposals of subsidiary undertakings	10	–	–	1,363
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	109,341	112,168	40,934
Tax on profit on ordinary activities	11	(36,091)	(30,044)	(28,540)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		73,250	82,124	12,394
Minority interests – equity		(1,668)	(1,170)	(1,586)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		71,582	80,954	10,808
Dividends – including non-equity	12(b)	(49,487)	(56,852)	(57,874)
RETAINED PROFIT/(LOSS) FOR THE PERIOD		22,095	24,102	(47,066)
Headline earnings attributable to ordinary shareholders (see note 12(e) for reconciliation)		87,246	100,906	115,777
Earnings per share (pence)	12(c)	90.2	99.2	9.6
Headline earnings per share (pence) – as defined in Note 12 to the accounts	12(e)	109.9	125.9	126.8
Diluted earnings per share (pence)	12(d)	89.6	96.4	9.6
Dividends per share (pence)	12(a)	61.4	68.7	53.8

CONSOLIDATED STATEMENTS OF RECOGNISED GAINS AND LOSSES

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Profit for the period attributable to ordinary shareholders	71,582	80,954	10,808
Currency translation differences on foreign currency net investments	(14,201)	(20,797)	983
Unrealised surplus/(deficit) on revaluation of investment properties	2,873	(446)	10,254
TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD	60,254	59,711	22,045

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

CONSOLIDATED BALANCE SHEETS

	Notes	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
ASSETS				
Cash and balances at central banks		589,939	477,646	457,222
Treasury bills and other eligible bills	13	247,889	254,655	340,525
Loans and advances to banks	14	3,635,295	2,341,300	2,583,205
Loans and advances to customers	15	4,853,137	4,741,682	4,780,480
Debt securities	17	4,106,735	5,417,962	4,235,119
Equity shares	18	168,063	265,013	204,352
Interests in associated undertakings	19	15,677	3,272	45,026
Other participating interests	20	33,847	55,051	–
Intangible fixed assets	21	226,414	242,891	451,153
Tangible fixed assets	23	144,717	165,241	186,761
Own shares	24	59,974	39,133	42,130
Other assets	25	1,195,420	865,250	1,275,695
Long term assurance business attributable to the shareholder	26	–	–	67,116
		15,277,107	14,869,096	14,668,784
Long term assurance assets attributable to policyholders	27	752,987	1,114,666	2,354,401
		16,030,094	15,983,762	17,023,185
LIABILITIES				
Deposits by banks	28	4,304,382	4,063,422	3,735,349
Customer accounts	29	8,689,252	8,075,740	7,584,425
Other liabilities	30	1,387,723	1,623,913	2,106,191
Accruals and deferred income		257,016	264,263	218,132
		14,638,373	14,027,338	13,644,097
Long term assurance liabilities attributable to policyholders		752,987	1,114,666	2,354,401
		15,391,360	15,142,004	15,998,498
CAPITAL RESOURCES				
Subordinated liabilities (including convertible debt)	32	83,977	239,129	190,659
Minority interests – equity		26,815	23,459	33,473
Called up share capital	33	6,566	6,701	7,530
Share premium account		515,333	563,567	814,089
Shares to be issued	34	35,285	35,285	41,148
Revaluation reserves		(284)	832	11,202
Other reserves		(88,928)	(110,404)	(105,828)
Profit and loss account		59,970	83,189	32,414
Shareholders' funds		527,942	579,170	800,555
– equity		527,942	536,069	757,454
– non equity		–	43,101	43,101
		638,734	841,758	1,024,687
		16,030,094	15,983,762	17,023,185
MEMORANDUM ITEMS				
Commitments	37	454,049	415,138	506,330
Contingent liabilities	38	411,669	340,291	299,316
		865,718	755,429	805,646

CONSOLIDATED STATEMENTS OF RECONCILIATIONS OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	Share Premium Account £'000	Shares to be issued £'000	Revaluation reserves - investment properties £'000	Equity accounted reserves £'000	Foreign currency reserves £'000	Profit and loss account £'000	Total £'000
At 31 March 1999	6,552	513,561	26,295	(818)	203	(75,669)	36,275	506,399
Year ended 31 March 2000								
Foreign currency adjustments	–	–	–	–	(19)	(14,182)	–	(14,201)
Retained profit for the year	–	–	–	–	–	–	22,095	22,095
Retained earnings of associates	–	–	–	–	739	–	(739)	–
Share issues/to be issued	11	1,358	8,990	–	–	–	–	10,359
Conversions from debentures	3	414	–	–	–	–	–	417
Revaluation of investment properties	–	–	–	2,873	–	–	–	2,873
Transfers on disposal of revalued investment properties	–	–	–	(2,339)	–	–	2,339	–
At 31 March 2000	6,566	515,333	35,285	(284)	923	(89,851)	59,970	527,942
Year ended 31 March 2001								
Foreign currency adjustments	–	–	–	–	(51)	(20,746)	–	(20,797)
Retained profit for the year	–	–	–	–	–	–	24,102	24,102
Retained earnings of associates	–	–	–	–	(679)	–	679	–
Shares issued/to be issued	129	46,624	–	–	–	–	–	46,753
Conversions from debentures	6	1,610	–	–	–	–	–	1,616
Revaluation of investment properties	–	–	–	(446)	–	–	–	(446)
Transfers on disposal of revalued investment properties	–	–	–	1,562	–	–	(1,562)	–
At 31 March 2001	6,701	563,567	35,285	832	193	(110,597)	83,189	579,170
Year Ended 31 March 2002								
Foreign currency adjustments	–	–	–	–	(499)	1,482	–	983
Retained profit for the year	–	–	–	–	–	–	(47,066)	(47,066)
Retained earnings of associates	–	–	–	–	3,593	–	(3,593)	–
Shares issued/to be issued	1,023	384,640	5,863	–	–	–	–	391,526
Cancellation of shares	(195)	(134,460)	–	–	–	–	–	(134,655)
Conversions from debentures	1	342	–	–	–	–	–	343
Revaluation of investment properties	–	–	–	10,254	–	–	–	10,254
Transfers on disposal of revalued investment properties	–	–	–	116	–	–	(116)	–
At 31 March 2002	7,530	814,089	41,148	11,202	3,287	(109,115)	32,414	800,555

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Net cash inflow/(outflow) from operating activities	35	2,385,450	(1,489,797)	595,588
Returns on investments and servicing of finance				
– Preference share dividend paid		–	(1,385)	(2,014)
– Dividends paid to minority shareholders in subsidiary undertakings		–	–	(1,716)
– Interest paid on subordinated liabilities		(16,342)	(26,709)	(35,585)
Net cash (outflow) from returns on investments and servicing of finance		(16,342)	(28,094)	(39,315)
Taxation		(15,155)	(36,308)	(19,380)
Capital expenditure and financial investment				
– Purchase of investment securities		(2,129,343)	(2,872,228)	(2,661,652)
– Sale and maturity of investment securities		2,056,920	2,876,327	2,276,001
– Sale/(purchase) of own shares		6,060	20,841	(2,997)
– Purchase of other participating interests		–	(23,978)	–
– Purchase of tangible fixed assets		(25,199)	(36,457)	(78,157)
– Sale of tangible fixed assets		–	–	5,143
Net cash (outflow) from capital expenditure and financial investment		(91,562)	(35,495)	(461,662)
Acquisitions and disposals				
– Net cash outflow from the purchase of interests in subsidiary undertakings		(41,512)	(72,232)	(58,866)
– Net cash inflow from the sale of interests in subsidiary undertakings		–	–	2,153
– Investment in associated undertakings		(3,732)	–	–
– Purchase of unconsolidated subsidiaries		(234,990)	–	(38,942)
– Proceeds from sale of assets of unconsolidated subsidiary		235,867	–	–
Net cash (outflow) from acquisitions and disposals		(44,367)	(72,232)	(95,655)
Equity dividends paid				
– Ordinary share dividends paid		(43,111)	(55,090)	(58,606)
Financing				
– Proceeds from the issue of subordinated liabilities		–	179,735	36,433
– Repayments of compulsorily convertible debentures		(10,757)	(7,399)	(10,359)
– Proceeds from shares to be issued		8,990	–	5,863
– Proceeds from issue of preference share capital		–	43,101	–
– Proceeds from issue of ordinary share capital		1,369	840	1,086
– Buy-back of ordinary share capital		–	–	(55,533)
Net cash (outflow)/inflow from financing		(398)	216,277	(22,510)
Increase/(decrease) in cash		2,174,515	(1,500,739)	(101,540)
Cash flow reconciliation				
Increase/(decrease) in cash		2,174,515	(1,500,739)	(101,540)
Cash and demand bank balances at beginning of period		1,490,652	3,665,167	2,164,428
Cash and demand bank balances at end of period		3,665,167	2,164,428	2,062,888
Cash and demand bank balances at end of period comprise:				
– Cash		589,939	477,646	457,222
– Demand bank balances		3,075,228	1,686,782	1,605,666
		3,665,167	2,164,428	2,062,888

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

BASIS OF PREPARATION

The Group comprises Investec Group Limited and its subsidiary undertakings.

The financial information has been prepared from the audited consolidated financial statements of Investec Group Limited for the three years ended 31 March 2000, 2001 and 2002. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

These financial statements have been prepared having regard to Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 in accordance with applicable UK accounting standards, and with the Statements of Recommended Practice issued by the British Bankers' Association.

Investment properties have been accounted for in accordance with the requirements of Statement of Standard Accounting Practice 19.

BASIS OF CONSOLIDATION

The Group financial statements incorporate the financial results of the Group and its subsidiaries. All subsidiaries in which the Group holds more than one half of the voting rights or over which it exercises control are consolidated from the effective dates of acquisition and up to the effective dates of disposal. In the case of Investec Bank (Israel) Limited, whose accounts are compiled to 31 December annually, the Group uses interim management accounts, drawn up to 31 March annually.

Entities other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercise a significant influence, are treated as associates. In the group accounts, associates are accounted for using the equity method.

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

Goodwill arising on the acquisition of subsidiaries is written off against income over its useful economic life, for a period not exceeding 20 years. Negative goodwill arising on acquisitions is included within intangible fixed assets and released to profit and loss account initially over the period that non-monetary assets are recovered and then over the periods expected to benefit.

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

FOREIGN ENTITIES

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

Goodwill arising on the acquisition of entities which do not have sterling as a functional currency is translated at historical rates of exchange.

FOREIGN CURRENCY TRANSACTIONS

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

DEBT SECURITIES AND EQUITY SHARES

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

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

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

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

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

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Financial instruments in the trading book are measured at fair value, whereas financial instruments in the non-trading book, including loans and investment securities, are measured at amortised cost. Income and expenses on trading instruments are recognised in the profit and loss account in full in the current period, whereas income and expenses on non-trading instruments are amortised over the life of the instrument, with adjustments made to reflect changes in estimated premiums and discounts. Where the Group has entered into legally binding netting agreements, positive and negative values of derivatives are offset within the balance sheet totals.

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

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

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

INSTALMENT CREDIT, LEASES AND RENTAL AGREEMENTS

Amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances. Finance charges on instalment sale transactions are credited to income in proportion to the capital balances outstanding. Finance lease income is credited to interest income in proportion to the net investment method as opposed to the net cash investment method as the differences have been considered immaterial.

SPECIFIC AND GENERAL PROVISIONS FOR BAD AND DOUBTFUL DEBTS

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

General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future. The Group's general provision has been determined taking into account the structure and the risk characteristics of the Group's loan portfolio. General provisions are deducted from loans and advances to customers in the balance sheet.

TANGIBLE FIXED ASSETS

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

The annual rates used to depreciate assets are as follows:

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

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

Certain of the Group's properties are held for long-term investment purposes. The investment properties are accounted for in accordance with SSAP 19. The properties are revalued to their open market value and the aggregate surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year. No depreciation is provided in respect of such investment properties.

DEALING PROPERTIES

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

DEFERRED TAXATION

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

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

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

LONG TERM LIFE ASSURANCE

1) Investec Employee Benefits

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

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

Changes in the embedded value, which are determined on a post-tax basis, are included in the profit and loss account.

The assets held within the long-term assurance funds are legally owned by the life assurance companies, however the shareholder will only benefit from ownership of these assets to the extent that surpluses are declared or from other cash flows attributable to the shareholder. Reflecting the different nature of these assets, they are classified separately on the Group's balance sheet as "Long-term assurance assets attributable to policyholders", with a corresponding liability to the policyholders also shown. Investments held within the long-term assurance funds are included on the following bases: equity shares, debt securities and unit trusts are valued at market prices; investment properties are reflected at the valuation of directors of the company concerned, and loans are at cost less amounts written off.

2) Investec Assurance

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

The liabilities are valued on a basis consistent with the asset values and comply with the Financial Soundness Valuation basis, as is accepted accounting practice in South Africa.

Investments are reflected at market value. Where market value cannot be determined, investments are reflected at valuation of directors of the company concerned.

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

INCOME RECOGNITION

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

Dealing profits 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 and reclassifications of investments and dividends received.

RETIREMENT BENEFITS

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

The Group also offers the optional benefits of a provident fund and a deferred compensation fund. The funds are administered by Alexander Forbes Consultants and Actuaries (Tvl) (Pty) Limited and are registered in South Africa. The Group has no liabilities for other post retirement benefits. These schemes operate in a similar manner to defined contribution schemes.

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

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

CAPITAL INSTRUMENTS

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

2. Principal Subsidiary and Associated Undertakings

Principal subsidiary companies	Nature of Business	Percentage of equity capital held % 2000	% 2001	% 2002
Direct subsidiaries of Investec Group Limited				
Investec Bank Ltd ⊗	Banking institution	100	100	100
Investec Assurance Ltd ⊗	Insurance company	100	100	100
Investec Property Group Ltd ⊗	Investment holding	100	100	100
Investec Asset Management Holdings (Pty) Ltd ⊗	Investment holding	100	100	100
IFI Finance (Pty) Ltd ⊗	Investment holding	100	100	100
Investec Overseas Finance (BVI) Ltd □	Financing Company	100	100	100
Investec SA ⊗ *	Investment holding	100	100	100
Securities Investment Bank Ltd ⊗	Banking institution	–	100	100
Investec Securities Limited * ⊗	Stockbroking and portfolio management	100	100	100
Indirect subsidiaries of Investec Group Limited				
Investec Bank (UK) Ltd ‡	Banking institution	100	100	100
Investec Holdings (UK) Ltd ‡	Holding company	100	100	100
Guinness Mahon Group Ltd ‡	Holding company	100	100	100
Investec Insurance (UK) Ltd ‡	Insurance broking	100	100	–
Investec I Ltd (renamed Grayinvest Limited) ‡	Investment holding	100	100	100
Investec Group (UK) PLC ‡	Holding company	100	100	100
Investec Asset Finance PLC ‡	Leasing company	100	100	100
Investec Group Investments (UK) Ltd ‡	Investment holding	100	100	100
Investec Property Investments Limited (formerly Investec Property PLC) ‡	Investment holding	100	100	100
Investec Bank (Channel Islands) Ltd ‡	Banking institution	100	100	100
Investec Bank (Jersey) Ltd ‡	Banking institution	100	100	100
Investec Bank (Switzerland) AG ⊕	Banking institution	100	100	100
Carr Sheppards Crosthwaite Ltd ‡	Stockbroking & portfolio management	100	100	100
Gandon Capital Markets Ltd (renamed Investec Ireland Limited) ◇	Banking institution	100	100	100
Investec Ernst & Company △	Clearing & execution and stockbroking	100	100	100
Investec Bank (Israel) Ltd #	Banking institution	69	75	80
Investec Australia Limited ▽	Banking institution	100	100	100
Investec Bank (Botswana) Ltd ◎	Banking Institution	100	100	100
Investec Ltd ⊗	Investment holding	100	100	100
Invego Investments Ltd ⊗	Investment holding	100	100	100
South African Druggists Ltd (renamed Barfold Investments Ltd) ⊗	Investment holding	100	100	100
Investec Asset Management (Pty) Ltd ⊗	Asset Management	100	100	100
Investec Insurance Brokers (Pty) Ltd ⊗	Insurance broking	100	100	100
Investec International Holdings (Pty) Ltd ⊗	Investment holding	100	100	100
Investec Investment Trust Ltd ⊗	Investment management	52	52	52
Investec Fund Managers SA Ltd ⊗	Unit trust management	100	100	100
Investec Bank (Mauritius) Ltd•	Banking institution	100	100	100
IPG (Property Trading & Development (Pty) Ltd ⊗	Property trading	100	100	100
Reichmans Ltd ⊗	Trade financing	100	100	100
100 Grayston Drive Property (Pty) Ltd ⊗	Property holding	100	100	100
Fedsure Life Assurance Ltd (renamed Investec Employee Benefits Ltd) ⊗	Life Assurance	–	–	100
European Capital Company Ltd ‡	Project Finance	–	–	100
Preference shares issued by subsidiaries & associates				
Investec Bank (Mauritius) Ltd•		100	100	100
Securities Investment Bank Ltd ⊗		100	100	100
Reichmans Ltd ⊗		100	100	100
Principal associated companies of Investec Group Ltd				
Capital Alliance Ltd ⊗	Life Assurance	–	–	30
Securities Investment Bank Ltd ⊗	Banking institution	25	–	–

Investec Bank (Israel) Ltd's year-end is 31 December, in line with Israeli statutory requirements.

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

‡ UK ▽Australia °Luxembourg # Israel •Mauritius △USA ◎ Botswana ◇ Ireland □ British Virgin Islands
⊗ South Africa ⊕ Switzerland

* During the year ended 31 March 2001, Investec SA, Investec Securities Ltd and Securities Investment Bank Ltd were sold to Investec Group Ltd. Previously they were categorised as wholly owned indirect subsidiaries of Investec Group Limited.

3. Segmental Analysis – Business, Geographic, Currency

Business Analysis 2002

	Investment Banking	Private *Client* Activities	Treasury and *Specialised* Finance	*Asset* Management	Group Services *and Other* Activities	*Total* Group
			£ thousands			
Net interest income	3,125	75,567	67,426	4,761	8,238	159,117
Dividend Income	1,382	61	238	68	259	2,008
Net Fees & commissions receivable	76,978	109,250	13,807	97,852	52,331	350,218
Dealing Profits	9,045	2,526	24,668	(1,579)	10,640	45,300
Income from long term assurance business	–	–	–	31,079	–	31,079
Other operating income	24,020	3,750	1,681	(558)	2,056	30,949
Operating Income	114,550	191,154	107,820	131,623	73,524	618,671
Administrative expenses	(70,522)	(133,166)	(52,292)	(75,027)	(97,503)	(428,510)
Depreciation	(1,047)	(4,586)	(1,612)	(1,382)	(8,299)	(16,926)
Provision for bad and doubtful debts	(437)	(9,262)	(2,132)	(19)	(2,818)	(14,668)
Operating profit before amortisation of goodwill	42,544	44,140	51,784	55,195	(35,096)	158,567
Share of income of associated companies	–	–	–	4	3,079	3,083
Amortisation of goodwill	(2,673)	(10,597)	(2,206)	(73,419)	(14,292)	(103,187)
Other exceptional items	–	(7,056)	–	(9,222)	(1,251)	(17,529)
Profit on ordinary activities before taxation	39,871	26,487	49,578	(27,442)	(47,560)	40,934
Net Intercompany interest	3,911	35,241	(53,952)	(190)	14,990	–
Total Assets (£ million)	641	2,839	9,933	2,785	825	17,023

The *Statement of Recommended Practice on Segmental Reporting by Banks requires, inter alia, net assets to be* disclosed by class of business and geographical segment. In the view of the directors it would not be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally.

Business Analysis 2001

	Investment Banking	Private *Client* Activities	Treasury and *Specialised* Finance	*Asset* Management	Group Services *and Other* Activities	*Total* Group
			£ thousands			
Net interest income	3,472	66,775	73,103	3,537	12,200	159,087
Dividend Income	2,052	51	2,697	54	377	5,231
Net Fees & commissions receivable	86,174	109,035	16,599	82,697	44,628	339,133
Dealing Profits	10,147	4,554	17,576	2,015	1,887	36,179
Income from long term assurance business	–	–	–	–	–	–
Other operating income	9,733	(1)	(2,500)	53	3,979	11,264
Operating Income	111,578	180,414	107,475	88,356	63,071	550,894
Administrative expenses	(61,336)	(131,635)	(49,378)	(65,646)	(77,763)	(385,758)
Depreciation	(700)	(3,427)	(1,192)	(1,364)	(7,242)	(13,925)
Provision for bad and doubtful debts	(1,589)	(9,106)	(4,604)	(94)	(2,622)	(18,015)
Operating profit before amortisation of goodwill	47,953	36,246	52,301	21,252	(24,556)	133,196
Share of income of associated companies	–	122	119	224	(608)	(143)
Amortisation of goodwill	1,548	(7,994)	(2,122)	(6,714)	(5,603)	(20,885)
***Profit on ordinary activities before* taxation**	49,501	28,374	50,298	14,762	(30,767)	112,168
Net Intercompany interest	1,440	19,968	(38,423)	(50)	17,065	–
Total Assets (£ million)	817	3,061	10,334	1,306	466	15,984

Business Analysis 2000

	Investment Banking	Private Client Activities	Treasury and Specialised Finance	Asset Management	Group Services and Other Activities	Total Group
			£ thousands			
Net interest income	6,077	50,239	70,640	3,512	(11,980)	118,488
Dividend Income	3,380	545	26	88	4,528	8,567
Net Fees & commissions receivable	64,296	90,437	13,113	73,766	43,044	284,656
Dealing profits	7,135	2,681	12,207	786	2,710	25,519
Income from long term assurance	–	–	–	–	–	–
Other operating income	24,705	139	22	46	19,308	44,220
Operating Income	105,593	144,041	96,008	78,198	57,610	481,450
Administrative expenses	(48,517)	(105,436)	(42,873)	(58,963)	(68,820)	(324,609)
Depreciation	(619)	(2,438)	(1,176)	(1,274)	(7,635)	(13,142)
Provision for bad and doubtful debts	(322)	(7,035)	(11,088)	(19)	(1,761)	(20,225)
Operating profit before amortisation of goodwill	56,135	29,132	40,871	17,942	(20,606)	123,474
Share of income of associated companies	–	–	(586)	139	595	148
Amortisation of goodwill	(21)	(6,042)	(769)	(6,519)	(930)	(14,281)
Profit on ordinary activities before taxation	56,114	23,090	39,516	11,562	(20,941)	109,341
Net Intercompany interest	5,748	30,919	(64,917)	45	28,205	–
Total Assets (£ million)	882	3,097	10,109	936	1,006	16,030

Geographical Analysis 2002

	United Kingdom, Europe & Australia	Southern Africa & Other	Israel	United States of America	Total
			£ thousands		
Net interest income	64,808	67,173	13,784	13,352	159,117
Dividend Income	805	1,037	–	166	2,008
Net Fees & commissions receivable	183,871	97,206	5,973	63,168	350,218
Dealing profits	29,588	13,312	3,308	(908)	45,300
Income from long term assurance business	–	31,079	–	–	31,079
Other operating income	14,940	16,266	(107)	(150)	30,949
Operating Income	294,012	226,073	22,958	75,628	618,671
Administrative expenses	(219,379)	(124,660)	(12,404)	(72,067)	(428,510)
Depreciation	(8,405)	(5,718)	(882)	(1,921)	(16,926)
Provision for bad and doubtful debts	2,302	(16,428)	(542)	–	(14,668)
Operating profit before amortisation of goodwill	68,530	79,267	9,130	1,640	158,567
Share of income of associated companies	–	3,022	(6)	67	3,083
Amortisation of goodwill	(28,167)	(66,609)	(29)	(8,382)	(103,187)
Other exceptional items	1,363	(11,836)	–	(7,056)	(17,529)
Profit on ordinary activities before taxation	41,726	3,844	9,095	(13,731)	40,934
Taxation	9,428	21,100	3,524	(5,512)	28,540
Minorities	541	–	1,045	–	1,586
Profit attributable to shareholders	31,757	(17,256)	4,526	(8,219)	10,808
Net Intercompany interest	(5,453)	3,739	220	1,494	–
Total Assets (£ million)	8,135	7,329	932	627	17,023

The Statement of Recommended Practice on Segmental Reporting by Banks requires, inter alia, net assets to be disclosed by class of business and geographical segment. In the view of the directors it would not be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally. Similarly, an analysis by geographical segment would not be meaningful, because of the way in which the Group has been structured and funded historically.

The Statement of Recommended Practice on Segmental Reporting by Banks requires the disclosure by geographical segment of Gross Income, consisting of interest receivable, dividend income, fees and commissions receivable, dealing profits and other operating income. In the view of the directors, interest receivable and fees and commissions receivable are monitored on a net basis and aggregate split of fees and commissions receivable and payable by geographical segment would not provide meaningful disclosure. Consequently, Gross Income is not separately disclosed.

Geographical Analysis 2001

	United Kingdom, Europe & Australia	Southern Africa & Other	Israel	United States of America	Total
			£ thousands		
Net interest income	69,259	60,714	11,017	18,097	159,087
Dividend Income	241	4,990	–	–	5,231
Net Fees & commissions receivable	181,730	99,920	11,827	45,656	339,133
Dealing profits	13,301	17,642	3,288	1,948	36,179
Income from long term assurance business	–	–	–	–	–
Other operating income	12,790	(993)	587	(1,120)	11,264
Operating Income	277,321	182,273	26,719	64,581	550,894
Administrative expenses	(187,096)	(126,945)	(17,065)	(54,652)	(385,758)
Depreciation	(6,006)	(5,813)	(761)	(1,345)	(13,925)
Provision for bad debts	588	(15,483)	(3,121)	1	(18,015)
Operating profit before amortisation of goodwill	84,807	34,032	5,772	8,585	133,196
Share of income of associated companies	–	35	224	(402)	(143)
Amortisation of goodwill	(17,655)	(1,128)	425	(2,527)	(20,885)
Profit on ordinary activities before taxation	67,152	32,939	6,421	5,656	112,168
Taxation	9,431	14,062	2,024	4,527	30,044
Minorities	–	–	1,170	–	1,170
Profit attributable to ordinary shareholders	57,721	18,877	3,227	1,129	80,954
Net Intercompany interest	27	(1,399)	(4,914)	6,286	–
Total Assets (£ million)	8,449	5,781	976	778	15,984

Geographical Analysis 2000

	United Kingdom, Europe & Australia	Southern Africa & Other	Israel	United States of America	Total
			£ thousands		
Net interest income	53,271	44,838	9,554	10,825	118,488
Dividend income	582	7,981	4	–	8,567
Net Fees & commissions receivable	148,730	89,188	11,685	35,053	284,656
Dealing Profits	14,133	9,542	179	1,665	25,519
Income from long term assurance business	–	–	–	–	–
Other operating income	24,369	6,298	414	13,139	44,220
Operating Income	241,085	157,847	21,836	60,682	481,450
Administrative Expenses	(157,963)	(114,344)	(10,866)	(41,436)	(324,609)
Depreciation	(4,953)	(6,150)	(873)	(1,166)	(13,142)
Provision for bad and doubtful debts	(1,245)	(18,336)	(644)	–	(20,225)
Operating profit before amortisation of goodwill	76,924	19,017	9,453	18,080	123,474
Share of income of associated companies	596	–	139	(587)	148
Amortisation of goodwill	(12,973)	(664)	110	(754)	(14,281)
Profit on ordinary activities before taxation	64,547	18,353	9,702	16,739	109,341
Taxation	16,890	6,442	3,058	9,701	36,091
Minorities	–	–	1,668	–	1,668
Profit attributable to shareholders	47,657	11,911	4,976	7,038	71,582
Net Intercompany interest	3,317	(6,352)	(191)	3,226	–
Total Assets (£ million)	8,912	5,043	917	1,158	16,030

A geographical breakdown of business operating profit before goodwill amortisation is shown below:

	Investment Banking	Private Client Activities	Treasury and Specialised Finance	Asset Management	Group Services and Other Activities	Total Group
			£ thousands			
2002						
United Kingdom, Europe & Australia	22,977	25,830	10,999	3,878	4,846	68,530
Southern Africa and Other	18,566	12,831	40,466	50,999	(43,595)	79,267
Israel	4,748	3,827	319	318	(82)	9,130
United States of America	(3,747)	1,652	–	–	3,735	1,640
Total	42,544	44,140	51,784	55,195	(35,096)	158,567
2001						
United Kingdom, Europe & Australia	40,284	19,071	10,922	3,031	11,499	84,807
Southern Africa and Other	5,066	11,697	41,182	18,025	(41,938)	34,032
Israel	2,603	2,828	197	196	(52)	5,772
United States of America	–	2,650	–	–	5,935	8,585
Total	47,953	36,246	52,301	21,252	(24,556)	133,196
2000						
United Kingdom, Europe & Australia	39,575	15,895	13,081	1,250	7,123	76,924
Southern Africa and Other	11,830	6,862	27,531	16,421	(43,627)	19,017
Israel	4,730	4,020	259	271	173	9,453
United States of America	–	2,355	–	–	15,725	18,080
Total	56,135	29,132	40,871	17,942	(20,606)	123,474

Further breakdowns of business line operating profit before goodwill amortisation are shown below:

	2000	2001 £ thousands	2002
Investment Banking			
Corporate Finance	16,389	29,530	12,274
Institutional Research and Sales and Trading	11,900	7,653	9,636
Direct Investments	22,544	(7,231)	9,222
Private Equity	5,302	18,001	11,412
	56,135	47,953	42,544
Private Client Activities			
Private Banking	14,382	19,580	26,867
Private Client Portfolio Management and Stockbroking	14,750	16,666	17,273
	29,132	36,246	44,140
Treasury and Specialised Finance			
Banking	29,400	35,839	39,662
Financial Markets	11,471	16,462	12,122
	40,871	52,301	51,784
Asset Management			
Asset Management	17,942	21,252	24,115
Assurance	–	–	31,080
	17,942	21,252	55,195
Group Services and Other Activities			
International Trade Finance	4,719	3,466	2,424
Property Worldwide	3,657	6,712	5,781
US Clearing and Execution	4,476	6,183	3,855
UK Traded Endowments	–	–	2,531
Other Activities	12,852	16,361	14,591
Central Funding	(3,782)	(1,702)	(10,556)
Central Costs	(29,676)	(39,215)	(39,131)
	(20,606)	(24,556)	(35,096)
Total	123,474	133,196	158,567

4. Dividend Income

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Income from equity shares	3,781	3,406	2,008
Income from participating interests other than associated undertakings	4,786	1,825	–
	8,567	5,231	2,008

5. Dealing profits

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Interest rate instruments	14,632	9,506	11,703
Foreign exchange instruments	5,207	8,935	6,134
Profit on disposal of dealing properties	7,940	6,178	1,814
Equities and other securities	(2,260)	11,560	15,946
Traded endowments	–	–	9,703
	25,519	36,179	45,300

6. Administrative expenses

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Staff costs (including directors' remuneration)	210,134	250,791	275,231
– Wages and salaries	191,925	225,385	245,572
– Social security costs	8,267	13,064	15,036
– Pension and provident fund contributions	9,942	12,342	14,623
Other administrative expenses	114,475	134,967	153,279
– Premises (excluding depreciation)	6,393	8,050	9,221
– Operating rental expenses	14,242	14,054	16,634
– Equipment (excluding depreciation and operating rental expenses)	20,663	30,386	31,980
– Business expenses	59,206	63,723	79,717
– Marketing expenses	13,971	18,754	15,727
	324,609	385,758	428,510

	Number	Number	Number
The number of persons employed by the Group was as follows:-			
Investment banking	291	344	462
Treasury and Specialised Finance	384	441	503
Private client activities	1,828	2,028	1,813
Asset Management	630	670	1,339
Group services and other activities	1,308	1,353	1,412
	4,441	4,836	5,529

The following amounts were paid to the auditors	£,000	£,000	£,000
Audit fees	1,652	1,531	2,468
Other services	495	683	1,058
Listing fees	–	6,274	1,359

7. Group profit on ordinary activities before tax is stated after:

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Income:			
Gains on disposal/reclassification of investment securities	44,220	11,264	30,949
Operating lease income	2,440	3,850	3,764

8. Directors' Emoluments (£)

For the year ended 31 March 2002

Name	Directors' fees and salaries	Performance related remuneration	Other benefits	Total remuneration Expense
Executive Directors				
H. S. Herman	188,515	177,735	23,994	390,244
S. Koseff	175,316	370,925	37,193	583,434
B. Kantor	254,253	425,018	20,472	699,743
D. M. Lawrence	93,139	204,782	22,775	320,696
B. Tapnack	91,329	193,190	24,585	309,104
Total	802,552	1,371,650	129,019	2,303,221
Non-executive				
S. E. Abrahams	45,741	–	–	45,741
A. I. Basserabie	580	–	–	580
Dr H. K. Davies	2,318	–	–	2,318
G. H. Davin	2,318	–	–	2,318
D. E. Jowell	106,583	–	–	106,583
I. R. Kantor	2,318	–	–	2,318
D. H. Mitchell	580	–	–	580
D. R. Motsepe	2,318	–	–	2,318
Dr M.Z. Nkosi	6,167	–	–	6,167
P. R. S. Thomas	44,530	–	–	44,530
Total	213,453	–	–	213,453
Total	1,016,005	1,371,650	129,019	2,516,674

For the year ended 31 March 2001

Name	Directors' fees and salaries	Performance related remuneration	Other benefits	Total remuneration Expense
Executive Directors				
H. S. Herman	222,337	253,897	26,944	503,178
S. Koseff	210,705	378,538	33,960	623,203
B. Kantor	263,068	378,538	24,583	666,189
D. M. Lawrence	107,736	180,036	16,905	304,677
B. Tapnack	95,322	180,036	24,702	300,060
Total	899,168	1,371,045	127,094	2,397,307
Non-executive				
S. E. Abrahams	40,808	–	–	40,808
A. I. Basserabie	2,954	–	–	2,954
Dr H. K. Davies	2,770	–	–	2,770
G. H. Davin	2,770	–	–	2,770
D. E. Jowell	115,316	–	–	115,316
I. R. Kantor	2,770	–	–	2,770
D. H. Mitchell	2,770	–	–	2,770
D. R. Motsepe	2,770	–	–	2,770
Dr M.Z. Nkosi	5,244	–	–	5,244
P. R. S. Thomas	40,347	–	–	40,347
Total	218,519	–	–	218,519
Total	1,117,687	1,371,045	127,094	2,615,826

For the year ended 31 March 2000

Name	Directors' fees and salaries	Performance related remuneration	Other benefits	Total remuneration Expense
Executive Directors				
H. S. Herman	188,057	336,257	28,521	552,835
S. Koseff	181,176	374,759	35,402	591,337
B. Kantor	230,539	376,300	33,004	639,843
D. M. Lawrence	98,149	234,473	17,376	349,998
B. Tapnack	86,312	211,765	20,495	318,572
Total	784,233	1,533,554	134,798	2,452,585
Non-executive				
S. E. Abrahams	41,246	–	–	41,246
A. I. Basserabie	2,743	–	–	2,743
Dr H. K. Davies	2,743	–	–	2,743
G. H. Davin	–	–	–	–
D. E. Jowell	80,696	–	–	80,696
I. R. Kantor	–	–	–	–
D. H. Mitchell	2,743	–	–	2,743
D. R. Motsepe	2,743	–	–	2,743
Dr M.Z. Nkosi	2,743	–	–	2,743
F van Zyl Slabbert	2,743	–	–	2,743
P. R. S. Thomas	17,976	–	–	17,976
Total	156,376	–	–	156,376
Total	940,609	1,533,554	134,798	2,608,961

9. Pension costs

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Defined benefit obligations	1,214	1,868	1,708
Defined contributions	8,728	10,474	12,915
Pension and provident fund contributions	9,942	12,342	14,623

The Group operates pension schemes throughout its area of operation. The majority of the schemes are defined contribution schemes. The Group operates one significant non-contributory defined benefit scheme in the UK, the Guinness Mahon Pension Fund Scheme. The scheme assets are held in separate trustee administered funds.

The most recent full actuarial valuation of the scheme was performed as at 31 March 2000 by a qualified actuary. The pension cost relating to the scheme was determined using the attained age method. The assumptions which had the most significant effect on the results of the valuation are those relating to the real rate of return on investments both before and after retirement. In the valuation it was assumed that the investments would earn a rate of return of 1.4 per cent. per annum in excess of the rate of growth of salaries up to the normal retirement date. The market value of the scheme's assets as at 31 March 2000 was £72,507,000 and the actuarial value of those assets represented 103 per cent. of the value of the liabilities in respect of the benefits that had accrued to members after allowing for expected future increases in earnings.

An actuarial valuation of the scheme was re-performed as at 31 March 2002 by an independent qualified actuary using a set of assumptions consistent with the requirements of FRS 17.

The major actuarial assumptions used as at 31 March 2002 were:

Discount rate	6.00% pa
Rate of increase in salaries	4.25% pa
Rate of increases in pensions in payment for pre 1997 pension	1.83% pa
Rate of increases in pensions in payment for post 1997 pension	2.75% pa
Inflation	2.75% pa

The assets held in the scheme and the expected rates of return at 31 March 2002 were:

	Value £000's	Long term rate *of return* expected
Equities	34,539	7.25%
Gilts	24,405	5.25%
Insurance policy	10,161	6.25%
Cash	1,655	4.00%
Total market value of assets	70,760	

The following amounts as at 31 March 2002 were measured in accordance with the requirements of FRS 17:

	£000's
Total market value of assets	70,760
Present value of plan liabilities	68,331
Surplus in the plan	2,429

If FRS 17 was adopted in full as at 31 March 2002, the net pension surplus in respect of the scheme would not be recognised in the Balance Sheet of the Company as it is not considered to be recoverable.

10. Non-operating exceptional items

Non-operating exceptional items arose as a result of the following:

2002

- Write down of assets of £7.1m in respect of the pending disposal of US private client operations. Deferred Tax of £2.7m was credited to the profit and loss account relating to the write down.

- Costs of £11.8m relating to the restructuring of the Fedsure business units acquired in June 2001.

- Profit of £1.3m on disposal of the UK insurance business

11. Taxation

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Corporation tax	32,949	32,105	29,271
United Kingdom	14,167	16,660	4,940
– current tax on income for the period	13,253	16,660	8,050
– adjustments in respect of prior periods(*)	914	–	–
– ACT recovered	–	–	(3,110)
– corporation tax before double tax relief	14,167	16,660	4,940
– double tax relief	–	–	–
Europe	694	1,676	35
South Africa	5,406	7,839	20,934
United States of America	9,701	4,783	(2,392)
Israel	2,658	1,697	3,524
Australia	120	(1,041)	1,595
Other	203	491	635
Deferred tax	1,637	(5,310)	(1,286)
United Kingdom	1,909	(7,558)	4,040
Europe	–	–	–
South Africa	(672)	2,483	(970)
United States of America	–	(256)	(3,120)
Israel	400	327	–
Australia	–	(306)	(1,182)
Other	–	–	(54)
Other tax	1,505	3,249	555
Secondary taxation on companies(**)	1,505	3,249	238
Share of associates tax charge	–	–	317
Total tax charge for the period	36,091	30,044	28,540
Estimated tax losses available for relief against future taxable income			
United Kingdom	19,386	16,700	10,000
Europe	14,449	14,984	18,421
South Africa	3,926	3,161	5,301
	37,761	34,845	33,722
The rates of corporation tax for the relevant periods are:			
South Africa	30%	30%	30%
United Kingdom	30%	30%	30%
Europe (average)	20%	20%	20%
United States of America(***)	35%	35%	35%
Israel	45%	45%	45%
Australia	36%	34%	30%

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Tax rate reconciliation			
Profit on ordinary activities before taxation	109,341	112,168	40,934
Tax on profit on ordinary activities	36,091	30,044	28,540
Effective tax rate	33.0%	26.8%	69.7%
Tax on profit on ordinary activities before taxation, at UK rate of 30%	32,802	33,650	12,280
Utilisation of capital and trading losses	(1,900)	(4,600)	(4,258)
Tax adjustment relating to foreign earnings(****)	(1,650)	(2,548)	28,665
Prior year ACT recoverable	–	–	(3,110)
Capital allowances in excess of depreciation	(4,100)	(3,600)	(5,322)
Goodwill amortisation disallowed in UK	3,400	4,300	122
Permanently disallowed items for corporation tax purposes	1,000	1,000	(916)
Other timing differences	3,397	3,903	1,810
Current tax charge	32,949	32,105	29,271

(*) There were no material adjustments in respect of prior periods relating to jurisdictions outside of the UK.

(**) Secondary taxation on companies is a tax on dividends declared by South African entities. The rate of taxation is 12.5% on the net dividend, being dividends declared less dividend credits.

(***) These are the statutory federal tax rates and therefore exclude state and local income taxes, which range from 7.3% to 9%.

(****) *The tax adjustment relating to foreign earnings in the 2002 year is mainly driven by the increased goodwill amortisation in South Africa,* which is not a tax deductible expense in that region.

12. Dividends and earnings per share

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
(a) Ordinary dividends – pence per share			
Interim	23.5	28.4	25.9
Final	37.9	40.3	27.9
	61.4	68.7	53.8
	£'000	**£'000**	**£'000**
(b) Ordinary dividends			
Other(*)	–	–	5,848
Interim	18,957	22,927	24,232
Final	30,530	32,541	25,779
	49,487	55,468	55,859
Preference dividend			
Dividends	–	1,384	2,015
	49,487	56,852	57,874

(*) This relates to dividends paid in respect of shares issued cum dividend after 31 March 2001

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
(c) Earnings per share			
Basic earnings per share (pence per share) are calculated by dividing the profit attributable to the ordinary shareholders in Investec Group Limited by the weighted average number of ordinary shares in issue during the period	90.2	99.2	9.6
	£'000	**£'000**	**£'000**
Group profit attributable to the shareholders per profit and loss account	71,582	80,954	10,808
Preference dividends	–	(1,384)	(2,015)
Group profit attributable to ordinary shareholders	71,582	79,570	8,793
(d) Diluted earnings per share			
Group profit attributable to ordinary shares	71,582	79,570	8,793
Interest paid on dilutive convertible debentures	4,140	8,569	–
	75,722	88,139	8,793
Diluted earnings per share (pence per share) is calculated by dividing the profit attributable to the ordinary shareholders of Investec Group Limited, 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.	89.6	96.4	9.6
– Weighted average number of shares in issue during the period	80,483,102	80,678,788	91,519,045
– Weighted average number of own shares	(1,107,473)	(500,852)	(237,582)
	79,375,629	80,177,936	91,281,463
– Weighted average number of shares in issue resulting from future dilutive debenture conversions	5,073,994	11,273,994	–
– Weighted average number of shares resulting from exercise of options	16,095	16,652	–
– Weighted average number of own shares resulting from exercise of staff purchase scheme instruments	17,554	5,418	2,609
– Adjusted weighted number of shares potentially in issue	84,483,272	91,474,000	91,284,072
(e) Headline earnings			
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".	109.9	125.9	126.8
	£'000	**£'000**	**£'000**
Earnings attributable to ordinary shareholders (Note 12(c))	71,582	79,570	8,793
Amortisation of goodwill	14,281	20,885	103,187
Profits on disposal of subsidiary undertakings	–	–	(1,363)
Provision for losses on termination and disposal of Group operations (net of deferred tax)	–	–	4,339
Amortisation of goodwill of associates	1,383	451	821
Headline earnings attributable to ordinary shareholders	87,246	100,906	115,777

13. Treasury bills and other eligible bills

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Other securities			
Treasury bills	130,088	91,634	197,768
Other eligible bills	117,801	163,021	142,757
	247,889	254,655	340,525

These are all trading securities.

14. Loans and advances to banks

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Remaining maturity:			
Repayable on demand	3,075,228	1,686,782	1,605,666
Up to three months, excluding on demand	431,201	461,382	554,206
Three months to one year	128,866	187,663	389,594
One year to five years	–	5,473	4,919
Greater than five years	–	–	28,820
Provision for bad and doubtful debts	–	–	–
	3,635,295	2,341,300	2,583,205

15. Loans and advances to customers

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Remaining maturity:			
Repayable on demand or at short notice	2,607,037	2,275,092	1,652,569
Up to three months, excluding on demand or at short notice	409,532	287,286	178,483
Three months to one year	421,011	574,150	711,606
One year to five years	676,792	934,891	1,225,926
Greater than five years	817,150	745,975	1,076,123
Provisions for bad and doubtful debts	(78,385)	(75,712)	(64,227)
	4,853,137	4,741,682	4,780,480
Included in loans and advances to customers are:			
Core loans and advances to customers (refer to note 39 on credit risk)	3,083,013	3,299,107	3,314,450
Net investment in finance leases	44,847	83,915	64,352
Net investment in HP contracts	172,288	95,430	90,879
Non-performing loans			
Principal and interest outstanding	66,852	56,477	38,124
Less: Security held against non-performing loans	(30,970)	(27,113)	(11,821)
Net non-performing loans – fully provided for by specific provisions	35,882	29,364	26,303

16. Provisions for bad and doubtful debts

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Specific provisions			
At beginning of year	49,390	49,989	44,496
Charged against income	18,101	9,036	(614)
Acquired or disposed with subsidiaries	–	75	(75)
Utilised	(11,124)	(16,555)	(10,674)
Recoveries	(241)	(257)	(223)
Transfers	(3,779)	5,312	2,223
Exchange adjustments	(2,358)	(3,104)	(7,880)
At end of year	49,989	44,496	27,253
General provisions			
At beginning of year	23,636	28,396	31,216
Charged against income	2,124	8,979	15,282
Acquired or disposed with subsidiaries	–	574	(227)
Utilised	(43)	(49)	(88)
Transfers	3,779	(5,312)	(2,223)
Exchange adjustments	(1,100)	(1,372)	(6,986)
At end of year	28,396	31,216	36,974
Total provisions			
At beginning of year	73,026	78,385	75,712
Charged against income	20,225	18,015	14,668
Acquired or disposed with subsidiaries	–	649	(302)
Utilised	(11,167)	(16,604)	(10,762)
Recoveries	(241)	(257)	(223)
Exchange adjustments	(3,458)	(4,476)	(14,866)
At end of year	78,385	75,712	64,227

17. Debt securities

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Dealing and market making securities at market value	3,672,493	5,018,710	3,449,154
Government securities	326,836	388,362	304,078
Other debt securities	25,772	27,112	37,498
Unlisted bank and building society certificates of deposit	3,319,885	4,603,236	3,107,578
Investment securities at cost	434,242	399,252	785,965
Unlisted bank and building society certificates of deposit	366,966	368,641	755,851
Other unlisted debt securities	67,276	30,611	30,114
Total debt securities	4,106,735	5,417,962	4,235,119
Amounts include:			
Unamortised net premiums on investment securities	–	14	647

The cost of the investment securities, all of which are held in the banking book, does not differ materially from the fair value.

All debt securities have a maturity date of less than one year from the balance sheet date.

The cost of dealing and market making securities has not been disclosed, as it cannot be determined without unreasonable expense.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Investment securities			
Opening balance	309,830	434,242	399,252
Additions	2,026,573	2,763,505	2,614,491
Sold/matured	(1,900,118)	(2,794,309)	(2,214,388)
Amortisation of discounts and premiums	(71)	–	(14)
Exchange adjustments	(1,972)	(4,186)	(13,376)
Closing balance	434,242	399,252	785,965

18. Equity shares

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Dealing securities at market value	14,890	93,750	87,082
Listed	12,073	58,106	72,241
Unlisted	2,817	35,644	14,841
Investment securities at book value	153,173	171,263	117,270
Listed	100,985	70,686	40,434
Unlisted	52,188	100,577	76,836
	168,063	265,013	204,352
Investment securities at market value			
Listed	162,808	79,434	41,974

The difference between the book value and market value of unlisted investment securities, where the market value is higher than the book value, is not disclosed as its determination is not practicable.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Investment securities at book value			
At beginning of period	203,008	153,173	171,263
Additions	102,770	108,722	47,161
Acquisitions	6,159	–	4,861
Provisions	(5,840)	(7,682)	(222)
Disposals	(141,120)	(71,577)	(48,173)
Reclassification	(5,919)	(2,439)	(28,793)
Exchange adjustment	(5,886)	(8,934)	(28,827)
At end of period	153,173	171,263	117,270
Provisions on investment securities			
Opening balance	(9,919)	(15,759)	(23,441)
Movement	(5,840)	(7,682)	(222)
Closing balance	(15,759)	(23,441)	(23,663)
Profit on reclassification of equities from investment to trading	–	823	17,509

19. Interests in associated undertakings

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Interests in associated undertakings consist of:			
Net asset value	11,586	3,272	31,145
Goodwill	4,091	–	13,881
	15,677	3,272	45,026
Analysis of the movement in our share of net assets:			
At beginning of year	20,745	11,586	3,272
Exchange adjustments	(932)	(121)	(6,284)
Acquisitions	3,732	–	27,170
Transfers (to)/from equities	(13,490)	2,394	3,400
Transfers to subsidiaries	–	(10,895)	–
Operating profits (net of dividends)	1,531	308	3,904
Taxation	–	–	(317)
At end of year	11,586	3,272	31,145
Analysis of the movement in goodwill:			
At beginning of year	5,474	4,091	–
Acquisitions	–	–	14,702
Goodwill write-off	(1,383)	(451)	(821)
Transfers	–	(3,640)	–
At the end of year	4,091	–	13,881
Associated undertakings			
Listed	14,826	–	41,865
Unlisted	851	3,272	3,161
	15,677	3,272	45,026
Market value of listed investments	11,127	–	28,381

The market value of the listed investments in associated undertakings as at 31 May 2002 was £39.6m.

The goodwill for the 2002 financial year relates to the acquisition of Capital Alliance Limited and for the 2000 financial year relates to the acquisition of Securities Investment Bank Holdings Limited.

The equity accounting for our share of Capital Alliance Limited's profit for the current period does not include the value of the in-force business as this information was not available at the time these accounts were prepared.

The only significant associates over the periods were Capital Alliance Limited and Securities Investment Bank Holdings Limited.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Capital Alliance Limited (CAL) is a listed company on the Johannesburg Stock Exchange CAL became an associate on 19 October 2001. Its issued ordinary share capital at the end of the year is:	n/a	n/a	66,179
Holding in Capital Alliance Limited ordinary share (%)	n/a	n/a	29.7%
The significant transactions between the Group and CAL, all of which are on arm's length basis are:			
Loan to CAL (included in loans and advances to customers)	n/a	n/a	32,024
Interest received on the loan to CAL	n/a	n/a	1,739
Re-insurance premiums paid by clients of Investec Employee Benefits and paid over to CAL	n/a	n/a	84,507
Included in off-balance sheet funds under management are investments placed on behalf of brokers and clients in managed products reinsured with CAL.			
Value of investments so placed at end of year	n/a	n/a	782,841

Capital Alliance Limited became an associate of the Group during the year ended 31 March 2002. The Group transferred certain assets to Capital Alliance as part of a reinsurance agreement Capital Alliance in turn subcontracted the management of theses assets to the Group The Group earned investment management fees of £2.2 million from Capital Alliance Limited under an arms length arrangement.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Securities Investment Bank Holdings Limited was an associate from 11 February 1999 until 7 August 2000 when it became a subsidiary, after which it delisted from the Johannesburg Stock Exchange. Their issued ordinary share capital at the end of each year is:	59,011	n/a	n/a
Holding in Securities Investment Bank Holdings Limited ordinary shares (%)	25.12%	n/a	n/a
The only significant transaction between the Group and Securities Investment Bank Holdings Limited was a preference share investment in Securities Investment Bank Holdings Limited (included in loans and advances to banks) with a value of	5,257	n/a	n/a
Dividends received on the preference share investment	571	n/a	n/a

The Group has no holdings of securities issued by associated undertakings, except as listed above.

20. Other participating interests

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Investment in other participating interests at book value			
Fedsure Holdings Limited	33,847	55,051	–
	33,847	55,051	–
Investment at book value			
At the beginning of year	157,370	33,847	55,051
Additions	113,930	23,978	–
Disposals	(235,867)	–	–
Transfer to equities	–	–	(5,415)
Transfer to subsidiaries	–	–	(49,999)
Exchange and other movements	(1,586)	(2,774)	363
At end of year	33,847	55,051	–

The only significant other participating interest was Fedsure Holdings Limited:

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Fedsure Holdings Limited			
Fedsure Holdings Limited was delisted from the Johannesburg Stock Exchange on 30 April 2002. Its issued ordinary share capital at 31 December of each period is:	127,426	138,488	n/a
Holding in Fedsure Holdings Limited Ordinary shares (%)	14.64%	19.28%	n/a

In the year ended 31 March 2000 the Group acquired a controlling interest in South African Druggists (SAD) from the Fedsure Holdings Group for £78.4m with the remaining shares bought in the market for £156.6m. The Group sold the healthcare business of SAD to the Fedsure Holdings Group via an intermediary company called Aspen Healthcare Holdings Ltd for £48.7m. The remaining assets were sold to and retained by Aspen Healthcare Holdings Ltd.

21. Intangible Fixed Assets

Year ended 31 March 2000	Total £'000	Goodwill £'000	Negative Goodwill £'000
Goodwill			
At 1 April 1999	207,153	217,953	(10,800)
Additions	36,265	39,367	(3,102)
Cost at 31 March 2000	243,418	257,320	(13,902)

Accumulated amortisation	Total £'000	Goodwill £'000	Negative Goodwill £'000
Accumulated amortisation at 1 April 1999	2,723	13,523	(10,800)
Charge/(credit) to the profit and loss account	14,281	17,383	(3,102)
Accumulated amortisation at 31 March 2000	17,004	30,906	(13,902)
Net book value at 31 March 2000	226,414		
Net book value at 31 March 1999	204,430		

Additions comprise goodwill arising on the acquisition of subsidiaries which is being amortised over periods of between 3 and 20 years, reflecting its expected useful life. For the majority of acquisitions the goodwill is amortised over 3 to 10 years.

Negative goodwill is released to the profit and loss account over a period of 1 to 4 years, reflecting the period expected to benefit.

Year ended 31 March 2001	Total £'000	Goodwill £'000	Negative Goodwill £'000
Goodwill			
At 1 April 2000	243,418	257,320	(13,902)
Additions	32,162	52,260	(20,098)
Subsequent amendment of prior year fair values	5,200	5,200	–
Cost at 31 March 2001	280,780	314,780	(34,000)

Accumulated amortisation	Total £'000	Goodwill £'000	Negative Goodwill £'000
Accumulated amortisation at 1 April 2000	17,004	30,906	(13,902)
Charge to the profit and loss account	20,885	24,197	(3,312)
Accumulated amortisation at 31 March 2001	37,889	55,103	(17,214)
Net book value at 31 March 2001	242,891		
Net book value at 31 March 2000	226,414		

Additions comprise goodwill arising on the acquisition of subsidiaries which is being amortised over periods of between 3 and 20 years, reflecting its expected useful life. For the majority of acquisitions the goodwill is amortised over 3 to 10 years.

Negative goodwill is released to the profit and loss account over a period of 1 to 4 years, reflecting the period expected to benefit.

Year ended 31 March 2002	Total £'000	Goodwill £'000	Negative Goodwill £'000
Goodwill			
At 1 April 2001	280,780	314,780	(34,000)
Additions	311,449	311,449	–
Cost at 31 March 2002	592,229	626,229	(34,000)

Accumulated amortisation	Total £'000	Goodwill £'000	Negative Goodwill £'000
Accumulated amortisation at 1 April 2001	37,889	55,103	(17,214)
Charge/(credit) to the profit and loss account	103,187	108,212	(5,025)
Accumulated amortisation at 31 March 2002	141,076	163,315	(22,239)
Net book value at 31 March 2002	451,153		
Net book value at 31 March 2001	242,891		

Additions comprise goodwill arising on the acquisition of subsidiaries which is being amortised over periods of between 3 and 20 years reflecting its expected useful life. For the majority of acquisitions the goodwill is amortised over 3 to 10 years.

Negative goodwill is released to the profit and loss account over a period of 1 to 4 years, reflecting the period expected to benefit.

Included in the goodwill amortisation are impairment losses of £46.1 million. An amount of £41.7 million arose from a review of the carrying value of the Group's recently acquired insurance and financial services business from Fedsure Holdings Limited. An impairment review was conducted by reference to the value in use of acquired income generating units. A discount rate of 16% was applied in discounting cash flows of the income generating units.

The remainder, £4.4 million, relates to a review of the carrying value of the Group's private client stockbroking business in the United States pending a potential disposal in the new financial year.

22. Acquisitions

Year ended 31 March 2000

The Group made the following acquisitions of subsidiary undertakings or net assets and operations in the year ended 31 March 2000, which are accounted for on an acquisition basis:

i. In May 1999 Investec Holdings Ireland Ltd, a wholly owned subsidiary of the Group, acquired from GE Capital Woodchester Bank Ltd 100% of the issued share capital of Gandon Capital Markets Ltd ("Gandon") and thereby Gandon's wholly owned subsidiary WIL Management Services Ltd. At the same time, Investec Bank (UK) Ltd, also a wholly owned subsidiary of the Group, acquired from GE Capital Woodchester Bank Ltd certain assets related to Gandon's trade. The total consideration, paid in cash, was £18.6m. Goodwill of £18.5m arose on this acquisition.

ii. In June 1999, Investec Group Ltd. acquired the Johannesburg Retail Division of HSBC Simpson McKie (Pty) Ltd for a cash consideration of £6.5 million. Goodwill of £6.5 million arose on this acquisition.

iii. In September 1999, Investec Bank (UK) Ltd acquired the Private Banking Business of Dresdner Kleinwort Benson for a cash consideration of £9.7 million. Goodwill of £9.7 million arose on this acquisition.

iv. In September 1999, Investec Ernst & Company, a wholly owned subsidiary of the Group, acquired some of the trade and assets of Royce Investment Group Inc. for a cash consideration of £4.3 million. Goodwill of £3 million arose on this acquisition.

v. There were also some additional acquisitions for a cash consideration of £2.5 million which resulted in net negative goodwill of £1.5 million.

The assets and liabilities at the dates of acquisition and the total consideration paid are set out in the following table:

	Book value £'000	Revaluation £'000	Fair value £'000
At the date of acquisition:			
Cash and balances at central banks	87	–	87
Loans and advances to customers	315	–	315
Equity shares	6,159	–	6,159
Tangible fixed assets	1,684	–	1,684
Other assets	7,750	–	7,750
Total assets	15,995	–	15,995
Customer accounts	5,388	–	5,388
Other liabilities	5,273	–	5,273
Total liabilities	10,661	–	10,661
Net assets acquired	5,334	–	5,334
Goodwill			36,265
Total consideration including costs of acquisition			41,599

Year ended 31 March 2001

The Group made the following acquisitions of subsidiary undertakings or net assets and operations in the year ended 31 March 2001 which are accounted for on an acquisition basis:

i. In August 2000, Investec Bank Ltd, a wholly owned subsidiary of the Group, increased its holding in Securities Investment Bank Holdings (SIB) from 25.1% to 100% for a cash consideration of £45 million. Negative goodwill of £20 million arose on this acquisition. The goodwill of £3.6 million relating to the previous investment in SIB was transferred from interests in associated undertakings.

ii. In March 2001, Investec Australia Corporate Finance Ltd, a wholly owned subsidiary of the Group, acquired a 100% holding in Wentworth Associates Pty Limited at a purchase price of £24.5 million (including £4.4m of shares and £4.4m of deferred consideration to consist of cash or shares). Goodwill of £23.5 million arose on this acquisition.

iii. In December 2000, Investec Investment Holdings AG, a wholly owned subsidiary of the Group, acquired a 100% holding in Radcliffes Trustee Company SA and Theodore Holdings Limited for a total cash consideration of £25.4 million on which goodwill of £23m arose.

iv. There were also some additional acquisitions for a cash consideration of £2.0 million which resulted in goodwill of £2.0 million.

The assets and liabilities at the dates of acquisition and the total consideration paid are set out in the following table:

	Book value £'000	Revaluation £'000	Fair value £'000
At the date of acquisition:			
Cash and balances at central banks	15,813	–	15,813
Loans and advances to customers	41,481	–	41,481
Debt securities	34,428	–	34,428
Equity shares	43,003	–	43,003
Tangible fixed assets	674	–	674
Other assets	4,810	–	4,810
Total assets	140,209	–	140,209
Customer accounts	52,061	–	52,061
Other liabilities	8,877	–	8,877
Total liabilities	60,938	–	60,938
Reclassification of associate	14,535	–	14,535
Net assets acquired	64,736	–	64,736
Goodwill			32,162
Total consideration including costs of acquisition			96,898

Year ended 31 March 2002

The Group made the following acquisitions of subsidiary undertakings or net assets and operations in the year ended 31 March 2002 which are accounted for on an acquisition basis:

Fedsure Investments (Pty) Ltd and Fedsure International (Pty) Ltd

In May 2001, Investec Group Ltd acquired 100% of the issued ordinary share capital of Fedsure Investments (Pty) Ltd and Fedsure International (Pty) Ltd for a total consideration of £373.0 million. This consideration consisted of net ordinary share capital issued of £305.5 million and cash of £25.4m and net other assets of £42.1 million. As part of the initial purchase price, Investec Group Limited issued 19,212,204 ordinary shares to Fedsure Holdings Limited. Fedsure Holdings Limited unbundled its Investec Group Limited ordinary shareholding and Investec received 4,211,730 shares. The receipt of these shares was treated as a reduction to share capital and share premium. Goodwill of £289.3 million arose on this acquisition. Goodwill is being amortised over the directors' estimate of its useful economic life of eight years.

The assets and liabilities at the dates of acquisition and the total consideration paid are set out in the following table:

	Book value £'000	Revaluation £'000	Fair value £'000
At the date of acquisition:			
Loans and advances to banks	496,851	(496,851)	–
Loans and advances to customers	15,499	(15,499)	–
Debt securities	597,085	(597,085)	–
Equity shares	1,899,785	(1,881,389)	18,396
Tangible fixed assets	267,147	(264,603)	2,544
Other assets	660,541	(588,616)	71,925
Long term assurance assets attributable to shareholders	–	142,709	142,709
	3,936,908	(3,701,334)	235,574
Long term assurance assets attributable to policyholders	–	2,540,552	2,540,552
Total assets	3,936,908	(1,160,782)	2,776,126
Other liabilities	347,924	(199,398)	148,526
	347,924	(199,398)	148,526
Long term assurance liabilities attributable to policyholders	3,521,868	(981,316)	2,540,552
Total liabilities	3,869,792	(1,180,714)	2,689,078
Less: Minority interest	(3,430)	–	(3,430)
Net assets acquired	63,686	19,932	83,618
Goodwill			289,333
Total consideration including costs of acquisition			372,951

The fair value adjustments in the above tables represent the following:

Reclassification of Fedsure Life assets and the fair value adjustments of liabilities acquired.

The summarised profit and loss account of Fedsure Investments and Fedsure International, prepared under SA GAAP, for the period from 1 January 2001 to the effective date of acquisition is as follows:

	£'000
Operating income	22,066
Exceptional items	(81,612)
Loss on ordinary activities before taxation	(59,546)
Tax on loss on ordinary activities	(4,832)
Loss on ordinary activities after taxation	(64,378)
Minority interest	–
Loss attributable to shareholders	(64,378)

The summarised profit and loss account of Fedsure Investments and Fedsure International, prepared under SA GAAP, for the year ended 31 December 2000 is as follows:

	£'000
Operating income	59,181
Exceptional items	(109,827)
Loss on ordinary activities before taxation	(50,646)
Tax on loss on ordinary activities	(11,302)
Loss on ordinary activities after taxation	(61,948)
Minority interest	–
Loss attributable to shareholders	(61,948)

Other Acquisitions

Year ended 31 March 2002

During the year several other acquisitions and adjustments were made. The combined acquisition balance sheets of these acquisitions and adjustments to purchase prices and/or net asset values are noted below:

i. In June 2001, PMG Holdings, a wholly owned subsidiary of the Group, acquired a 100% interest in PMG Group and its subsidiaries. The cash amount paid for PMG was £22.7 million and the goodwill arising from the transaction was £15.5 million.

ii. In November 2001, IBUK Ltd, a wholly owned subsidiary of the Group, a 100% held subsidiary of IGL acquired a 100% interest in European Capital Company Ltd. The net cash consideration for the acquisition was £2.6 million and resulted in goodwill of £1.8 million.

iii. In February 2002, Investec Australia Corporate Finance Ltd, a wholly owned subsidiary of the Group, acquired a 100% holding in Chronworth (Pty) Ltd for a cash consideration of £1.8 million. Goodwill of £1.8 million arose on the transaction.

iv. There were also some additional acquisitions for a cash consideration of £6.6 million which resulted in goodwill of £3 million.

Other Acquisitions

	Book value £'000	Revaluation £'000	Fair value £'000
At the date of acquisition:			
Cash and balances at central banks	202	–	202
Loans and advances to customers	1,347	–	1,347
Equity shares	16,783	–	16,783
Tangible fixed assets	1,049	(41)	1,008
Other assets	6,032	(416)	5,616
Total assets	25,413	(457)	24,956
Other liabilities	13,394	(30)	13,364
Total liabilities	13,394	(30)	13,364
Net assets acquired	12,019	(427)	11,592
Goodwill			22,116
Total consideration including costs of acquisition			33,708

Contributions from the acquisitions are included in the results of Investec Group Limited. These cannot be separately analysed as the businesses acquired have been integrated with existing Investec businesses.

23. Tangible fixed assets

	Freehold properties £'000	Leasehold improvements £'000	Furniture and vehicles £'000	Equipment £'000	Investment properties (Valuation) £'000	Total £'000
Cost or valuation						
At 31 March 1999	54,765	12,748	30,220	31,542	46,051	175,326
Net movement, including additions, disposals and foreign currency movements	(2,145)	1,694	(880)	2,842	8,340	9,851
At 31 March 2000	52,620	14,442	29,340	34,384	54,391	185,177
Net movement, including additions, disposals and foreign currency movements	17,419	3,161	2,268	4,044	3,929	30,821
At 31 March 2001	70,039	17,603	31,608	38,428	58,320	215,998
Exchange adjustments	(30,725)	(2,339)	(18,850)	3,386	(25,444)	(73,972)
Acquisition of subsidiary undertaking	–	755	282	2,489	26	3,552
Revaluation of investment properties	–	–	–	–	10,254	10,254
Reclassifications	1,772	–	–	–	(1,772)	—
Additions	–	2,164	3,157	10,888	74,230	90,439
Disposals	(61)	(242)	(2,464)	(1,745)	(2,337)	(6,849)
At 31 March 2002	41,025	17,941	13,733	53,446	113,277	239,422
Accumulated depreciation and amortisation						
At 31 March 1999	6,071	3,089	16,683	16,503	–	42,346
Charge for the period	560	953	4,074	7,555	–	13,142
Net movement, including additions, disposals and foreign currency movements	1,494	(2,112)	(7,559)	(6,851)	–	(15,028)
At 31 March 2000	8,125	1,930	13,198	17,207	–	40,460
Charge for the period	583	974	4,418	7,950	–	13,925
Net movement, including additions, disposals and foreign currency movements	1,004	602	(2,461)	(2,773)	–	(3,628)
At 31 March 2001	9,712	3,506	15,155	22,384	–	50,757
Exchange adjustments	(1,346)	(3,030)	(10,815)	639	–	(14,552)
Disposals	(62)	(236)	(304)	132	–	(470)
Charge for the year	1,251	3,514	1,758	10,403	–	16,926
At 31 March 2002	9,555	3,754	5,794	33,558	–	52,661
NET BOOK VALUE						
At 31 March 2000	44,495	12,512	16,142	17,177	54,391	144,717
At 31 March 2001	60,327	14,097	16,453	16,044	58,320	165,241
At 31 March 2002	31,470	14,187	7,939	19,888	113,277	186,761

The Group values its investment properties twice annually. The properties were valued by directors of the company concerned. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time.

The information needed to disclose additions and disposals separately for the 2000 and 2001 financial years is not available.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Cost of Investment properties	53,904	58,943	111,758

24. Own Shares

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Investec Group Limited ordinary shares	16,681	3,640	3,506
Investec Holdings Limited ordinary shares	43,293	35,493	38,624
	59,974	39,133	42,130

The Group has set up a number of trusts as part of its employee remuneration and share ownership arrangements and the assets, liabilities and transactions of those trusts are brought into the consolidated accounts as if they were part of the group, except for those assets that have vested unconditionally with employees. The arrangements vary from scheme to scheme but principally comprise conditional awards of share options and share purchase schemes whereby group companies provide loans to employees to enable them to acquire shares. The conditions attaching to the granting of rights to shares principally involve the employees remaining employed by the group for specified periods of time.

Where equity instruments of the group that have been recorded as assets are sold to third parties, the difference between the net proceeds received and the carrying amount is charged or credited to the profit and loss account. Equity instruments that are recorded as assets are written down through the profit and loss account if, in the opinion of the directors, they have suffered a permanent diminution in value. Capital instruments of the group that are issued by or through the trusts, including certain advance payments for shares made by employees, are credited to shares to be issued at the net proceeds received where there is no associated obligation on the group to transfer economic benefits to the holder. Otherwise, they are recorded as liabilities.

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
Number of Investec Group Limited ordinary shares held in employee share trusts	879,497	122,207	352,957
Number of Investec Holdings Limited ordinary shares held in employee share trusts	2,523,484	2,242,480	3,978,734
Included in the above:			
Number of Investec Group Limited ordinary shares conditionally held by employees	107,936	76,446	23,747
Number of Investec Holdings Limited ordinary shares conditionally held by employees	1,210,910	594,530	58,895
Market Value of Own Shares:			
Investec Group Limited (£'000)	21,606	2,113	2,840
Investec Holdings Limited (£'000)	54,031	33,650	26,545

At 31 May 2002 the market value of the Investec Group Limited and Investec Holdings Limited shares was £4,231,000 and £40,348,000 respectively.

Dividends on own shares have not been included in the profit and loss account.

25. Other assets

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Settlement debtors	797,919	457,129	498,806
Deferred tax asset (refer to note 31 on deferred taxation)	7,772	17,532	18,898
Derivative instruments positive fair values	128,906	84,600	410,041
Dealing properties	24,184	17,040	36,812
Other investments	82,457	87,861	124,457
Prepayments and accrued income	73,741	99,722	97,968
Traded endowments	–	–	16,295
Other debtors	80,441	101,366	72,418
	1,195,420	865,250	1,275,695

26. Long term assurance business attributable to the shareholder

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Investec Employee Benefits Limited			
The embedded value comprises:			
Net tangible assets of life company including surplus	–	–	156,096
Reallocated to investments in associated undertakings	–	–	(34,098)
Elimination of intercompany balances	–	–	(81,371)
Value of in-force business	–	–	26,489
	–	–	67,116
Movements in embedded value			
At the beginning of period	–	–	–
Acquisitions	–	–	142,709
Profit after tax per profit and loss account	–	–	31,079
Elimination of inter-group transactions	–	–	27,459
Exchange adjustments	–	–	(51,143)
Reclassification of shareholder assets	–	–	(82,988)
At the end of period	–	–	67,116
Income from long-term assurance business comprises:			
Premium income	–	–	201,731
Investment income	–	–	93,637
Total income	–	–	295,368
Operating expenses	–	–	(28,211)
Policyholder's benefits paid	–	–	(449,183)
Operating loss	–	–	(182,026)
Taxation charged to the technical account	–	–	(9,055)
Transfer from Life fund	–	–	206,597
Surplus attributable to shareholders	–	–	15,516
Value of in-force business	–	–	15,563
Income from long-term assurance business	–	–	31,079

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

Assumptions

The economic assumptions are based upon a long-term view of economic activity and are therefore not adjusted for market movements which are considered to be short term. This approach is considered to be the most appropriate given the long-term nature of the portfolio of products. The principal economic assumptions which have been used for the 2002 year end are as follows:

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

Balance Sheet

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

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Investments	–	–	109,630
Inter company loans due	–	–	81,371
Other assets	–	–	75,052
Assets of long term assurance fund attributable to the shareholder	–	–	266,053
Current liabilities	–	–	(109,957)
	–	–	156,096
Investments shown above comprise: –			
Fixed interest securities	–	–	3,652
Stocks, shares and unit trusts	–	–	37,210
Investment properties	–	–	18,579
Associated undertaking	–	–	34,098
Deposits	–	–	16,091
	–	–	109,630

An increase in the Investment properties' value of £12.7 million in the year ended 31 March 2002 has been recorded as a movement on the Revaluation Reserve.

27. Long term assurance assets attributable to policyholders

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Investec Employee Benefits Limited	–	–	1,456,295
Investec Assurance Limited	752,987	1,114,666	898,106
	752,987	1,114,666	2,354,401
Investec Employee Benefits Limited			
The assets of the long term assurance fund attributable to policyholders are detailed below:			
Investments	–	–	1,456,295
Investments shown above comprise:			
Fixed interest securities	–	–	372,105
Stocks, shares and unit trusts	–	–	768,262
Investment properties	–	–	41,630
Deposits	–	–	274,298
	–	–	1,456,295
Investec Assurance Limited			
The assets and liabilities of the long term assurance fund attributable to policyholders are detailed below:			
Investments	740,296	1,068,454	873,691
Debtors and prepayments	12,282	45,227	22,100
Other assets	409	985	2,314
	752,987	1,114,666	898,105
Investments shown above comprise:			
Fixed interest securities	107,626	314,950	216,935
Stocks, shares and unit trusts	372,683	370,327	380,622
Investment properties	1,867	1,536	1,083
Property loan stock	409	–	–
Deposits	257,711	381,641	275,051
	740,296	1,068,454	873,691

The business undertaking 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.

28. Deposits by banks

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
With agreed maturity date or periods of notice, by remaining maturity:			
Repayable on demand	2,916,812	2,913,560	1,811,123
Up to three months, excluding on demand	659,723	456,066	798,761
Three months to one year	471,896	515,217	1,086,845
One year to five years	211,787	173,646	19,821
Greater than five years	44,164	4,933	18,799
	4,304,382	4,063,422	3,735,349

29. Customer accounts

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
With agreed maturity date or periods of notice, by remaining maturity:			
Repayable on demand	5,289,996	5,246,129	3,979,212
Up to three months, excluding on demand	1,690,968	1,253,406	1,492,632
Three months to one year	1,240,585	1,199,758	1,483,934
One year to five years	103,808	183,982	375,166
Greater than five years	363,895	192,465	253,481
	8,689,252	8,075,740	7,584,425

30. Other liabilities

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Settlement creditors	1,015,450	1,218,583	959,954
Short positions in securities	37,939	77,565	451,743
Provision for deferred tax (refer to note on deferred taxation)	4,629	8,761	6,896
Current corporation tax	44,902	44,266	51,610
Shareholders for ordinary dividend	30,530	32,541	25,779
Derivatives negative fair values	104,794	129,187	494,151
Other creditors and accruals	149,479	113,010	116,058
	1,387,723	1,623,913	2,106,191
Short positions in securities comprise:			
Debt securities – government bonds	37,939	532	360,737
Equities – listed securities	–	77,033	91,006
	37,939	77,565	451,743

31. Deferred taxation

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Deferred tax asset			
Deferred capital allowances	6,373	10,299	14,449
Income and expenditure accruals	1,230	6,784	1,079
Other timing differences	169	449	3,370
	7,772	17,532	18,898
Deferred tax liability			
Accelerated capital allowances	4,286	5,167	3,267
Other timing differences	343	3,594	3,629
Deferred tax liability	4,629	8,761	6,896
Net deferred tax asset	3,143	8,771	12,002
Reconciliation of net deferred tax (liability)/asset			
Opening balance	4,344	3,143	8,771
Charge/(credit) to profit and loss	(1,637)	5,310	1,286
Arising on acquisitions	500	158	1,266
Exchange adjustments	(64)	160	679
Closing balance	3,143	8,771	12,002

The deferred tax asset arising in 2002 is mainly related to the acquisition of the PMG Group in United States.

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

32. Subordinated liabilities

Dated subordinated liabilities	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Issued by Investec Group Limited			
Unsecured subordinated Compulsory Convertible Debentures ("CCD's")	69	49	–
Class "A" Series I unsecured subordinated CCD's	1,103	301	–
Issued by Investec Bank Limited – a wholly owned subsidiary of Investec Group Limited			
Unsecured subordinated CCD's	24,567	22,466	15,845
Class "A" unsecured subordinated CCD's	36,943	28,946	17,271
Class "A" Series II unsecured subordinated CCD's	7,393	5,793	3,456
Class "B" unsecured subordinated CCD's	13,902	10,893	6,500
Class "C" unsecured subordinated CCD's	–	–	8,644
16% subordinated bonds 2012 issued in South African Rands	–	170,681	121,366
Class "E" unsecured redeemable debentures – 2014	–	–	17,577
	83,977	239,129	190,659

All subordinated liabilities are denominated in South African Rand

Remaining maturity			
In one year or less, or on demand	69	350	–
In more than one year, but not more than two years	1,103	–	–
In more than two years, but not more than five years	58,238	45,632	27,227
In more than five years	24,567	193,147	163,432
	83,977	239,129	190,659

The only event of default in relation to the subordinated liability is the non-payment of principal or interest. The only remedy available to the holders of the subordinated liabilities in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated liabilities until all other creditors have been paid in full.

The compulsory convertible debentures issued by Investec Bank Limited were split at issue into their debt and equity components. The equity components were sold to employee share trusts (disclosed in note 34). The debt components were sold to third parties, represented by the amounts above.

33. Called up Share capital

Authorised

The authorised share capital of Investec Group Limited is South African Rand 69 million (2000, 2001 and 2002) comprising 105 million ordinary shares of South African Rand 0.6 each and 10 million convertible non-cumulative preference shares of South African Rand 0.6 each

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
Authorised			
Issued, allotted and fully paid			
Number of ordinary shares			
At beginning of year	80,359,832	80,575,308	80,910,020
Issued under savings-related share option schemes	147,251	117,965	61,061
Share issues	22,664	110,222	19,337,336
Conversion of compulsorily convertible debentures	45,561	106,525	31,622
Cancellation of shares	–	–	(8,111,730)
At end of year	80,575,308	80,910,020	92,228,309
Number of preference shares			
At beginning of year	–	–	2,000,000
Issued during the year	–	2,000,000	–
At end of year	–	2,000,000	2,000,000
Nominal value of ordinary shares	**£000**	**£000**	**£000**
At beginning of year	6,552	6,566	6,589
Issued during the year	11	17	1,023
Conversion of compulsorily convertible debentures	3	6	1
Cancellation of shares	–	–	(195)
At end of year	6,566	6,589	7,418
Nominal value of preference shares			
At beginning of year	–	–	112
Issued during the year	–	112	–
At end of year	–	112	112
Total called up share capital	6,566	6,701	7,530

The shares issued were issued in South African Rand. The amounts recorded above were calculated by reference to historic Sterling/Rand exchange rates.

Preference dividends are calculated on a daily non-compounded basis at a variable rate of 45% of South African prime rate calculated on the total value of the preference capital issued (R460m), and are payable half yearly in arrears not later than 31 December and 30 June of each year in respect of the immediately preceding half-year period.

The convertible preference shares shall be converted into ordinary shares when IGL declares a dividend in respect of its ordinary shares, in respect of any financial year or period of IGL, and where the said dividend per ordinary share is equal or greater than the dividend per preference share. The conversion will be on a one to one basis with a par value of 60 South African cents. The holders of the convertible preference shares shall be entitled to vote, pari passu with the holders of ordinary shares, at any general meeting of IGL.

On a winding up of IGL the preference shareholders have a right to receive, in preference to any payments to ordinary shareholders, any premium paid or credited as paid thereon and any arrears in the preferential dividend calculated to the date of the liquidation dividend.

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
Staff Share Scheme			
Investec operates a share option and share purchase scheme for employees.			
The number of conditionally awarded Investec Group Limited ordinary shares is disclosed in the Own Shares note (note 24).			
The number of options outstanding at the end of each period are:	1,021,452	1,144,120	2,522,063
The prices for the outstanding shares under options ranged from:			
High (South African Rand)	286	288	288
Low (South African Rand)	10	10	10

The purpose of the Staff Share Scheme is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the Group.

The Group makes shares or debentures available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the Group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the Group and stock market conditions.

At present the practice of the Group is to give all permanent staff members a share allocation in proportion to their annual package after completing six months of employment. In line with the objective of providing a long term incentive for staff, participants may not deal in any shares acquired in terms of the Scheme within two years of accepting them. Thereafter they may acquire them over a minimum or maximum period of a further three or eight years respectively. The shares are allocated at the current market value, and employees are offered loans to purchase the shares at market rates of interest.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of Group management and depending on the individual performance of, and contribution made by the respective staff members.

In addition to the Staff Share Scheme, other incentive schemes are operated by the Group. Whilst the objectives of such schemes are identical to the Staff Share Scheme, membership of them is not extended to all staff members but to key members of the Group whom executive membership believe are in a position to add significant value to the Group. Whilst housed in different structures from the Staff Share Scheme the underlying assets in them are Group instruments. Any benefit derived by the members from such schemes are thus totally dependent on the performance of the Group.

The extent of the directors' interests in the incentive schemes following Admission is included in "Additional Information — Directors" in Part XIII of the Preliminary Offering Circular.

34. Shares to be Issued

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
Number of ordinary shares			
At beginning of year	8,985,608	11,073,994	11,073,994
Allocated/adjustments during the year	2,088,386	–	2,000,000
At end of year	11,073,994	11,073,994	13,073,994
Nominal value of ordinary shares (£'000)			
At beginning of year	26,295	35,285	35,285
Allocated/adjustments during the year	8,990	–	5,863
At end of year	35,285	35,285	41,148

The amounts included in the above figures represent contributions received by the Group in respect of future shares to be issued under the terms of employee share schemes. Of the 13,073,994 shares to be issued at 31 March 2002, 7,500,000 are due to be issued on 15 December 2004, 2,000,000 are due to be issued on 31 March 2008 and 3,573,994 are due to be issued on 31 July 2008. However, IGL at its discretion may issue the holders of 3,573,994 shares at an earlier date, but not before 31 July 2002.

35. Cash flow reconciliations

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Reconciliation of operating profit to net operating cash flows			
Operating profit	109,193	112,311	55,380
(Increase)/decrease in accrued income and prepayments	(5,371)	(25,981)	1,755
Increase/(decrease) in accruals and deferred income	66,142	2,821	(53,187)
Interest expense on subordinated liabilities (including convertible debt)	16,342	26,708	35,585
Depreciation	13,142	13,925	16,926
Provision for bad and doubtful debts	20,225	18,015	14,668
Amortisation of goodwill	14,281	20,885	103,187
Profits on sale of investment debt and equity securities	(44,220)	(10,441)	(13,440)
Loss/(profit) on the disposal of tangible fixed assets	205	(891)	1,235
Provisions for reorganisation and restructuring costs	–	–	(11,836)
Long term assurance business attributable to the shareholder	–	–	(31,078)
Net cash inflow from trading activities	189,939	157,352	119,195
Net decrease/(increase) in treasury bills and other eligible bills	14,258	(6,766)	(242,093)
Net increase in loans and advances to banks	(211,163)	(94,451)	(435,510)
Net (increase)/decrease in loans and advances to customers	(1,832,052)	114,846	(804,523)
Net decrease/(increase) in non-investment debt and equity securities	121,081	(1,345,212)	1,548,338
Net (increase)/decrease in other assets	(199,882)	370,721	(436,427)
Net increase/(decrease) in deposits by banks	543,625	(240,960)	(172,434)
Net increase/(decrease) in customer accounts	3,549,880	(667,132)	597,026
Net increase in other liabilities	209,764	221,805	422,016
Net cash inflow/(outflow) from operating activities	2,385,450	(1,489,797)	595,588
Analysis of changes in financing during the year			
Subordinated liabilities			
At beginning of year	102,833	83,977	239,129
Foreign currency adjustments	(7,682)	(15,568)	(74,201)
Issues/conversions during the year	–	179,735	36,433
Repayments	(10,757)	(7,399)	(10,359)
Conversions during the year	(417)	(1,616)	(343)
At end of year	83,977	239,129	190,659
Called up share capital			
At beginning of year	6,552	6,566	6,701
Net issues during the year	11	11	4
Conversions during the year	3	6	1
Buy-back of shares	–	–	(179)
Acquisition of subsidiary undertakings	–	118	1,003
At end of year	6,566	6,701	7,530

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Share premium			
At beginning of year	513,561	515,333	565,181
Net issues during the year	1,358	43,930	1,081
Conversions during the year	414	1,610	342
Buy-back of shares	–	–	(55,354)
Acquisition of subsidiary undertakings	–	4,308	304,453
At end of year	515,333	565,181	815,703
Shares to be issued			
At the beginning of year	26,295	35,285	35,285
Net additions during the year	8,990	–	5,863
At end of year	35,285	35,285	41,148
Total financing			
At the beginning of year	649,241	641,161	846,296
At end of year	641,161	846,296	1,055,040
The Group is required to make deposits with central banks as a result of government regulations in the territories in which it operates, amounting to:	1,603	7,819	11,045
Purchase of interests in subsidiary undertakings			
Net assets acquired	5,334	64,738	95,211
Goodwill	36,265	32,160	311,449
	41,599	96,898	406,660
Satisfied By:			
Shares allotted	–	4,426	305,455
Other assets	–	–	42,135
Cash	41,599	88,046	59,070
Deferred consideration	–	4,426	–
	41,599	96,898	406,660
Analysis of the net cash (outflow)/inflow from the purchase of subsidiary undertakings			
Cash consideration	(41,599)	(88,047)	(59,070)
Cash acquired	87	15,813	202
Net cash outflow	(41,512)	(72,234)	(58,868)

Due to the integration of acquisitions into the continuing operations, it is not practical to analyse the post-acquisition cashflows of the acquired units.

36. Operating lease commitments

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Annual commitments in respect of non-cancellable *operating leases*			
Leasehold properties			
Within one year	5,932	5,366	5,168
Between one and five years	21,551	18,516	19,652
Over five years	12,900	14,068	9,095
	40,383	37,950	33,915

37. Commitments

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Forward repurchase agreements	246,804	146,053	307,956
Undrawn facilities	198,504	248,621	187,009
Other commitments	8,741	20,464	11,365
	454,049	415,138	506,330

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Preference shares issued by subsidiary undertakings of Investec Group Limited, which have been guaranteed by the Group, are included in customer accounts	286,410	250,668	144,917

38. Contingent liabilities

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Acceptances and endorsements	39,095	–	–
Guarantees and assets pledged as collateral security:			
– guarantees and irrevocable letters of credit	367,961	302,849	249,042
– assets pledged as collateral security	–	–	21,003
Other contingent liabilities	4,613	37,442	29,271
	411,669	340,291	299,316

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Legal proceedings

Investec is party to various legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the Group

39. Risk Management

Risk management in Investec

Investec has sought to ingrain a comprehensive, independent risk management process throughout the Group which seeks to identify, understand and properly manage risks at all times. While each business unit is primarily responsible for managing risk associated with its transactions, a dedicated, centralised and independent risk management division is primarily responsible for Group Risk Management and reporting to the Board of Directors.

The Group's basic risk philosophy is that it will not trade in or enter into new products and markets until it has fully identified and assessed all associated risks, and management and the Board of Directors have approved ensuing risk/reward ratios. Group Risk Management sets prudential limits for activities, measures risks and constantly monitors and reviews Group exposures. While regional managers are allocated responsibility up to certain limits, Group Risk Management must approve decisions on ceilings greater than these. Group Risk Management also maintains standards and ensures consistency across divisional and regional risk management functions.

Group Risk Management has grown, since establishment in South Africa 10 years ago, into a global function that aims to meet the growing needs of the Investec Group in all regions in which it operates. It operates within a matrix structure, in line with Group philosophy to ensure that all risks across the Group are dealt with using appropriate processes and systems.

In the notes below, short-term debtors and creditors are included in the interest rate repricing analysis, non trading currency risk tables and the table detailing assets and liabilities denominated in sterling and foreign currencies. All other disclosures exclude these short-term balances.

Market risk

Market risk can be described as a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (adverse changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between the present point in time and some future point in time.

Investec trades as principal and agent primarily in the foreign exchange, equity, capital and money markets in all its locations. It also participates as principal and agent in the derivatives market. Market risk is managed by identifying and quantifying all risks, on the basis of current and future expectations and ensuring that all trading occurs within defined parameters.

An independent, centralised, market risk function monitors the Group's market risk across all trading activities. Its trading positions are marked-to-market daily by pricing models. Investec monitors trading activities through the establishment of appropriate limits. These are determined by the Group's risk appetite both for the markets and/or products traded, the liquidity and maturity of the market and the Group's desired risk/return profile. Senior management and the Board of Directors approve trading limits. Limit utilisation is reviewed on a daily basis.

A Group Market Risk Forum meets weekly to approve all new trading products and limits. This forum is chaired by the Group Risk Manager and attended by the heads of the various dealing teams as well as market risk managers. New products and limits will only be referred to the forum once they have been discussed and approved within the business unit and all market risks have been identified.

Market Risk has implemented a group-wide market risk management system using Algorithmic's RiskWatch for the automated calculation and enterprise-wide monitoring of market risks across the Group. Value at Risk ("V@R") is reported daily per desk for the SA and UK treasury. Other developments during the 2001/2002 financial year included the in-house development of a historical timeseries database and scenario generation software.

Investec measures market risk using a combination of stress testing, V@R and scenario analyses. V@R is a technique that estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time horizon and to a given level of confidence. Investec calculates one-day V@R at the 95 per cent., 99 per cent. and 100 per cent. confidence levels.

Market risk is evaluated on a daily basis, using a simulated V@R approach, using historical simulations. A number of scenarios are generated and applied to the trading books to calculate potential losses. A series of stress tests are applied to determine market risk under extreme market conditions. Daily profitability is also analysed to ensure that all sources of revenue are understood.

All risk measurement models make fundamental assumptions and thus have some inherent limitations. A limitation of the V@R model used is that historical data is used for estimating future events. This may not take into consideration all potential events, particularly those which are extreme in nature.

The Group recognises these limitations by augmenting the V@R limits with other position and sensitivity limit structures, as well as with scenario analysis. Stress tests provide senior management with an assessment of the impact of extreme events on the market risk exposures of the Group.

The tables below represent the Group's V@R, for its trading book, for a 95% confidence interval and a one-day holding period, applying the exponentially weighted, historically simulated V@R model. The tables for the years ended 31 March 2002 and 31 March 2001 present a consolidated view of the V@R exposures by type of instrument for the UK and SA operations, while the rest of the Group's geographical operations are presented on an aggregated basis. The March 2000 table presents this information for the entire Group on an aggregated basis, due to limitations in risk information systems at that time.

	Southern Africa and other	United Kingdom and Europe	Consolidated SA & UK(1) (£000)	USA	Israel	Group aggregated
31 March 2002						
Interest rates	476	455	637	25	9	671
Equity	83	363	380	38	–	418
Foreign exchange	422	138	490	8	21	519
Commodities	–	193	193	–	–	193
Consolidated(1)	879	508	982	71	30	1,083
Limits (aggregated)	2,878	3,348	6,226	309	124	6,659
Highest	1,220	910	1,437	112	94	1,643
Lowest	589	498	879	33	21	933
Average	1,036	774	1,297	79	29	1,405

	Southern Africa and other	United Kingdom and Europe	Consolidated SA & UK(1) (£000)	USA	Israel	Group aggregated
31 March 2001						
Interest rate	110	141	194	42	29	265
Equity	278	45	305	35	–	340
Foreign exchange	211	18	206	–	76	282
Commodities	–	49	49	–	–	49
Consolidated(1)	386	154	398	78	105	581
Limits (aggregated)	4,081	3,449	7,529	439	176	8,144
Highest	623	219	746	123	123	1,299
Lowest	193	114	281	35	18	333
Average	375	137	457	82	73	677

	Southern Africa and other	United Kingdom and Europe	USA (£000)	Israel	Group aggregated
31 March 2000					
Money market	290	186	–	28	504
Capital market	215	–	53	–	268
Foreign exchange	248	19	–	9	276
Equity contracts	67	–	83	–	150
Total (aggregated)	820	205	136	37	1,198
Limits (aggregated)	1,434	1,000	191	94	2,719
Highest	1,147	231	162	73	1,613
Lowest	355	172	72	12	611
Average	605	222	131	44	1,002

(1) Consolidated data presented is net of inter-group transactions, whilst the product split is presented gross by type of product and region of operation.

Financial Instruments, including Derivatives and Risk Disclosure

Fair values

The Group's trading book comprises treasury bills, settlement accounts, debt securities, equity shares, short positions in securities and derivatives as well as secured customer loans and deposits. All amounts are included in the balance sheet at fair value.

The fair values of listed and publicly traded securities held for non-trading purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values of non-trading securities approximate to their carrying value in the balance sheet.

Derivatives (Off-Balance Sheet Financial Instruments)

The Group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the Group in an orderly market transaction at the balance sheet date. Detailed below are the derivatives exposures for both trading and non-trading portfolios.

Trading Derivatives

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Notional principal amounts			
Foreign exchange derivatives			
Forward foreign exchange	7,759,347	15,401,225	13,348,742
Currency swaps	409,610	665,642	649,073
OTC options bought and sold	–	361,968	525,955
Other foreign exchange contracts	–	56,190	–
OTC derivatives	8,168,957	16,485,025	14,523,770
Exchange traded futures	–	–	7,353,008
Exchange traded options	13,962	–	–
	8,182,919	16,485,025	21,876,778
Interest rate derivatives			
Caps and floors	418,948	1,153,196	3,356,154
Swaps	9,720,249	13,098,105	18,604,698
Forward rate agreements	6,481,690	11,600,879	25,085,041
OTC options bought and sold	1,762,047	2,252,912	1,447,110
OTC derivatives	18,382,934	28,105,092	48,493,003
Exchange traded futures	–	4,824,221	90,173
Exchange traded options	–	40,541	80,457
	18,382,934	32,969,854	48,663,633

Trading Derivatives

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Notional principal amounts			
Equity and stock index derivatives			
OTC options bought and sold	–	556,180	861,976
Swaps and forwards	–	166	67
OTC derivatives	–	556,346	862,043
Exchange traded futures	–	124,145	1,823
Exchange traded options	–	2,602,517	138,771
Warrants	–	31,678	49,169
	–	3,314,686	1,051,806

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Commodity derivatives			
OTC options bought and sold	–	–	2,120,579
Commodity swaps and forwards	–	980,939	364,521
OTC derivatives	–	980,939	2,485,100
Exchange traded futures	–	–	2,909,771
Exchange traded options	–	–	407,521
	–	980,939	5,802,392
Credit Derivatives			
Credit linked notes bought and sold	–	–	27,850
Credit swaps bought and sold	–	–	18,555
	–	–	46,405

Trading derivatives

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Positive fair values			
Foreign exchange derivatives			
Forward foreign exchange	141,830	402,085	856,206
Currency swaps	17,881	12,716	56,394
OTC options bought and sold	–	6,586	8,369
Other foreign exchange contracts	–	1,540	–
OTC derivatives	159,711	422,927	920,969
Exchange traded futures	–	–	1,315
Exchange traded options	268	–	–
	159,979	422,927	922,284
Interest rate derivatives			
Caps and floors	191	1,265	4,388
Swaps	125,587	236,588	251,703
Forward rate agreements	6,501	11,172	51,133
OTC options bought and sold	12,669	10,450	16,599
OTC derivatives	144,948	259,475	323,823
Exchange traded futures	–	3,322	86
Exchange traded options	–	1	73
	144,948	262,798	323,982
Equity and stock index derivatives			
OTC options bought and sold	–	17,254	53,557
Equity swaps and forwards	–	17	–
OTC derivatives	–	17,271	53,557
Exchange traded futures	–	9,086	9
Exchange traded options	–	20,104	3,013
Warrants	–	201	7,733
	–	46,662	64,312

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Commodity derivatives			
OTC options bought and sold	–	–	76,994
Commodity swaps and forwards	–	20,179	7,622
OTC derivatives	–	20,179	84,616
Exchange traded futures	–	–	65,087
Exchange traded options	–	–	11,722
	–	20,179	161,425
Credit Derivatives			
Credit linked notes bought and sold	–	–	362
Credit swaps bought and sold	–	–	126
	–	–	488
Total positive fair values	304,927	752,566	1,472,491
Effect of netting	(176,021)	(667,966)	(1,062,450)
Amounts included in other assets	128,906	84,600	410,041

Trading derivatives

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Negative fair values			
Foreign exchange derivatives			
Forward foreign exchange	126,679	390,109	835,384
Currency swaps	38,625	60,305	168,427
OTC options bought and sold	–	2,787	29,578
Other foreign exchange contracts	–	1,399	–
OTC derivatives	165,304	454,600	1,033,389
Exchange traded futures	–	–	2,103
Exchange traded options	8	–	–
	165,312	454,600	1,035,492
Interest rate derivatives			
Caps and floors	679	1,714	5,392
Swaps	102,483	236,896	250,220
Forward rate agreements	5,975	7,293	47,561
OTC options bought and sold	6,367	12,525	23,784
OTC derivatives	115,504	258,428	326,957
Exchange traded futures	–	3,508	66
Exchange traded options	–	9	37
	115,504	261,945	327,060
Equity and stock index derivatives			
OTC options bought and sold	–	28,505	57,299
Equity swaps and forwards	–	17	–
OTC derivatives	–	28,522	57,299
Exchange traded futures	–	9,284	152
Exchange traded options	–	20,251	2,481
Warrants	–	2,282	3,021
	–	60,339	62,953

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Commodity derivatives			
OTC options bought and sold	–	–	51,764
Commodity swaps and forwards	–	20,269	5,309
OTC derivatives	–	20,269	57,073
Exchange traded futures	–	–	62,797
Exchange traded options	–	–	10,737
	–	20,269	130,607
Credit Derivatives			
Credit linked notes bought and sold			362
Credit swaps bought and sold	–	–	127
	–	–	489
Total negative fair values	280,816	797,153	1,556,601
Effect of netting	(176,021)	(667,966)	(1,062,450)
Amounts included in other liabilities	104,795	129,187	494,151

The replacement values of these contracts are their positive fair values. The notional principal amounts represent the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

Non-trading derivatives

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Notional principal amounts			
Foreign exchange derivatives			
Forward foreign exchange	1,326,090	21,597	–
Currency swaps	10,847	47,886	9,193
OTC derivatives	1,336,937	69,483	9,193
Exchange traded futures	2,667	–	–
Exchange traded options	19,315	–	–
	1,358,919	69,483	9,193
Interest rate derivatives			
Caps and floors	17,101	–	2,500
Swaps	1,784,506	1,339,995	1,281,916
OTC derivatives	1,801,607	1,339,995	1,284,416
Exchange traded futures	1,202	–	388,452
	1,802,809	1,339,995	1,672,868
Equity and stock index derivatives			
OTC options bought and sold	2,835	1,811	1,092
	2,835	1,811	1,092

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Positive fair values			
Foreign exchange derivatives			
Forward foreign exchange	23,309	857	–
Currency swaps	330	3,443	903
OTC derivatives	23,639	4,300	903
Exchange traded futures	70	–	–
	23,709	4,300	903
Interest rate derivatives			
Caps and floors	17	–	–
Swaps	28,306	22,968	24,795
	28,323	22,968	24,795
Equity and stock index derivatives			
OTC options bought and sold	591	562	329
	591	562	329
Total positive fair values (also representing the replacement costs)	52,623	27,830	26,027

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Negative fair values			
Foreign exchange derivatives			
Forward foreign exchange	17,855	857	–
Currency swaps	16,585	5,208	–
	34,440	6,065	–
Interest rate derivatives			
Caps and floors	13	–	–
Swaps	2,871	50,924	26,433
	2,884	50,924	26,433
Equity and stock index derivatives			
OTC options bought and sold	–	–	–
Total negative fair values	37,324	56,989	26,433

The replacement values of these contracts are their positive fair values. The notional principal amounts represent the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

Non-Trading Derivatives

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Book carrying values			
Foreign exchange derivatives			
Forward foreign exchange	–	–	–
Currency swaps	254	(1,988)	951
OTC derivatives	254	(1,988)	951
Exchange traded futures	–	–	–
Exchange traded options	–	–	–
	254	(1,988)	951
Interest rate derivatives			
Caps and floors	–	–	–
Swaps	1,818	(1,900)	(1,510)
OTC derivatives	1,818	(1,900)	(1,510)
Exchange traded futures	–	–	(369)
	1,818	(1,900)	(1,879)
Equity and stock index derivatives			
OTC options bought and sold	507	775	403
Total book carrying value	2,579	(3,113)	(525)

Hedging instruments

Gains and losses on derivatives used for hedging are recognised in line with the underlying items that are being hedged. These values have been calculated by reference to the ultimate maturity date of the derivatives.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Unrecognised gains to be recognised:			
Within one year	755	3,106	993
In more than one year	14,611	23,899	23,717
Total unrecognised gains	15,366	27,005	24,710
Unrecognised losses to be recognised:			
Within one year	76	1,251	2,470
In more than one year	2,494	50,885	22,394
Total unrecognised losses	2,570	52,136	24,864
Total recognised gain/(loss) in current year	*	7,998	(9,764)
Portion of recognised gain/(loss) which was unrecognised in prior year	*	64	(1,012)
Net recognised gain/(loss) arising in the current year	*	7,934	(8,752)

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

*Due to the fact that such data was not required for South African Statutory reporting, it has not been possible to obtain this data for the 2000 reporting period.

Maturities of derivative instruments

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Up to one year			
Foreign exchange derivatives			
Forward foreign exchange	7,965,024	14,385,929	12,020,512
Currency swaps	50,141	68,780	24,182
Futures	2,667	–	7,353,008
Options	33,277	361,968	305,028
Other foreign exchange contracts	–	28,095	–
	8,051,109	14,844,772	19,702,730
Interest rate derivatives			
Caps and floors	377,205	869,466	2,889,807
Swaps	5,228,457	6,237,297	10,612,657
Futures	1,202	4,735,738	255,248
Options	1,592,381	2,135,288	1,490,433
Forward rate agreements	6,296,841	9,933,392	21,429,769
	13,496,086	23,911,181	36,677,914
Equity and stock index derivatives			
Swaps and forwards	–	166	67
Futures	–	93,095	1,267
Options	–	3,054,738	832,862
Warrants	–	30,923	38,749
	–	3,178,922	872,945
Commodity Derivatives			
OTC option bought and sold	–	–	635,599
Exchange traded future options	–	–	2,668,267
Commodity swap and forwards	–	930,657	342,480
	–	930,657	3,646,346
Credit Derivatives			
Credit linked notes bought and sold	–	–	18,567
	–	–	18,567

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
One to five years			
Foreign exchange derivatives			
Forward foreign exchange	988,158	911,109	1,006,341
Currency swaps	80,482	328,499	316,037
Options	–	–	220,927
Other foreign exchange contracts	–	28,095	–
	1,068,640	1,267,703	1,543,305
Interest rate derivatives			
Caps and floors	52,740	277,426	468,847
Swaps	4,151,858	5,375,127	6,549,509
Futures	–	88,483	223,377
Options	93,197	136,227	37,134
Forward rate agreements	184,849	1,667,486	3,655,272
	4,482,644	7,544,749	10,934,139

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Equity and stock index derivatives			
Futures	–	31,050	556
Options	2,207	105,771	168,977
Warrants	–	755	10,420
	2,207	137,576	179,953
Commodity Derivatives			
OTC options bought and sold	–	–	1,270,013
Exchange traded futures	–	–	241,504
Commodity swap and forwards	–	50,282	22,040
	–	50,282	1,533,557
Credit Derivatives			
Credit linked notes bought and sold	–	–	9,283
Credit swaps bought and sold	–	–	10,916
	–	–	20,199

Maturities of derivative instruments

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
More than five years			
Foreign exchange derivatives			
Forward foreign exchange	132,255	125,784	321,889
Currency swaps	289,834	316,248	318,047
	422,089	442,032	639,936
Interest rate derivatives			
Caps and floors	6,104	6,304	–
Swaps	2,124,442	2,825,676	2,724,448
Options	76,469	21,938	–
	2,207,015	2,853,918	2,724,448
Equity and stock index derivatives			
Options	628	–	–
Commodity Derivatives			
OTC options bought and sold	–	–	622,490
Credit Derivatives			
Credit swaps bought and sold	–	–	7,639
Total notional principal amounts	29,730,418	55,161,792	79,124,168

Interest Rate Sensitivity Gap for the Non-Trading book

Presented below is the Group's repricing profile, which represents the sensitivity of assets and liabilities to interest rate movements. Allocation of items to time bands is based on the earlier of the next contractual interest rate repricing date and the maturity date.

	Less than 3 months £'000	More than 3 months but less than 6 months £'000	More than 6 months but less than 1 year £'000	More than 1 year but less than 5 years £'000	More than 5 years £'000	Non interest bearing £'000	Total Non Trading £'000	Trading £'000	Total £'000
31 March 2002									
ASSETS									
Treasury bills and other eligible bills	–	–	–	–	–	–	–	340,525	340,525
Loans and advances to banks	957,278	32,155	14,280	3,034	115,662	2,866	1,125,275	1,457,930	2,583,205
Loans and advances to customers	2,020,399	77,091	124,738	460,984	971,958	6,266	3,661,436	1,119,044	4,780,480
Debt securities & equity shares	293,466	220,979	203,007	50,672	17,411	117,700	903,235	3,536,236	4,439,471
Other assets	158,921	14,888	15,799	29,135	379,126	937,982	1,535,851	989,252	2,525,103
Total assets	3,430,064	345,113	357,824	543,825	1,484,157	1,064,814	7,225,797	7,442,987	14,668,784
LIABILITIES									
Deposits by banks	682,045	202,104	15,432	16,614	26,388	–	942,583	2,792,766	3,735,349
Customer accounts	3,854,349	256,875	221,364	382,163	911,507	–	5,626,258	1,958,167	7,584,425
Other liabilities	–	–	–	–	–	418,475	418,475	1,905,848	2,324,323
Subordinated liabilities	–	–	–	27,227	163,432	–	190,659	–	190,659
Minority interest and shareholders' funds	–	–	–	–	–	834,028	834,028	–	834,028
Total liabilities	4,536,394	458,979	236,796	426,004	1,101,327	1,252,503	8,012,003	6,656,781	14,668,784
Off-balance sheet items	430,244	103,851	(2,000)	(91,779)	(440,316)	–	–	–	–
Interest rate repricing gap	(676,086)	(10,015)	119,028	26,042	(57,486)	(187,689)	(786,206)	786,206	–
Cumulative repricing gap	(676,086)	(686,101)	(567,073)	(541,031)	(598,517)	(786,206)	(786,206)	–	–
31 March 2001									
ASSETS									
Treasury bills and other eligible bills	–	–	–	–	–	–	–	254,655	254,655
Loans and advances to banks	1,268,547	24,131	37,266	23,348	9	–	1,353,301	987,999	2,341,300
Loans and advances to customers	2,427,583	95,413	216,405	466,923	479,913	42,776	3,729,013	1,012,669	4,741,682
Debt securities & equity shares	76,229	24,579	–	–	–	469,707	570,515	5,112,460	5,682,975
Other assets	95,685	–	1	–	–	812,086	907,772	940,712	1,848,484
Total assets	3,868,044	144,123	253,672	490,271	479,922	1,324,569	6,560,601	8,308,495	14,869,096
LIABILITIES									
Deposits by banks	341,112	54,327	32,886	157,646	27,323	–	613,294	3,450,128	4,063,422
Customer accounts	4,470,152	518,918	259,605	220,359	288,354	4,414	5,761,802	2,313,938	8,075,740
Other liabilities	–	–	–	–	–	462,842	462,842	1,425,334	1,888,176
Subordinated liabilities	–	350	–	45,632	193,147	–	239,129	–	239,129
Minority interest and shareholders' funds	–	–	–	–	–	602,629	602,629	–	602,629
Total liabilities	4,811,264	573,595	292,491	423,637	508,824	1,069,885	7,679,696	7,189,400	14,869,096
Off-balance sheet items	380,368	152,678	(28,268)	(579,662)	74,884	–	–	–	–
Interest rate repricing gap	(562,852)	(276,794)	(67,087)	(513,028)	45,982	254,684	(1,119,095)	1,119,095	–
Cumulative repricing gap	(562,852)	(839,646)	(906,733)	(1,419,761)	(1,373,779)	(1,119,095)	(1,119,095)	–	–

The table above does not take into account the effect of interest rate options used by the Group to hedge its exposures.

On account of the fact that such data was not required for South African statutory reporting, it has not been possible to obtain this data for the 2000 reporting period.

Credit risk

Credit risk is the risk of financial loss to the Group as a consequence of default by a counterparty to a transaction. It includes loan loss risk, settlement risk and replacement risk. Financial instruments that create credit risk include loans, advances and derivatives.

The Group uses the key principles of equivalent lending risk, ("ELR") to monitor and measure credit exposures. The ELR calculation incorporates both cumulative mark-to-market and an element of potential future credit exposure.

The Group's Credit Risk department has considerably enhanced methods for measuring and monitoring credit risk, at product and portfolio level, across the Group. Ricos, a global credit risk management system from Algorithmics, has been implemented over the last three financial years in South Africa and the UK. Current system initiatives include the implementation of a new Credit Administration system to manage preparation, approval and compliance with specific conditions during the credit proposal administration process. KMV Credit Monitor, which provides market statistics of default probabilities, asset values and asset volatilities specific to public and private sector entities, has been implemented in South Africa during the last year, and Credit Risk is currently involved in a pilot project with KMV Portfolio Manager software to be used to measure and manage the risks of the loan book on a portfolio basis.

For this reason, against the backdrop of a sustained period of high interest rates and record levels of liquidations and insolvencies in the South African market, the Group maintained and in fact improved the overall quality of its loan portfolio. The development and implementation of a global credit risk management system, a default probability model and the constituting of a specialist credit forum have continued successfully. The roll-out of these and other initiatives should further enhance the Group's credit risk capability.

Investec's fundamental principles for managing credit risk include:

- A clear definition of the Group's target market.
- A qualitative and quantitative assessment of the creditworthiness of the Group's counterparties.
- An analysis of all related risks, including those associated with concentration.
- Regular monitoring of existing and potential exposures once facilities have been approved.
- A high level of executive and non-executive involvement in decision-making and review.

In addition, various forums are in place to manage and enhance the decision-making process. These forums are divided as follows

- Local/divisional management: divisional management teams are responsible for the overall process in these areas, with divisional credit functions being responsible for allocating credit limits depending on location and risk appetite. Divisional limits and exposure monitoring are undertaken daily.
- Group Risk Management: Group Risk Management sets credit policies and procedures and monitors all Group exposures on a daily basis. Group Credit Forum approves transactions above the divisional threshold.

In addition all Group Credit Forum decisions are sanctioned by an executive committee. Any new products or structures are subject to review by the Group Deal Forum, to ensure all risks have been identified. Both senior management and non-executive directors are represented on the Group Deal Forum.

Some of the more pertinent details relating to the quality of the Group's loan book to customers are shown in the accompanying tables.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Asset quality, specific and general provisions			
Total loans and advances to customers	4,931,522	4,817,394	4,844,707
Less: cash equivalent debtors	1,848,509	1,518,287	1,530,257
Core loans and advances to customers	3,083,013	3,299,107	3,314,450
Managed book	85,646	102,777	73,587
Net loans and advances to customers	2,997,367	3,196,330	3,240,863
Average net loans and advances to customers	3,101,317	3,191,060	3,306,779
Consolidated profit and loss provision charge	20,225	18,015	14,668
Specific provision	49,989	44,496	27,252
General provision	28,396	31,216	36,975
Total provision	78,385	75,712	64,227
Gross non-performing loans	66,852	56,477	38,124
Security	30,970	27,113	11,821
Net non-performing loans	35,882	29,364	26,303
Adequacy of provisions			
Consolidated profit and loss provision charge as a % of average loans and advances to customers	0.65%	0.56%	0.44%
Specific provisions as a % of core loans and advances to customers	1.62%	1.35%	0.82%
General provisions as a % of net loans and advances to customers	0.95%	0.98%	1.14%
Total provisions as a % of core loans and advances to customers	2.54%	2.29%	1.94%
Total provisions as a % of gross non-performing loans	117.25%	134.06%	168.47%
Total provisions as a % of net non-performing loans	218.45%	257.84%	244.18%

The tables below present the Group's loans and advances to customers by loan type.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Category Analysis			
Commercial property	385,215	657,978	870,443
Residential mortgages	492,654	460,257	447,822
Lease and instalment debtors	223,864	174,410	158,619
Corporate and public sector	2,879,423	2,860,782	2,714,679
Margin lending	509,191	241,864	150,850
Other secured private bank lending	335,477	368,903	425,004
Other loans and advances	105,697	53,200	77,291
	4,931,521	4,817,394	4,844,708
Problem country exposure			
Total advances to problem countries	56,089	59,812	53,516
Problem country risk provisions	–	–	–

The advances are secured by a 100% pledge over the assets with additional risk cover in the form of CGIC commercial, CGIC political cover and cash collateral.

Currency disclosure

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Assets and liabilities denominated in sterling and foreign currencies			
Denominated in sterling	7,675,222	7,434,276	7,842,900
Denominated in currencies other than sterling	8,354,872	8,549,486	9,180,285
Total assets	16,030,094	15,983,762	17,023,185
Denominated in sterling	7,004,274	6,593,425	6,819,679
Denominated in currencies other than sterling	8,471,063	8,787,708	9,369,478
Total liabilities(*)	15,475,337	15,381,133	16,189,157

(*) Includes subordinated liabilities.

Non-trading currency risk – structural currency exposures

Non-trading currency risk exposure arises principally from the Group's net investments in non-sterling based subsidiaries and associated undertakings, principally in South Africa, Israel and the United States.

The Group's structural currency exposures at each reporting period were as follows:

Currency of structural exposure	**Net investments(*) £'000**
31 March 2002	
Israeli Shekel	30,000
US Dollar	14,700
South African Rand	47,027
Other currencies	54,127
	145,854
31 March 2001	
Israeli Shekel	35,800
US Dollar	26,300
South African Rand	70,534
Other currencies	25,408
	158,042
31 March 2000	
Israeli Shekel	34,000
US Dollar	22,900
South African Rand	83,105
Other currencies	25,624
	165,629

(*) There were no borrowings taken out in the functional currencies of the operations in order to hedge net investments.

Goodwill has not been included in net investments in the above table.

Non-trading currency risk – non structural currency exposures

The table below shows the Group's currency exposures. These non-structural exposures give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved.

	Net foreign currency monetary assets/(liabilities)						
	Sterling	South African Rand	US Dollar	Israeli Shekel in £'000	Euro	Other	Total
31 March 2002							
Functional currency of Group operation							
Sterling	–	692	49,851	4	(1,022)	19,213	68,738
South African Rand	344	–	8,094	84	24	1,293	9,839
US Dollar	22,909	(25)	–	–	–	248	23,132
Israeli Shekel	–	–	88,183	–	–	–	88,183
Euro	627	(120)	–	–	–	–	507
Other	4	258	39	–	4	–	305
	23,884	805	146,167	88	(994)	20,754	190,704

	Net foreign currency monetary assets/(liabilities)						
	Sterling	South African Rand	US Dollar	Israeli Shekel in £'000	Euro	Other	Total
31 March 2001							
Functional currency of Group operation							
Sterling	–	(4,326)	62,668	–	2,280	29,354	89,976
South African Rand	5,365	–	128,257	–	(110)	(11,371)	122,141
US Dollar	2,287	(132)	–	–	–	(616)	1,539
Israeli Shekel	–	–	14,688	–	–	–	14,688
Euro	–	–	–	–	–	–	–
Other	(6,963)	114	(327)	–	974	–	(6,202)
	689	(4,344)	205,286	–	3,144	17,367	222,142

	Net foreign currency monetary assets/(liabilities)					
	Sterling	South African Rand	US Dollar *in £'000*	Israeli Shekel	Other	Total
31 March 2000						
Functional currency of Group operation						
Sterling	–	–	17,352	–	2,136	19,488
South African Rand	1,782	–	131,740	–	(23,415)	110,107
US Dollar	2,636	(65)	–	–	(107)	2,464
Israeli Shekel	–	–	889	–	–	889
Other	5,386	8	–	–	–	5,394
	9,804	(57)	149,981	–	(21,386)	138,342

The amounts shown do not take into account the effect of any currency swaps, forward contracts or other derivatives entered into to manage these currency exposures.

Operational risk

This relates to the potential for losses arising from, for example, poor corporate governance, internal and external fraud, system failures, incomplete data, inadequate internal control procedures, clerical error and inadequate insurance cover.

Operational risk management has been formalised within the Group as part of the Group Risk Management division and a global head has recently been appointed to design and develop formalised processes. These processes will build on the Turnbull risk assessment programme which was conducted in quarter 1 in 2001 and commented on in the 2001 Group Annual Report.

The Group limits potential risks by acting to prevent, detect and recover any losses incurred. While operational management is primarily responsible for this risk, Investec Group Risk Division has also taken various steps to ensure that operational risk is minimised. The most important policy measure is to instil in employees sound cultural and ethical values. This is supplemented by strong management commitment to various internal control procedures which include efficient accounting, administrative controls, disaster recovery and business resumption processes.

Independent internal audit and group compliance functions, which form part of the group risk management framework, review and comment on risks and the management of such risks. Comment is made to management, to Group Risk Management, to the individual business units, the Audit sub-committees and key issues are reported to the Group Audit Committee. These reports form part of the operational risk assessment process. In addition, risks identified by Operational Risk Management will be advised to these assurance functions for review.

Business units track and comment on critical performance indicators monthly in the Group Management Forum process. Significant loss/breakdown events are reported to the Board quarterly.

As an additional buffer against potential operational risk, the Group has extensive insurance cover for any material losses which might arise.

Legal risk

Legal and documentation risk arises when contracts entered into by the Group with its clients become unenforceable, especially with respect to events of default by a client, that is the documentation will not give rise to the rights and remedies anticipated when the transaction was entered into particularly when security arrangements have been agreed.

The legal risk team evaluates the Group's vulnerability to, and the business implications of, legal issues. In particular, it reviews areas in which sophisticated legal documentation is required for complex and structured transactions such as those transacted in the Specialised Finance, Treasury and Trading divisions.

Strategy

The focus in the forthcoming year will be on continued standardising of the Group's risk management practices and integrating the risk management operations of the different jurisdictions. In particular, the Group will focus on:

- Further integration of credit, market and operational risk, and asset and liability management methodologies.
- Ongoing review of the approach to be taken in respect of Basel 2 requirements and the resultant system and data implications.
- Ongoing implementation of risk adjusted measures (RAE, ROE, RAROC) for exposure and capital management.
- Ongoing allocation of risk capital to the trading activities.
- Obtaining internal model approval from the regulatory authorities for the internal V@R models to mitigate capital usage, where possible.
- Development of an internal credit risk model.

40. Related party transactions

Transactions, arrangements and agreements involving directors and others:

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

(a) At the respective year-end dates 5 directors had outstanding loans from Investec Bank Limited. For loans to related parties, normal credit parameters are applied

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Loans – Investec Bank Limited	1,093	1,173	2,418

(b) H. Herman has a 17% and 13% holding in Picbel Parkade Shareblock (Pty) Ltd. and Taaibos Square (Pty) Ltd respectively. Loans were provided to these entities by Investec Bank Limited on an arms length, fully secured basis as follows:

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Picbel Parkade Shareblock (Pty) Ltd.	2,721	2,124	1,384
Taaibos Square (Pty) Ltd	2,682	2,246	1,538

(c) Boutique Finance II Ltd is an investment company owned by certain members of senior management. Investec Bank (UK) Limited provided a loan to Boutique Finance II Ltd and uses Boutique Finance II Ltd's investment in shares as security therefor.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Loan provided by Investec Bank (UK) Limited	5,739	5,309	4,187

The terms of the loan are such that 200% cover is required at all times, if the cover drops below 175% a margin call back to 200% must be made. I Kantor, who is a director of Investec Group Limited, has guaranteed 34% of the above loan provided.

(d) The Group's personal account trading policy requires all employees who participate in securities transactions to deal on an arm's length basis through Investec Securities Limited. This has no material effect on the earnings of either Investec Securities Limited or the Group.

(e) Directors' portfolios are subject to management fees on an arms length basis.

(f) Particulars of directors' transactions dealings in Investec shares are recorded in a register held at the Registered Office of the Company which is available for inspection.

Transactions with other Related Parties of the Group

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

(a) During February 2001, Investec Bank Limited entered into a 20 year zero coupon swap transaction with Fedsure Life Assurance Limited for the future amount of R1,400,000,000. The nature of the transaction was that Investec Bank Limited would pay a fixed rate interest and receive a floating rate interest. The contract was dissolved during March 2002.

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
(b) On 30 September 2001, Investec Bank Limited sold certain property loans to a policyholder fund of Investec Employee Benefits for a total consideration of:	–	–	33,854

The balance was settled at year end.

41. Miscellaneous

	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Assets subject to sale and repurchase transactions			
Government securities	4,244,491	4,234,139	3,709,831
Value of liabilities secured by assets			
Deposits by banks	141,062	1,060,987	453,693
Deposits by customers	5,350	6,140	9,768
	146,412	1,067,127	463,461
Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	22,276	62,611	28,446
Costs of assets acquired for the purpose of letting under financial leases	24,759	66,691	35,759

The group has investment management and stockbroking businesses.

42. Ultimate Parent Company

The ultimate parent company, and controlling party, is Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on The Johannesburg Stock Exchange.

The consolidated financial statements of the ultimate parent company are available to the public and may be obtained from Investec Group Limited's principal place of business: 100 Grayston Drive, Sandown, Sandton, 2196, South Africa.

PART VIII – THE GLOBAL OFFER

Summary of the Global Offer

In connection with the Global Offer, Investec PLC intends to issue up to 10 million new Ordinary Shares, subject to market conditions. In addition, should there be sufficient demand, as determined by Schroder Salomon Smith Barney on behalf of the Managers, and in the interests of ensuring liquidity for the Ordinary Shares in London, the Selling Shareholders will consider selling up to 8 million existing Ordinary Shares (such numbers include Ordinary Shares required in connection with the Over-Allotment Option referred to below). The number of Ordinary Shares to be issued and/or sold is dependent on the Offer Price and may vary from the numbers set out above. Investec PLC in respect of the new Ordinary Shares and the Selling Shareholders in respect of the existing Ordinary Shares reserve the right not to issue and/or sell (as the case may be) any Ordinary Shares in the Global Offer. In such circumstances, Investec PLC reserves the right still to proceed with Admission. Investec PLC will not receive any of the proceeds from the sale of existing Ordinary Shares by the Selling Shareholders.

Under the Global Offer, all the Ordinary Shares will be sold at the Offer Price, which will be agreed between Schroder Salomon Smith Barney on behalf of the Managers and Investec. A number of factors will be considered in determining the Offer Price and the basis of allocation, including, the prevailing IGL share price during the bookbuild exercise, prevailing market conditions, the level of absolute demand, the desire to establish an orderly after-market in the Ordinary Shares and any entitlements to priority in allocation. If the Offer Price is not agreed between Schroder Salomon Smith Barney on behalf of the Managers the Global Co-ordinators and Investec, the Global Offer will not proceed and no Ordinary Shares will be issued or sold in connection with the Global Offer.

Over-Allotment Option and Stabilisation

In connection with the Global Offer, Investec PLC and/or the Selling Shareholders will grant to Schroder Salomon Smith Barney, on behalf of the Managers, an Over-Allotment Option pursuant to which Schroder Salomon Smith Barney may require Investec PLC and/or the Selling Shareholders to make available additional Ordinary Shares of up to 15 per cent. of the aggregate number of Ordinary Shares available in the Global Offer (before any exercise of the Over-Allotment Option) at the Offer Price to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions. The Over-Allotment Option may be exercised, in whole or in part, at any time up to 30 days following the date of Admission.

In connection with the Global Offer, Schroder Salomon Smith Barney as stabilising manager on behalf of the Managers, or any person acting for it may over-allot or effect other transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Offer Price is announced. Such transactions may be effected on the London Stock Exchange or any securities market, over-the-counter market stock exchange or otherwise. There is no obligation on Schroder Salomon Smith Barney to undertake stabilisation transactions. Such transactions, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Save as required by law, Schroder Salomon Smith Barney does not intend to disclose the extent of any stabilisation transactions under the Global Offer.

The Global Offer

The Global Offer is being made by way of an offering of Ordinary Shares by way of:

(a) an Institutional Offer to certain institutional investors in and outside the United Kingdom including the United States to institutions reasonably believed to be QIBs in reliance on Rule 144A or pursuant to any other applicable exemption from registration under the Securities Act; and

(b) an Intermediaries Offer, under which Intermediaries are able to apply on behalf of their clients resident in the United Kingdom, the Channel Islands or the Isle of Man who are over the age of 18.

Further details of the Institutional Offer and the Intermediaries Offer are set out below.

All Ordinary Shares in the Global Offer will be subscribed for or purchased (as the case may be) at the Offer Price which will be determined by consultation between Investec and the Global Co-ordinators before listing by the UK Listing Authority and admission to trading on the London Stock Exchange and listing on the JSE. The Global Offer is conditional on such listings and admission to trading becoming effective and on the

Underwriting Agreement (the terms of which are summarised below) becoming unconditional and not having been terminated.

Investec PLC or the Global Co-ordinators may terminate the Global Offer in its or their (as the case may be) absolute discretion at any time prior to signing of the Underwriting Agreement. In such circumstances Investec PLC reserves the right to proceed with Admission.

Any new Ordinary Shares being issued by Investec PLC will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission. Any Ordinary Shares to be sold by the Selling Shareholders will be sold together with the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

The Offer Price will be agreed between Schroder Salomon Smith Barney on behalf of the Managers and Investec. Among the factors to be considered in determining the Offer Price, the proportions of Ordinary Shares to be made available by Investec PLC and/or the Selling Shareholders pursuant to the Over-Allotment Option and the number of Ordinary Shares to be allocated in each of the Institutional Offer and the Intermediaries Offer (described below) will be the prevailing IGL ordinary share price during the bookbuild exercise, which commences on 8 July 2002 and finishes on 19 July 2002, prevailing market conditions, the level of absolute demand, the desire to establish an orderly after-market in the Ordinary Shares and any entitlements to priority in allocation.

The Institutional Offer

The Institutional Offer comprises a placing of new and existing Ordinary Shares (i) in the United States to qualified institutional buyers as defined in, and in accordance with, Rule 144A under the Securities Act or pursuant to another available exemption from the registration requirements thereunder and (ii) outside the United States to certain institutional investors in accordance with Regulation S under the Securities Act. The Managers are soliciting from prospective investors indications of interest in acquiring Ordinary Shares in the Institutional Offer. Prospective investors will be required to specify the number of Ordinary Shares which they would be prepared to acquire at the different levels of the Offer Price. This process, known as bookbuilding, is expected to cease on 19 July 2002.

The Intermediaries Offer

Persons resident in the United Kingdom, Jersey or the Isle of Man are able to apply for Ordinary Shares through an Intermediary. Persons resident in the Bailiwick of Guernsey are able to apply for ordinary shares through intermediaries licensed under the Protection of Investors (Bailiwick of Guernsey) Law 1987 (as amended) to carry on the restricted activity of provision in relation to controlled investments. Completed Intermediaries Application Forms from Intermediaries under the Intermediaries Offer must be received by the Receiving Agent by not later than 3.00 pm on 19 July 2002 and cleared funds in respect of each Intermediaries Application Form must be received by the Receiving Agent no later than 3.00 pm on 26 July 2002. In making an application in the Intermediaries Offer, each Intermediary will be acting on its own behalf and will not be acting and has no authority to act for Investec (excluding Investec Bank (UK) Limited in its role as a Global Co-ordinator), the Selling Shareholders or any of the Global Co-ordinators. To participate in the Intermediaries Offer, each Intermediary will be required to agree that none of Goldman Sachs International, Investec Bank (UK) Limited or Schroder Salomon Smith Barney, will treat it or its clients as clients of Goldman Sachs International, Investec Bank (UK) Limited or Schroder Salomon Smith Barney. Goldman Sachs International, Investec Bank (UK) Limited and Schroder Salomon Smith Barney will treat each Intermediary as a market counterparty. Intermediaries will not be entitled to the protection afforded to customers of Goldman Sachs International, Investec Bank (UK) Limited or Schroder Salomon Smith Barney including under FSMA.

Further terms and conditions of the Intermediaries Offer are set out in the Intermediaries Application Form.

Underwriting arrangements

On determination of the Offer Price, Investec PLC, IGL, the Selling Shareholders and the Managers will enter into the Underwriting Agreement, under which, subject to certain conditions the Managers will severally agree to procure subscribers and/or purchasers (as the case may be) and, failing which, the Managers (other than Investec Bank (UK) Limited), will themselves severally agree to subscribe for and/or purchase the Ordinary Shares to be issued and/or to be sold in the Global Offer.

Investec PLC, IGL and the Selling Shareholders will agree in the Underwriting Agreement to indemnify the Managers against certain liabilities. A summary of the terms of the Underwriting Agreement are set out in "Additional information – Material contracts" in Part XIII.

Lock-up and orderly sale arrangements

Investec PLC and IGL have agreed that, subject to certain exceptions or pursuant to trading on behalf of clients in the ordinary course of its business or without the prior written consent of Schroder Salomon Smith Barney on behalf of the Managers, such consent not to be unreasonably withheld, for a period of six months after the date of Admission, they will not issue, offer, sell, pledge, contract to sell, issue options or warrants in respect of, or otherwise dispose of, encumber or hedge any Ordinary Shares or IGL ordinary shares (or any securities substantially similar to them) or enter into any transaction having an effect on the market in the Ordinary Shares or IGL ordinary shares similar to that of a sale, or publicly announce any intention to do any of the foregoing.

Each of the Selling Shareholders has agreed that, without the prior written consent of Schroder Salomon Smith Barney on behalf of the Managers, such consent not to be unreasonably withheld, for a period of six months after Admission, they will not offer, sell, pledge, contract to sell, issue options or warrants in respect of, or otherwise dispose of, encumber or hedge any Ordinary Shares, IGL ordinary shares or Units (or any securities substantially similar to them) or enter into any transaction having an effect on the market in the Ordinary Shares or IGL ordinary shares similar to that of a sale, or publicly announce any intention to do any of the foregoing.

Each of the Directors has agreed that, subject to existing security arrangements including pledges and to certain exceptions or without the prior written consent of Schroder Salomon Smith Barney on behalf of the Managers, such consent not to be unreasonably withheld, for a period of six months after Admission that, they will not offer, sell, pledge, contract to sell, issue options or warrants in respect of, or otherwise dispose of, encumber or hedge any Ordinary Shares, IGL ordinary shares or Units (or any securities substantially similar to them) or enter into any transaction having an effect on the market in the Ordinary Shares or IGL ordinary shares similar to that of a sale or publicly announce any intention to do any of the foregoing. Certain senior employees of the Group have also agreed to be bound by the terms of similar lock-up arrangements in respect of their interest in Units under the Fintique II Scheme.

Listing

Application has been made to the UK Listing Authority for the admission of the Ordinary Shares to the Official List of the UK Listing Authority and will be made to the London Stock Exchange for their admission to trading. Application has also been made to the JSE for the Ordinary Shares to be admitted to listing on the JSE.

Allocation and pricing

Although Investec PLC, the Selling Shareholders, the Global Co-ordinators and the Managers are under no obligation to proceed with the Global Offer at this stage, it is expected that Ordinary Shares allocated under the Institutional Offer and the Intermediaries Offer will be fully underwritten by the Managers (other than Investec Bank (UK) Limited) as described in "Underwriting arrangements" above. Allocations will be determined at the discretion of the Global Co-ordinators in consultation with Investec after indications of interest from prospective investors have been received.

All Ordinary Shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price which may vary from the price of an IGL ordinary share during the bookbuilding period. The Offer Price and the numbers of Shares allocated under the Global Offer are expected to be announced on 22 July 2002.

The Managers will be soliciting indications of interest in acquiring Ordinary Shares under the Institutional Offer from prospective investors. Prospective investors will be required to specify the number of Ordinary Shares which they would be prepared to acquire at the Offer Price (subject to it being determined). This process is expected to be completed by 5.00 p.m. on 19 July 2002 but the time for receipt of expressions of interest under the Institutional Offer may be extended at the discretion of the Global Co-ordinators (subject to the agreement of Investec).

The rights attaching to the new Ordinary Shares and the existing Ordinary Shares will be uniform in all respects and they will form a single class for all purposes. The proportions in which particular allocations of Ordinary Shares under the Global Offer will comprise new Ordinary Shares and, if there is sufficient demand, existing Ordinary Shares may vary at the discretion of the Global Co-ordinators. Certain rights of recourse arising pursuant to the Global Offer in respect of the Ordinary Shares (including in relation to title to the Ordinary

Shares) may be derived from different persons according to whether the Ordinary Shares acquired are new Ordinary Shares (in respect of which such persons may not include the Selling Shareholders) or existing Ordinary Shares (in respect of which they may do so).

None of the Ordinary Shares forming part of the Global Offer are reserved for allocation to any person nor are there any other preferential allocation arrangements.

Dealing and settlement

The Global Offer is subject to the satisfaction of conditions contained in the Underwriting Agreement, including Admission occurring by 8.00 am on 29 July 2002 and to the Underwriting Agreement not having been terminated prior to Admission. Further details of the Underwriting Agreement are set out in paragraph 12.1 of Part XIII.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 am on 22 July 2002. In order to conform with South African settlement timing on the Unbundling, any conditional dealing in the Ordinary Shares transacted on 22 July 2002 or 23 July 2002 will only be settled on 29 July 2002. Thereafter settlement of dealings on the London Stock Exchange will be on the normal three day rolling basis. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued basis" and at the risk of the parties concerned. If the Global Offer does not become unconditional, these dealings will be void.

Admission is expected to take place, and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange, at 8.00 am on 29 July 2002. Settlements of dealings from this date will be on a three day rolling basis.

Admission to the JSE in respect of new Ordinary Shares issued pursuant to the Global Offer will become effective when such shares are admitted to the Official List, and to trading on the London Stock Exchange, expected at 8.00 am on 29 July 2002. Admission to the JSE in respect of Ordinary Shares issued as part of the Unbundling (which will include the existing Ordinary Shares to be sold by Selling Shareholders under the Global Offer) is expected to become effective at 8.00 am (9.00 am South African time) on 22 July 2002. Settlement of dealings on the JSE will be on a five day rolling basis.

It is intended that, where applicable, definitive share certificates in respect of the Global Offer will be distributed from 29 July 2002.

These times and dates are indicative only and may be extended at the discretion of the Global Co-ordinators, with the agreement of Investec.

The Ordinary Shares are held in registered form and are capable of being held in uncertificated form. From Admission, dealings in the Ordinary Shares on the London Stock Exchange will be for settlement three business days after such dealing. From Admission, dealings in the Ordinary Shares on the JSE will be for settlement five business days after such dealing. The Company will apply for the Ordinary Shares on the United Kingdom register to be admitted to CREST with effect from Admission and it is expected that Ordinary Shares allotted to investors in the Global Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title have been, or will be issued. Settlement of dealings in the Ordinary Shares on the London Stock Exchange following Admission may take place within the CREST system.

General

Investec PLC has its principal register of members in the United Kingdom and a branch register in South Africa. Ordinary Shares registered in the names of residents of South Africa will be entered onto the South African branch register. Residents of the CMA outside South Africa and emigrants from the CMA whose Ordinary Shares are restrictively endorsed under the South African Exchange Control Regulations must nominate a South African nominee to hold Ordinary Shares registered on the South African branch register on their behalf. All other Ordinary Shares will be registered on the United Kingdom principal register.

Shareholders who are non-South African residents who hold shares on the South African branch register of Investec PLC through South African nominees and who wish to re-register their holdings into their own names, or to move their registrations from the South African branch register to the principal register (either into their own names or the name of a non-South African nominee) including those who wish to hold their Ordinary Shares in CREST, will require South African Reserve Bank consent to do so, for which purpose they should approach the exchange control division of an authorised dealer in South Africa. In the case of a transfer not involving any change in beneficial ownership under current South African Reserve Bank guidance, such consent will be given.

This document will not be registered as an offering circular in terms of the South African Companies Act and as such, any offer of Ordinary Shares in South Africa may only be made if it will not be capable of being construed as an offer to the public as envisaged by such Act. Furthermore, any offer or sale of the Ordinary Shares will be subject to compliance with the South African Exchange Control Regulations.

Selling restrictions

No action has been taken or will be taken in any jurisdiction other than the United Kingdom that would permit a public offering of the Ordinary Shares, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company, IGL, the Selling Shareholders or the Ordinary Shares in any jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly nor may this Offering Circular be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

United States

The Ordinary Shares have not been and will not be registered under the Securities Act or with any regulatory authority of any state or other jurisdiction, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Underwriting Agreement, it will not offer or sell the Ordinary Shares as part of its distribution at any time within the United States. Terms used in this paragraph have the meanings given to them by Regulation S. Transfers of the Ordinary Shares purchased and sold into the United States pursuant to Rule 144A or another exemption from registration under the Securities Act are restricted as described below.

The Ordinary Shares are being offered and sold outside of the United States in reliance on Regulation S. The Underwriting Agreement provides that the Managers may, through their respective US broker-dealer affiliates, arrange for the offer and resale of Ordinary Shares within the United States only to QIBs in transactions exempt from registration under the Securities Act.

In addition, until 40 days after the commencement of the Global Offer of the Ordinary Shares, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Global Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

South Africa

Residents of South Africa are subject to Exchange Control Regulations, described in detail in "South African Exchange Control" in Part X, and are advised to seek independent advice regarding any permissions that may be required of the Exchange Control Authorities of the South African Reserve Bank with regard to implementation of the transactions detailed herein. To the extent that Ordinary Shares are offered for subscription or sale in South Africa, such offer is being effected in terms of section 144 of the South African Companies Act and does not constitute an offer to the public or any sector of the public within the meaning of the South African Companies Act.

Japan

The Ordinary Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No 25 of 1948 as amended). Accordingly the Ordinary Shares have not been and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan (including any Japanese corporation), or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including any Japanese corporation), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

The Netherlands

The Ordinary Shares will not be offered, transferred or sold, whether directly or indirectly, to any person in the Netherlands other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises).

PART IX – REGULATION

This Part IX is intended to provide an indication of certain principal regulations to which the activities of Investec are subject. It is not comprehensive and should be read in conjunction with the rest of this document.

General

Various Investec companies are subject to regulation by government agencies in the jurisdictions in which they operate. The nature and extent of such regulation varies from jurisdiction to jurisdiction, but typically such regulation requires companies which carry on specified activities to obtain and maintain a licence from a regulator to carry on those activities and, consequently, to comply with detailed prudential and conduct rules. Further, regulators typically require the controllers of the companies whose activities they regulate to also gain and maintain the approval of the regulator to act as a controller. Regulators commonly aim to protect market participants and customers (rather than shareholders or creditors) and do so by requiring the companies which they regulate to observe detailed conduct of business rules and rules governing the conduct of management, maintenance of adequate capital, use of risk management systems and the prevention of abusive practices.

Set out below are details of the relevant regulators in Investec's principal markets, a summary of the requirements of the United Kingdom and South African regulators in permitting Investec to operate the DLC Structure, and a summary of certain other general regulatory issues.

Group supervision and liaison between the South African Reserve Bank and FSA

The South African Reserve Bank and FSA are in the process of entering into a Memorandum of Understanding which sets out the basis on which the two main regulators will co-operate and the Group will be regulated. The South African Reserve Bank will undertake consolidated supervision of the South African entity and the Group as well as take on the role of lead regulator of the Group. FSA will undertake consolidated supervision of the Company and its subsidiaries.

The Memorandum of Understanding provides for an annual bilateral meeting between the South African Reserve Bank and FSA and an annual trilateral meeting between the two regulators and Investec to discuss matters relating to the supervision of the Group. In addition, the Memorandum of Understanding sets out the agreed criteria at which point the role of lead regulator would change. The Directors believe that FSA will automatically become lead regulator of the Group if 70 per cent. or more of the on and off balance sheet assets of Investec are held by the Investec PLC side of the DLC Structure. The Directors further believe that the FSA intend to publish the terms of the Memorandum of Understanding on the date of or shortly after commencement of the Global Offer.

United Kingdom

Regulated entities

Investec's business is subject to extensive regulation in the United Kingdom. In order to conduct a regulated activity in the United Kingdom, a company needs to gain FSA approval and be authorised by FSA. The following Investec PLC subsidiaries are authorised by FSA.

Name of Company	**Business**
Investec Asset Management Limited	Fund management
Investec Investment Management Limited	Fund management
Investec Management Limited	Fund management
Investec Fund Management Limited	Fund management
Investec Asset Management US Limited	Fund management
Investec Investment Managers International Limited	Fund management
Mayflower Management Company Limited	Fund management
Carr Sheppards Crosthwaite Limited	Stockbroking
Investec Bank (UK) Limited	Banking
HEV (Holdings) Limited	Fund management
European Capital Company Limited	Corporate finance

In addition, the following IGL subsidiaries are authorised by FSA.

Name of Company	**Business**
Beale Dobie Limited	Market making in traded endowments
Policy Portfolio Limited	Market making in traded endowments

Investec also has a 36.7 per cent. shareholding in Hargreave Hale Limited, a stockbroking business.

FSA's general duties

As a matter of law, FSA is charged with certain general duties which are: the maintenance of confidence in the financial system; the promotion of public understanding of the financial system; the protection of consumers; and the reduction of financial crime, but not with protecting the interests of the shareholders or creditors of regulated entities.

FSA regulation

It follows from the nature of its general duties that FSA regulation of authorised entities can be divided into the following areas:

- ***Prudential supervision.*** FSA requires firms to apportion responsibility between their senior managers for the conduct of the licensed entities to ensure that the senior managers understand the risks which each part of the licensed entity faces. Further, authorised entities must maintain adequate systems and controls to be able to monitor and, where necessary, limit those risks. Authorised entities are required to maintain minimum amounts of capital to manage those risks. Persons who play certain key roles within an authorised firm including the directors and managers of key business units must be individually approved by FSA. The Company as a holding company of FSA authorised firms will be subject to consolidated supervision requirements of FSA, as a result of which the Company will be subject to certain FSA rules on capital adequacy.

- ***Conduct rules.*** FSA authorised entities must follow detailed conduct of business rules which range from requirements relating to accepting customers including detailed anti-money laundering requirements and issuing advertisements to rules governing customer dealing (such as best execution) and financial reporting. These rules generally apply to dealings with entities who are not market counterparties, such as other FSA authorised entities and certain government institutions.

- ***Market regulation.*** FSA rules which apply to dealings between market counterparties are contained in a code entitled the Inter-Professional Code. The Inter-Professional Code sets out minimum standards which apply to transactions between market counterparties governing, for example, the disclosure of the entity entering into the transaction and the manner in which transactions can be concluded. FSA also has powers under the "Market Abuse Regime" to take action against firms who engage in prohibited conduct, being the misuse of information, the creation of false or misleading impressions, and market distortion. These offences exist alongside criminal offences relating to insider dealing. In addition, investment exchanges and markets such as the London Stock Exchange, London Clearing House and LIFFE adopt rules and require their members to abide by them. Investec includes a number of entities which are members of such investment exchanges and markets.

- ***Supervision, investigation and discipline.*** FSA supervises the entities which it authorises in order to monitor their compliance with FSA's rules. FSA has very broad powers to investigate suspicions of misconduct by authorised entities and, if it does so, can decide to exercise its power to discipline authorised entities. This can include fines, the suspension of employees and ultimately the withdrawal of authorisation. Occasionally, Investec subsidiaries have been subject to investigations and proceedings and have had sanctions imposed upon them. None of these sanctions have had a material effect on Investec.

- ***Controllers.*** Any person who wants to be a controller of an FSA licensed entity must first get FSA approval. A controller is defined as an entity which owns 10 per cent. or more of the issued share capital in an authorised entity, or has such a holding indirectly via a holding in a parent entity of the authorised entity, or an entity which has the right to exercise 10 per cent. or more of the voting rights at a general meeting of the authorised entity, or indirectly exercises such a right through a holding in a parent of the authorised entity. Investec includes a number of entities that are controllers of authorised entities and who therefore have and need to maintain FSA permission to be controllers.

FSA conditions

FSA has imposed the following conditions upon Investec as a result of the DLC Structure:

- Investec Bank (UK) Limited and any other authorised United Kingdom incorporated entity must meet FSA's threshold conditions and all relevant rules on a continuing basis.

- Each United Kingdom authorised firm must be registered in the United Kingdom and have its principal place of business and head office in the United Kingdom.
- Investec must remain organised so that FSA's prudential supervision of the Company and its subsidiaries is effective and would not, for example, be compromised by any arrangement with IGL.
- The Company must meet United Kingdom corporate governance and listing requirements.
- Investec must remain structured in such a way that the DLC Structure does not make it more likely that an insolvency on one side would lead to an insolvency of, or a need to wind up, the other side.
- Investec must be subject to quantitative and qualitative consolidated supervision equivalent to the standards set out in the Basel Core Principles on consolidated supervision.
- A lead regulator for Investec will be determined in accordance with the provisions of the Memorandum of Understanding between FSA and the South African Office for Banks referred to in the section headed "Group supervision and liaison between the South African Reserve Bank and FSA" in this Part IX.
- FSA approval is required for any guarantees between the two parts of the DLC Structure.
- Investec Bank (UK) Limited must be ring fenced from the IGL Group.

Future developments

The regulation of financial institutions in the United Kingdom has recently been subject to an extensive reorganisation culminating on 1 December 2001, with FSA assuming new powers and, for the first time, becoming the regulator of all entities undertaking authorised activities. FSA regulations continue to evolve and Investec will need to adapt its business and practices to reflect such changes. It is possible that further regulations may be introduced by FSA which may adversely affect Investec's business.

Much of the framework of regulation in the United Kingdom derives from EU Directives and from international agreements such as the New Basel Capital Accord on capital adequacy which is reflected in FSA's capital requirements. The pace of change of the EU's regulation of financial markets has increased and Investec will need to adapt its business and practices to reflect such changes. It is likely that future directives will amend existing, or introduce new, regulations and this may adversely affect Investec's business.

South Africa

Regulated Entities

Investec's business is subject to extensive regulation in South Africa. In order to conduct a regulated activity in South Africa, a company needs to gain approval from the relevant regulatory authority. The following IGL subsidiaries are authorised in South Africa.

Name of Company	Business
Investec Bank Limited	Deposit – taking and investment banking
Investec Securities Limited	Securities trading
Investec Asset Management Limited	Portfolio/asset management
Securities Investment Bank Limited	Banking

Regulatory Authorities

The following authorities are responsible for financial services regulation in South Africa, and for the regulation of the particular companies listed above.

- **South African Reserve Bank.** The South African Reserve Bank is responsible for the prudential and conduct of business regulation and supervision of banks. The South African Reserve Bank conducts its supervision under the powers granted by the Banks Act 1990 (Act No 94 of 1990) and regulations issued under the Banks Act 1990.
- ***Financial Services Board.*** The Financial Services Board ("FSB") is responsible for the regulation and supervision of insurance and related services, wholesale and retail investment services, and insider trading. The Financial Services Board acts using powers granted by the Financial Services Board Act 1990 (Act No 97 of 1990).

- **Financial Exchanges.** The JSE is incorporated under the Stock Exchanges Control Act (Act No. 1 of 1985) and operates as an equities market with many of its members also trading bonds and financial futures. The JSE has rules which govern the conduct of members of the exchange and trading on the exchange. The Bond Exchange of South Africa is a licensed exchange carrying out similar responsibilities in relation to bond trading. Both the JSE and the Bond Exchange of South Africa are required to operate in accordance with the requirements of the Financial Markets Control Act 1998 (Act No 55 of 1998) and to adhere to certain approved rules.

Conduct of regulation

The South African regulators undertake both prudential and conduct of business regulation and supervision in respect of Investec's activities. Supervision is carried out by way of an on-site visit by the regulators and off-site supervision through the completion and submission of statutory returns in respect of capital adequacy, liquidity, market risk, foreign exchange, large exposures, counterparty risk, credit risk, consolidated supervision and similar matters. The regulators prescribe certain rules promoting good practice and conduct and prohibiting undesirable practices which IGL's regulated subsidiaries are required to comply with.

The main intention of regulators in South Africa is to ensure the protection of the counterparties to a transaction, rather than the shareholders of a regulated entity.

The Financial Intelligence Centre Act (Act No 38 of 2001) established a Financial Intelligence Centre and a Money Laundering Advisory Council which act in order to combat money laundering activities, and impose certain duties on institutions and other persons. IGL subsidiaries are required to identify and verify the identity of clients and other persons before establishing a business relationship with them. Further, the Prevention of Organised Crime Act 1998 (Act No 121 of 1998) requires IGL subsidiaries to report suspicions regarding the proceeds of unlawful activities.

Other conduct of business rules

The Insider Trading Act, 1998 prohibits dealing in any security by an individual if they have knowledge of price sensitive information or the disclosure of such information. Compliance with these regulations are monitored by Investec on an ongoing basis. The South African Financial Services Board has issued draft legislation (called the Financial Advisory and Intermediary Services Bill) that aims to regulate the financial service industry in terms of advice given to clients. Investec is therefore focused on streamlining the process of "advice" in order to comply with the relevant regulations. Other issues relating to personal account trading, market abuse, chinese walls and conflicts of interest are also implemented and monitored by the compliance function within Investec.

South African Ministry of Finance conditions to the DLC Structure

The South African Ministry of Finance has granted approval for the DLC Structure subject to the following prudential regulation conditions:

- The Office for Banks must be the lead regulatory/primary consolidated supervisor of the combined DLC Structure.

- No funds may flow from IGL (including its subsidiaries) for the purpose of satisfying any claims arising from the winding-up of the Company (including its subsidiaries) unless the prior written approval of EXCON and the Office for Banks has been obtained.

The South African Ministry of Finance has also required, as part of its approval, the following national identity conditions:

- IGL must remain a South African incorporated company with its primary listing on the JSE.

- IGL must remain a holding company of and manage and control Investec's Southern African operations, including but not limited *inter-alia* to Investec Bank Limited, Securities Investment Bank Limited, Investec Bank (Mauritius) Limited and Investec Bank (Botswana) Limited.

- All acquisitions by Investec in the South African Development Community Region are subject to the prior written approval of both the Office for Banks and EXCON and must be structured under IGL.

- The headquarters of IGL as well as the key Group functions (for example, compliance, risk management and internal audit) of the DLC Structure (to the extent that they refer to the activities of Investec) must be in South Africa, although the headquarters of the Company may be in the United Kingdom. The centre of administrative and practical management of the DLC Structure must be in South Africa, and the corporate head office activities presently carried out in South Africa must continue there.

- The headquarters of the combined DLC Structure must be publicly acknowledged as being in South Africa in all relevant significant public announcements and in all public documents.
- The Chief Executive Officer, the Chief Financial Officer of IGL and at least two of the Executive Directors of the Company shall have their ordinary residence, principal offices and key supporting functions in South Africa.
- The majority of all regularly scheduled Board meetings and executive committee meetings of IGL and Executive Committee meetings of the combined DLC Structure in a calendar year must be in South Africa.
- IGL and the Company together with their subsidiaries and associates shall be "connected persons" for purposes of the South African Income Tax Act, 1953 (Act No. 34 of 1953 – as amended) and other South African income tax purposes.

In addition the South African Ministry of Finance imposed the following listing and shareholder arrangements conditions:

- The Company must have a secondary listing on the JSE.
- Appropriate alternative Matching Actions shall be taken in respect of South African resident shareholders in the Company (including its subsidiaries) who are impeded from following their rights, owing to exchange control regulations or otherwise.
- Any dispute between any of the relevant parties arising from the terms or provisions of either the Sharing Agreement and/or the UK Dividend Access Shares trusts and/or the South African Dividend Access Shares trusts shall be resolved in accordance with South African law and be subject to the exclusive jurisdiction of the appropriate South African Courts.

In addition, the South African Ministry of Finance imposed the following general conditions:

- The winding-up of either the Company (including its subsidiaries) or IGL (including its subsidiaries) shall not automatically have an effect on the other relevant institution(s) in question or have an impact on the interests of the depositors, customers or creditors of such other institution(s).
- None of the South African Ministry of Finance conditions, nor any of the provisions of the Sharing Agreement and/or the United Kingdom Dividend Access Shares trusts and/or the South African Dividend Access Shares trusts may be amended or deviated from without the prior written approval of EXCON or the Office for Banks.
- The conditions are subject to the provisions of the Memorandum of Understanding entered into between the FSA and the Office for Banks.

The remaining conditions imposed by the South African Ministry of Finance in connection with the DLC Structure are summarised in "South African Exchange Control" in Part X.

Office for Banks Conditions to the DLC Structure

The Office for Banks has also granted approval for the DLC Structure subject to the following conditions:

- IGL shall comply with the conditions contained in the Minister of Finance's letter of approval, subject to any changes to the conditions authorised by the Minister of Finance.
- IGL shall comply with all applicable EXCON provisions at all times.
- Each banking entity (local and offshore) within IGL shall meet the minimum capital requirements of the South African Reserve Bank.
- Should an insolvency occur in the DLC Structure, IGL shall not provide funding assistance to support the DLC Structure without the Office for Bank's approval.
- The Office for Banks shall be informed of any changes affected to the:
  - (a) Voting Agreement;
  - (b) the Sharing Agreement.

- IGL shall submit two consolidated returns (forms DI 401), that is, a return in respect of IGL and its subsidiaries and a return in respect of Investec/PLC and its subsidiaries.
- The board of directors of IGL and Investec PLC shall be identical, and the Office for Banks shall be notified of any change to either board.
- Should Investec PLC conduct any activity falling within the ambit of section 52 of the Banks Act while the Office for Banks is performing the function of lead regulator, Investec PLC shall notify the Office for Banks, in the format used for applications in terms of section 52 of the Banks Act for IGL.
- No legal entity shall exercise control over the DLC Structure as a single body, without the Office for Bank's approval.
- A registered holder that is not the holder of the beneficial interest of more than 15 per cent. of the securities in IGL shall disclose, to the Office for Banks, at the end of every quarter of the year, the identity of the person and on whose behalf the securities are held, as well as the number and class of the securities concerned.
- Any necessary applications in terms of the provisions of the Banks Act shall be lodged with the Office for Banks.
- The placement of depositors' funds and/or clients' assets shall be done in the best interests of the depositors/clients, rather than in the best interests of the DLC structure. The purchase and sale of assets by the Investec group shall be entered into on an arm's length basis, and should a conflict arise between a benefit to the depositor and a benefit to the shareholder, the depositor shall receive preference.

The Office for Banks reserves the right to include further conditions should it deem it necessary.

Future development

The South African regulatory regime is in a transitional stage and major changes to the structure of the regulators and the content of the regulations may occur which may adversely affect Investec's business. The South African government is considering whether to follow the United Kingdom example by creating a single regulatory body such as FSA.

Other jurisdictions

Investec also operates in a variety of other extensively regulated jurisdictions, including the United States, Israel and Australia, where its subsidiaries and the securities industries in which they operate are subject to an extensive range of securities laws, rules and regulations that are promulgated by various federal and state governmental and quasi-governmental agencies and self-regulatory organisations. Securities regulations to which these subsidiaries are subject relate to a variety of matters, including the maintenance of minimum net capital, the use and safekeeping of customer's funds and securities, record-keeping and reporting requirements, supervisory and organisational procedures intended to assure compliance with securities laws and rules of self-regulatory organisations, the prevention of improper trading on "material non-public" information, employee-related matters, and procedures for the clearing and settlement of trades.

As at 5 July 2002 Investec was awaiting confirmation of consent from the regulators in certain jurisdictions in respect of certain transfers to be carried out pursuant to the Reorganisation. Based on discussions with the relevant regulators the Directors consider that such outstanding approvals will be obtained prior to completion of the Reorganisation.

PART X – SOUTH AFRICAN EXCHANGE CONTROL

The information contained in this Part X (excluding the information contained under "South African Reserve Bank Requirements" below) has been extracted from publicly available documents that have not been prepared by Investec or its affiliates or advisers in connection with the Global Offer. The following is a general summary of the current position, and is intended as a guide only and is therefore not comprehensive. Persons who are in any doubt as to the position in any particular case should consult their independent professional advisers. Please note that the Company and the Global Co-ordinators are not responsible for obtaining any exchange control consents that any investor may need to obtain in order to buy or sell Ordinary Shares.

Applicable Legislation

The present South African Exchange Control system was introduced in 1961. Section 9 of the Currency and Exchanges Act No. 9 of 1933, as amended ("Currency and Exchanges Act"), empowers the President to make regulations in regard to any matter directly or indirectly relating to or affecting or having any bearing upon currency, banking and exchanges. The regulations made in terms of the Currency and Exchanges Act are contained in the Exchange Control Regulations, as amended. Orders and Rules, as amended, are issued under the Exchange Control Regulations. The exchange control system is used principally to control capital movements by South African residents to countries outside the CMA.

Delegation of Powers

The Minister of Finance has, pursuant to Exchange Control Regulations 22E, delegated to the Governor and/or the Deputy Governor of the South African Reserve Bank all the powers, functions and duties assigned to and imposed on the Treasury under the Exchange Control Regulations with the exception of the powers, functions and duties assigned to and imposed on the Treasury by Regulations 3(5), 3(8), 16, 20 and 22 (excluding Regulations 22A, 22B, 22C and 22D from such exemption). The Exchange Control Department of the South African Reserve Bank has wide discretion. Such discretion is, however, not exercised arbitrarily but is based upon a set of norms, and is subject to the policy guidelines laid down by the Minister of Finance, Director General Finance, the Governor and Deputy Governors of the South African Reserve Bank and the Minister's policy committees.

Authorised Dealers

Under paragraph 3 of the Order and Rules certain banks were appointed as Authorised Dealers in Foreign Exchange. Their function is to assist the Exchange Control Department in administering exchange control. All applications to the Exchange Control Department have to be made through an Authorised Dealer. Investec Bank Limited has been appointed as an Authorised Dealer for the purposes of the Exchange Control Regulations. The Exchange Control Rulings, issued by the Exchange Control Department of the South African Reserve Bank, set out the authorities granted to Authorised Dealers and the rules and procedures to be followed by the Authorised Dealers.

Transactions subject to Exchange Control Regulation

Transactions between South African residents and non-residents are subject to Exchange Control Regulation. Under South Africa Exchange Control Regulations, the ordinary shares of a South African company are freely transferable outside South Africa between person who are not residents of the CMA. Additionally, where ordinary shares are sold on the JSE on behalf of shareholders who are not residents of the CMA, the proceeds of such sales will be freely exchangeable into foreign currency and remittable to them. There are no exchange control restrictions on the remittance in full of dividends declared out of trading profits to non-residents of the CMA.

The ability of a South African company in which 75 per cent. or more of the voting stock, capital or earnings is held or controlled, directly or indirectly, by non-residents ("an affected company"), to obtain financial assistance in the South African domestic market is subject to certain restrictions. Financial assistance includes the lending of currency, the granting of credit, the taking up of securities, the conclusion of an instalment sale and/or hire purchase sale or lease, the financing of sales or stocks, discounting, factoring, the guaranteeing of acceptance credits, the guaranteeing or accepting of any obligations, a suretyship, a buy-back, a lease back, but excludes normal trade credits. An affected company's ability to borrow money from a South African lender is restricted by a formula which depends on both the composition of the company's foreign shareholding and the extent of the shareholder funds. The Exchange Control Authorities currently permit an entirely foreign-owned company to borrow up to 100 per cent. of the shareholder investment in the affected company, which is taken to mean its paid-up equity capital, preference shares, undistributed earned profits, shareholders' loans from abroad, and, in certain instances, the hard core of the company's trade credit.

Share registers

In accordance with the conditions laid down by the South African Reserve Bank in terms of the South African Exchange Control Regulations, which regulations are applicable in all countries within the CMA, and taking into account the requirements of the Companies Act governing the operation of the share registers of the Company, an IGL shareholder acquiring shares in the Company in terms of the Reorganisation who:

(a) had on the record date, in the share register of IGL, whether as the beneficial holder or through a nominee, a registered address in the CMA within:

   (i) South Africa, will have his entitlement to Ordinary Shares registered on the branch register in his name or the name of his nominee, as appropriate, with his South African address;

   (ii) the Republic of Namibia or the Kingdoms of Lesotho or Swaziland, will have his entitlement to Ordinary Shares registered on the branch register in the name of a nominee resident in, and with an address in, South Africa and if such nominee and address is not submitted by the IGL shareholder in writing within four days after the record date for the Reorganisation, the nominee and address will be nominated by the Company;

(b) is an emigrant from a country within the CMA whose documents of title in respect of his ordinary shares in IGL are restrictively endorsed in terms of the South African Exchange Control Regulations will have his entitlement to Ordinary Shares registered on the branch register in the name of a nominee resident in, and with an address in, South Africa and if such nominee and address are not submitted by the IGL shareholder in writing within four days after the record date, the nominee and address will be nominated by the Company. The share certificates or share statements, as the case may be, in respect of such Ordinary Shares will be forwarded to the South African authorised dealer controlling the blocked assets of that emigrant shareholder, if such authorised dealer is nominated in writing within four days after the record date, failing which to an authorised dealer nominated by the Company;

(c) had on the record date a registered address in the share register of IGL outside the CMA and who is not an emigrant from a country within the CMA subject to the provisions of (b) above, will have his entitlement to Ordinary Shares registered on the principal register in his name and with such address, free from any control in terms of the South African Exchange Control Regulations and the share certificate or share statement, as the case may be, in respect of such shares in the Company will be posted from the United Kingdom at the risk of the shareholder to the address set out in the register.

After the Reorganisation, Investec PLC shareholders who are non-South African residents and who hold shares on the branch register through South African nominees who wish to re-register their holdings into their own names or to remove their registrations from the branch register to the principal register (either into their own names or into the name of a non-South African nominee) in CREST, including those who wish to hold their shares in Investec PLC, will be required to obtain consent of the South African Reserve Bank to do so, for which purpose they should approach the exchange control division of a commercial bank in South Africa.

New non-South African resident investors in shares in Investec PLC who wish to hold shares on the branch register will need to appoint a South African resident nominee. In the case of non-common monetary area residents, the appointment of such nominee must be referred to the exchange control division of an authorised dealer in South Africa.

General South African Reserve Bank requirements

Shareholders' attention is drawn to the South African Reserve Bank requirements that all share transactions pertaining to shares of IGL registered on the South African branch register shall be subject to South African tax legislation which is already in force or which may come into force.

Relaxation of Exchange Controls

The South African Government has committed itself to a gradual relaxation of exchange controls. Exchange controls over non-residents were abolished on 13 March 1995 with the effect that the local sale proceeds of non-resident owned South African assets are regarded as freely transferable from the Republic of South Africa. In June 1995 South African institutional investors were granted permission to exchange part of their South African portfolio of foreign securities through approved asset swap transactions. The asset swap mechanism was abolished from 21 February 2001 and institutional investors were allowed to continue acquiring foreign portfolio investments simply by means of foreign currency transfer from South Africa. However, this dispensation is currently under review. From 1 July 1997 individuals were allowed to invest a limited amount of their savings in any manner abroad and in fixed property in South African Development Community countries. South African corporates are allowed to invest R500 million per new approved investment offshore and R750 million in respect of new approved investments in Africa. Where the cost of the foreign direct investment exceeds the above mentioned limit, South African corporates are allowed to export, out of South Africa, up to 10 per cent. of such excess.

The following additional changes have been introduced:

- South African corporations are allowed, with the prior approval of the Exchange Control Authorities, to raise foreign funding on the strength of their South African balance sheets.
- Companies wishing to establish or acquire new companies abroad will be allowed, with appropriate prior approval, to make use of corporate asset swaps to finance these investments.
- The time limit within which foreign exchange must be sold to Authorised Dealers has been increased from seven to 30 days, where applicable.
- Authorised Dealers in foreign exchange may, against the production of suitable documentary evidence, provide forward cover to South African residents in respect of fixed and ascertained foreign exchange commitments covering the movement of goods, and persons who emigrate from South Africa are entitled to take limited amounts of money out of South Africa as a settling-in allowance. The balance of the emigrants' funds is blocked and held under the control of an Authorised Dealer. Such blocked funds may only be invested in (i) blocked current, savings, fixed or short-term deposit accounts in the books of an Authorised Dealer in the banking sector; (ii) listed South African securities, which must be lodged with an Authorised Dealer and will be endorsed non-resident; (iii) mutual funds units; or (iv) the South African Futures Exchange.
- Dividends declared out of normal trading profits earned after the date of emigration and interest from blocked assets earned after the date of emigration are freely transferable. Aside from the investments referred to above, blocked Rands may only be utilised for very limited purposes.
- Checks, including tax clearance certificates from the revenue authorities, have been put in place to ensure that a person whose tax affairs are not in order will not be permitted to take advantage of the above opportunities to expatriate funds.
- Most remaining controls on current account transactions have been abolished. South African residents and corporations who wish to make direct investments in businesses in other countries, or who otherwise wish to be interested in ventures in other countries or hold foreign currency, must comply with the new restrictions and still require prior approval from the Exchange Control Authorities of the South African Reserve Bank, through Authorised Dealers. Share certificates held by South African resident nominees in respect of non-residents will be endorsed non-resident.

South African Ministry of Finance requirements

The South African Ministry of Finance has granted approval for the DLC Structure subject to certain Exchange Control Conditions including:

- Neither IGL (including its subsidiaries) nor the Company (including its subsidiaries) may issue any blanket cross-guarantees between themselves; nor may IGL (including its subsidiaries) issue any other guarantees in favour of the Company (including its subsidiaries) without the prior written approval of EXCON.
- The Company (including its subsidiaries) may not buy or sell any shares in IGL (including its subsidiaries) without the prior written approval of EXCON and the Office for Banks.
- The Sharing Agreement determines that the dividend pay out ratio (or dividend cover ratio) of Investec PLC and IGL shall at all times be identical. Furthermore, the prior written approval of EXCON and the Office for Banks must be obtained before IGL (including its subsidiaries) can finance a payment or any part of the payment of a dividend to members of the Company (including its subsidiaries).
- Investec shall maintain an acceptable dividend payout schedule of any proposed dividend payouts in terms of the Sharing Agreement and this must be submitted to EXCON prior to the declaration of dividends.

- IGL (including its subsidiaries) shall not provide any assets, finance or capital to the Company (including its subsidiaries), or to non-South African resident shareholders or to any other non-South African resident persons without the prior written approval of EXCON and the Office for Banks.
- The Company shall maintain a branch register in South Africa, as envisaged and provided for in the South African Companies Act, 1973 as amended, with regard to all members of the Company who are resident in South Africa. All rights, titles and interests attached to the Company's shares held by South African residents and/or entered into the branch register shall be subject to the relevant exchange control regulations.
- Investec PLC (including its subsidiaries) may not raise any capital on the JSE without the prior written approval of EXCON.

The remaining conditions imposed by the South African Ministry of Finance in connection with the DLC Structure are summarised in "Regulation" in Part IX.

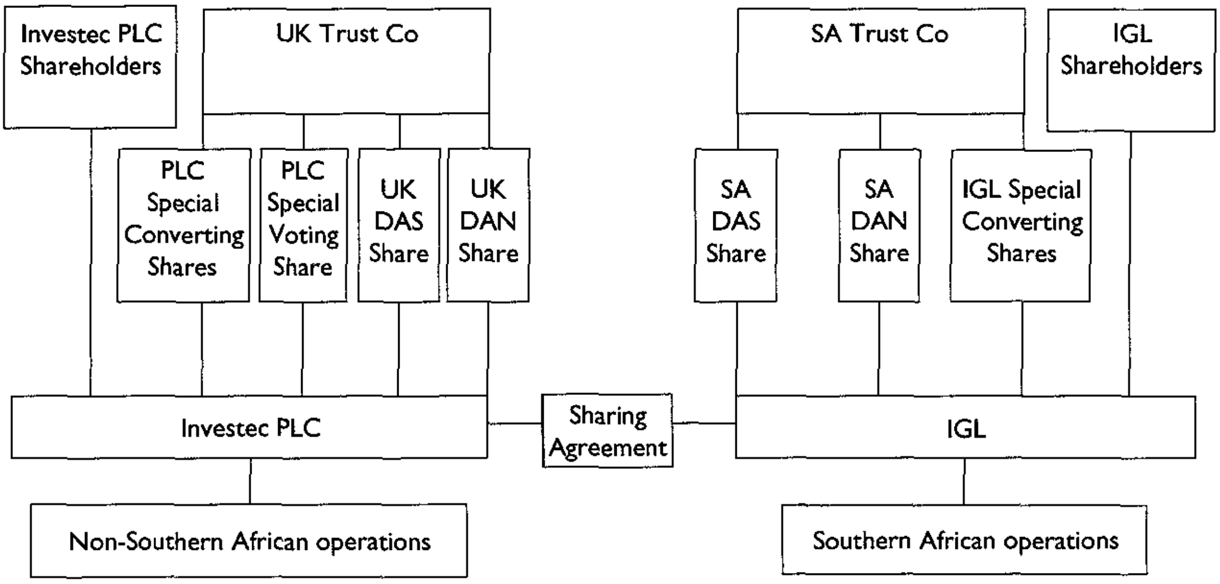
PART XI – DETAILS OF THE DLC STRUCTURE

1 Introduction

This Part XI assumes that the Reorganisation, the Unbundling by IGL of Ordinary Shares to IGL Shareholders and the DLC Structure have come into effect.

On the Unbundling of the Ordinary Shares by IGL, the DLC Agreements, which implement the DLC Structure, came into effect. This Part XI summarises the key features of the DLC Structure and the DLC Agreements. Further information on the DLC Agreements is set out in paragraph 16 of this Part XI. See "Additional Information – Documents available for inspection" in Part XIII for information on the availability of these documents for inspection.

The following is a simplified illustration of the DLC Structure:



Note: On the Investec PLC side the PLC Special Voting Share is used to reflect the votes cast by IGL Shareholders. On the IGL side, the IGL Special Converting Shares are used to reflect the votes cast by Investec PLC Shareholders and therefore there is no IGL Special Voting Share.

2 Key features of the DLC Structure

2.1 Separate entities and listings

IGL and Investec PLC will have separate corporate identities and separate stock exchange listings.

IGL will continue to have a primary listing on the JSE and Investec PLC is seeking a primary listing on the Official List and a secondary listing on the JSE.

Following Admission, Investec PLC will be eligible for inclusion in the FTSE indices. In South Africa it is expected that Investec PLC and IGL will be considered together, as a single enterprise, for the purposes of index inclusion.

2.2 Holdings of IGL and Investec PLC ordinary shares

IGL Shareholders will continue to hold their shares in IGL. However, immediately prior to Unbundling of IGL's Ordinary Shares, a restructuring of IGL's share capital was effected in respect of IGL ordinary shares such that each IGL shareholder received 37 IGL ordinary shares for every 100 IGL ordinary shares held prior to the consolidation. On the Unbundling of IGL's Ordinary Shares, each IGL Shareholder received 63 Ordinary Shares for every 37 IGL ordinary shares held following the consolidation. The combined effect of the consolidation and the Unbundling of IGL's Ordinary Shares is that each relevant IGL Shareholder continued to hold the same number of shares, but a Shareholder with an initial holding of 100 IGL ordinary shares now holds 63 Ordinary Shares and 37 IGL ordinary shares.

Following implementation of the DLC Structure, any ordinary share held in either Investec PLC or IGL gives the holder an equivalent effective economic interest in Investec.

2.3 *Unified boards and management*

Investec will operate as a single corporate group. As IGL and Investec PLC will be separate corporate entities, they will each continue to have a board of directors, but the Boards of Investec PLC and IGL will be comprised of the same persons. The Boards of Investec PLC and IGL will, in addition to their duties to the company concerned, have regard to the interests of both the IGL Shareholders and Investec PLC Shareholders as if the two companies were a single economic enterprise.

Details of the proposed membership of the Boards of Investec PLC and IGL following the implementation of the DLC Structure are set out in "Management and corporate governance" in Part IV. Resolutions relating to the appointment, removal and re-election of directors will be considered as Joint Electorate Actions (see paragraphs 2.5 and 8 below).

2.4 *Equivalent economic interests*

Both IGL Shareholders and Investec PLC Shareholders will have economic and voting interests in Investec. The economic and voting interests represented by an ordinary share in one company relative to the economic and voting interests of an ordinary share in the other company will be determined by reference to a ratio known as the "Equalisation Ratio".

Following the Unbundling of IGL's Ordinary Shares, the economic and voting interests attached to each IGL ordinary share and each Ordinary Share are the same, on the basis that the initial Equalisation Ratio is 1:1.

This means, for example, that the amount of any cash dividend paid in respect of each IGL ordinary share will normally be matched by an equivalent cash dividend in respect of each Ordinary Share, and vice versa. To enable such matching dividends to be paid, IGL and Investec PLC have each issued Dividend Access Shares to SA Trust Co and UK Trust Co respectively.

For further information in relation to equalisation, and the payment of dividends, see paragraphs 6 and 7 below.

2.5 *Voting arrangements*

Under the terms of the DLC Agreements, the IGL Articles and the Investec PLC Articles, special voting arrangements are in place so that the Shareholders of both companies effectively vote together as a single decision-making body on matters affecting the Shareholders of each company in similar ways ("Joint Electorate Actions"). For so long as the Equalisation Ratio remains 1:1, each IGL ordinary share will effectively have the same voting rights as each Ordinary Share on Joint Electorate Actions.

In the case of certain actions in relation to which the two bodies of Shareholders may have divergent interests ("Class Rights Actions"), the company wishing to carry out the Class Rights Action would require the prior approval of both the Shareholders in the other company voting separately and the approval of its own Shareholders voting separately.

These voting arrangements are secured through the constitutional documents of the two companies, the Sharing Agreement, the Voting Agreement and the rights attaching to, in the case of IGL, specially created special converting shares ("IGL Special Converting Shares") and, in the case of Investec PLC, a specially created special voting share ("Investec PLC Special Voting Share") issued by IGL and Investec PLC, respectively, and held, in each case, by the relevant Trust Company.

For more information about the voting arrangements see paragraph 8 below.

2.6 *Restrictions on takeovers of one company only*

The IGL Articles and the Investec PLC Articles ensure that a person cannot gain control of one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

For further details in relation to these provisions, see paragraph 9 below.

2.7 *Termination*

On termination of the DLC Structure (for whatever reason) it will be necessary to ensure the structure is unwound so that, immediately following termination, the economic interest of a holder of one IGL ordinary share relative to the economic interest of a holder of one Ordinary Share is in proportion to the Equalisation Ratio at the moment of termination. To ensure that this is the case, each of IGL and Investec PLC have issued to SA Trust Co and UK Trust Co respectively, a new class of Special Converting Shares ("Special Converting

Shares"). Prior to termination, the Special Converting Shares will have only limited rights and will be held on trust for the Shareholders in the other company. Following termination, the Special Converting Shares will carry the same rights and be redesignated as ordinary shares in the relevant company and the Shareholders in the other company will, with certain exceptions, be entitled to have the converted shares transferred to them. For more information on termination, and the Special Converting Shares and the transfer thereof, see paragraph 12 below.

2.8 The Trust Companies

As set out above, SA Trust Co holds the IGL Special Converting Shares, the SA DAN Share and the SA DAS Share and UK Trust Co holds the Investec PLC Special Voting Share, the Investec PLC Special Converting Shares, the UK DAN Share and the UK DAS Share.

SA Trust Co holds the SA DAN Share and the SA DAS Share on trust for the benefit of the non-South African resident Investec PLC Shareholders and the South African resident Investec PLC Shareholders respectively. The IGL Special Converting Shares are, with the exception of the voting rights, also held on trust for the Investec PLC Shareholders. Prior to the Conversion Date, the voting rights attaching to the IGL Special Converting Shares are held legally and beneficially by SA Trust Co.

UK Trust Co holds the UK DAN Share and the UK DAS Share on trust for the benefit of the non-South African resident IGL Shareholders and the South African resident IGL Shareholders respectively. The Investec PLC Special Converting Shares are held on trust for the IGL Shareholders. The Investec PLC Special Voting Share is held legally and beneficially by UK Trust Co.

The rights and obligations of the Trust Companies in relation to these shares are set out in the DLC Agreements (see paragraphs 3 and 16 below), the IGL Articles and Investec PLC Articles (see paragraphs 8 and 9 of "Additional Information" in Part XIII).

SA Trust Co is incorporated in South Africa and UK Trust Co is incorporated in England and Wales. The shares in the Trust Companies are held (legally and beneficially) by Trust Corporation.

Trust Corporation has responsibility for the administration of the Trust Companies pursuant to the Corporate Services Agreement (which is summarised in paragraph 17 below).

3 Contractual relationships following implementation of the DLC Structure

The DLC Agreements, being:

(a) the Sharing Agreement;

(b) the Voting Agreement;

(c) the IGL Special Converting Shares Trust Deed;

(d) the Investec PLC Special Converting Shares Trust Deed;

(e) the UK DAS Share Trust Deed;

(f) the UK DAN Share Trust Deed;

(g) the SA DAS Share Trust Deed; and

(h) the SA DAN Share Trust Deed,

(which are summarised in paragraphs 16.2 to 16.9 below) together with the IGL Memorandum and Articles and Investec PLC Memorandum and Articles (which are summarised in paragraphs 8 and 9 of "Additional Information" in Part XIII), came into effect on the Unbundling of the Ordinary Shares by IGL and govern the ongoing relationship between IGL and Investec PLC and establish the relationship between IGL, Investec PLC and the Trust Companies.

4 DLC Structure principles

The Sharing Agreement provides that the relationship between IGL and Investec PLC will be underpinned by the DLC Structure Principles which are as follows:

(a) The IGL Group and the Investec PLC Group must operate as if they were a single corporate group, through boards of directors which comprise the same individuals;

(b) the directors of IGL and the Directors will, in addition to their duties to the company concerned, have regard to the interests of IGL Shareholders and Investec PLC Shareholders as if the two companies were a single unified economic enterprise and for that purpose the directors of each company will take into account, in the exercise of their powers, the interests of the Shareholders of the other; and

(c) the DLC Equalisation Principles (see paragraph 6 below) must be observed.

IGL and Investec PLC agree, subject to Applicable Regulation (including the FSA conditions and South African Ministry of Finance Conditions summarised in "Regulation" in Part IX and "South African Exchange Control" in Part X, to pursue the DLC Structure principles.

5 Management

5.1 *Board of Directors*

Each of IGL and Investec PLC has a board of directors and each board comprises the same individuals.

(a) Board meetings

The Boards of Investec PLC and IGL will hold regularly scheduled meetings each year. Scheduled meetings, which are likely to be held once a quarter, will comprise meetings of both the Board and the IGL Board. Other exclusive meetings of either the IGL Board or the Board to discuss matters relating specifically to the business of either IGL or Investec PLC (as the case may be) will be held from time to time as required so that in practice it is expected that each of the Boards of Investec PLC and IGL will meet once every two months. It is intended that half of the meetings which comprise meetings of both the Board and the IGL Board will be held in South Africa and half in the United Kingdom, the majority of Investec PLC only meetings will be held in the United Kingdom and the majority of IGL only meetings will be held in South Africa.

(b) Board responsibility

The Boards of Investec PLC and IGL will respectively pursue the DLC Structure Principles (see paragraph 4 above).

Meetings which comprise meetings of both the Board and the IGL Board will consider the overall direction of the businesses of both companies including major policy and strategic decisions of both companies. For example, the following types of matters which would affect Investec will be considered at such meetings:

- setting overall strategy and direction of the businesses;
- taking decisions on integrating or separating major businesses on a global scale;
- approving acquisitions and disposals and debt financing over a certain threshold;
- declaring dividends;
- approving the Investec accounts and appointing and removing group auditors; and
- taking policy decisions affecting employees worldwide.

Meetings which comprise meetings of either the Board only or the IGL Board only will be responsible for the following types of matters:

- approving acquisitions and disposals and debt financing under a certain threshold;
- approving material operational proposals which affect directly the activities conducted in Southern Africa and internationally, by IGL and Investec PLC respectively; and
- taking decisions regarding the capitalisation of subsidiaries of the relevant company.

(c) Board members

The composition of the Boards of Investec PLC and IGL following implementation of the DLC Structure is set out in "Management and corporate governance" in Part IV.

5.2 Management Forums

Under the DLC Structure, two regional management forums have been established and comprise the existing global and regional management of the Southern African and non-Southern African operations. See "Management and corporate governance" in Part IV.

6 Equalisation of voting and economic rights

6.1 DLC Equalisation Principles

The principles to be observed in relation to the rights of the IGL ordinary shares and the Ordinary Shares are set out below:

(a) The Equalisation Ratio will define the economic benefits of one IGL ordinary share relative to one Ordinary Share (and vice versa) and the relative voting rights of one IGL Ordinary Share and one Ordinary Share on Joint Electorate Actions so that, where the Equalisation Ratio is 1:1, a holder of one IGL ordinary share and a holder of one Ordinary Share will, as far as practicable:

   (i) receive equivalent economic benefit (as to capital and dividends); and

   (ii) enjoy equivalent rights as to voting in relation to Joint Electorate Actions,

   and, where the Equalisation Ratio is not 1:1 such economic benefits and such voting rights as between an IGL ordinary share and an Ordinary Share will be in proportion to the prevailing Equalisation Ratio.

For the purposes of the DLC Equalisation Principles, the economic benefit of an Ordinary Share or an IGL ordinary share shall include any rights or benefits accruing to the Shareholders by way of payments made or other Actions taken in respect of the Dividend Access Shares.

(b) If Investec PLC or IGL undertakes an Action which, having regard for the prevailing Equalisation Ratio, would have a disproportionate economic effect on the holders of ordinary shares in one company relative to its effect on the holders of ordinary shares in the other company, then, subject to paragraphs 6.2 and 6.3 below, an appropriate adjustment to the Equalisation Ratio will be made unless:

   (i) a Matching Action has been or is to be undertaken; or

   (ii) such Action has received approval as a Class Rights Action.

(c) The Investec PLC Equivalent Number of Investec PLC Special Converting Shares will at all times be in issue and the IGL Equivalent Number of IGL Special Converting Shares will at all times be in issue.

6.2 Actions which do not have a disproportionate economic effect

The following Actions will not be considered to have a disproportionate economic effect on the Shareholders in one company relative to its effect on the Shareholders in the other company:

(a) any allotment and issue of shares or the granting of rights over shares by either IGL or Investec PLC at a price not less than the prevailing market value on the date of grant, pursuant to any employee share scheme;

(b) any allotment and issue of shares in either IGL or Investec PLC which is not an issue on a pre-emptive basis;

(c) any buy-back, repurchase or redemption of any ordinary shares of either company (including a share cancellation in connection with a reduction of capital):

   (i) on market in compliance with the rules of the relevant stock exchange and listing rules; or

   (ii) at or below market value; or

   (iii) pursuant to a general offer to shareholders in both IGL and Investec PLC which (applying the Equalisation Ratio) is made on equivalent terms; and

(d) any allotment and issue of shares in lieu of the payment of the whole or any part of a cash dividend where (on a per ordinary share basis) the quantum of the discount offered to the Shareholders in respect of the subscription price for further ordinary shares in the issuing company is less than the greater of (x) 5 per cent. of the market value of an ordinary share of the issuing company at the date of declaration of the relevant dividend and (y) the tax that would be saved by the issuing company by effecting such issue rather than paying a cash dividend.

6.3 *Unadjusted Actions*

In addition to the above, there is no requirement for an adjustment to the Equalisation Ratio, a Matching Action or approval as a Class Rights Action where an Action (an "Unadjusted Action") is taken in circumstances where the Boards of Investec PLC and IGL consider that the effect of such Action upon an IGL Shareholder relative to its effect on an Investec PLC Shareholder is not material. For this purpose, an effect is taken to be "not material" if:

(a) the costs to IGL and Investec PLC of taking a Matching Action or seeking approval as a Class Rights Action would be, in the opinion of the Boards of Investec PLC and IGL, disproportionate to the economic benefit conferred by such Action upon the IGL Shareholders or Investec PLC Shareholders (as the case may be) for whose benefit a Matching Action would otherwise (in the absence of an adjustment to the Equalisation Ratio or approval as a Class Rights Action) be required; and

(b) the adjustment that would be required to be made to the Equalisation Ratio would result in an adjustment to the relevant element of the Equalisation Ratio of less than 0.5 per cent.

However, in considering the application of the DLC Equalisation Principles to any subsequent Actions, the Boards of Investec PLC and IGL will take into account the effect of all prior Unadjusted Actions in deciding whether a Matching Action, an adjustment to the Equalisation Ratio or approval as a Class Rights Action is appropriate.

6.4 *Tax, exchange rates and market fluctuations*

In relation to any Action, when calculating any economic effect on IGL Shareholders or Investec PLC Shareholders:

(a) any tax payable by or on behalf of, or tax benefit arising to, such Shareholders will be disregarded; and

(b) in relation to any cash dividend, the amount of such dividend will be calculated before the deduction of any withholding taxes and no account will be taken of any obligation on the company making such distribution to pay any tax in relation to such distributions (such tax being payable in addition to the dividend).

The Boards of Investec PLC and IGL will not be required to take into account any fluctuations in exchange rates or in the market value of any securities or any other changes in circumstances arising after the date on which they make a determination as to the form and value of any Matching Action or the calculation of any adjustment to the Equalisation Ratio.

6.5 *Timing of Action and Matching Action*

A Matching Action will be implemented as soon as practicable after or, if possible, simultaneously with the Action giving rise thereto.

6.6 *Applicable Regulation*

Investec PLC and IGL must not take any Action which would cause any Investec entity to be in breach of any Applicable Regulation.

6.7 Suspension of rights

There will be no need to make any adjustment to the Equalisation Ratio or to do or omit to do any other thing as a result of the dividend, voting or other rights of any Shareholder being suspended or curtailed pursuant to any provision of the IGL Articles or the Investec PLC Articles.

7 Cash dividends

7.1 *Currency*

IGL will continue to declare and pay its dividends and other distributions in Rand. Investec PLC will declare and pay its dividends and other distributions in pounds sterling. If IGL is to pay a dividend to the Investec PLC Shareholders via its Dividend Access Shares, the Investec PLC Shareholders will be paid such dividend in pounds sterling (and vice versa if Investec PLC is to make a payment on its Dividend Access Shares).

7.2 Matching dividends

If it is proposed that the Shareholders of one company should receive a cash dividend, then (subject to paragraph 7.3) the Shareholders of the other company must receive, as nearly as practicable at the same time, a matching cash dividend (a "Matching Dividend") of an equivalent cash amount per ordinary share having regard to the then prevailing Equalisation Ratio and the "Applicable Exchange Rate". The Applicable Exchange Rate used in applying the Equalisation Ratio will be the average of the Rand/pounds sterling buying and selling spot rates quoted by Investec Bank Limited at 11:00 am (Johannesburg time) on the date on which a dividend is declared or recommended by the later of Investec PLC and IGL to do so. The Boards of Investec PLC and IGL have the power to agree a different basis for the exchange rate.

To effect the payment of Matching Dividends, IGL and Investec PLC will make payments on either their ordinary shares or their Dividend Access Shares or both. To enable payments to be made on their respective ordinary shares and Dividend Access Shares, IGL and Investec PLC will be entitled to enter into such transactions with each other or third parties as the Boards of Investec PLC and IGL agree to be necessary or desirable and/or to arrange for payments to be made on the Equalisation Shares (if issued).

For further information in relation to Dividend Access Shares see paragraph 7.4 below and for further information on the Equalisation Shares see paragraph 7.5 below.

The payment of Matching Dividends will not restrict either company's ability to offer to its Shareholders the ability to elect to subscribe for further shares of such company in lieu of the whole or any part of a cash dividend.

7.3 No matching dividend to be paid

If either company is prohibited by Applicable Regulation or is otherwise unable to declare, pay or otherwise make all or any portion of such a Matching Dividend or the directors of IGL and Investec PLC decide that it is not practicable or desirable to declare or pay a Matching Dividend, then IGL and Investec PLC will, so far as it is practicable to do so, take some other form of Matching Action and the DLC Equalisation Principles will apply.

7.4 Dividend Access Shares

To facilitate the payment of Matching Dividends, dividend access trust arrangements have been established as part of the DLC Structure.

IGL has issued two Dividend Access Shares, the SA DAS Share and the SA DAN Share to SA Trust Co. SA Trust Co holds the SA DAS Share and the SA DAN Share separately on trust for the benefit of the South African resident Investec PLC Shareholders and the non-South African resident Investec PLC Shareholders respectively. IGL will undertake on behalf of SA Trust Co the distribution of any dividend payments, made by IGL, to such Shareholders.

Similarly, Investec PLC has issued two Dividend Access Shares, the UK DAS Share and the UK DAN Share to UK Trust Co. UK Trust Co holds the UK DAS Share and the UK DAN Share separately on trust for the benefit of the South African resident IGL Shareholders and the non-South African resident IGL Shareholders respectively. Investec PLC will undertake on behalf of UK Trust Co the distribution of any dividend payments, made by Investec PLC, to such Shareholders.

The Dividend Access Shares enable therefore, each company to pay dividends to the Shareholders in the other company. For example, in respect of any dividend declared or announced by the companies, a South African resident Investec PLC Shareholder may receive part of his dividend entitlement via a payment made on his Ordinary Shares and the remainder via a payment on the SA DAS Share. This facility may be used by the Boards of Investec PLC and IGL to address imbalances in the distributable reserves of Investec PLC and IGL and/or to address the effect of South African exchange controls (see "South African Exchange Control" in Part X) and/or if they otherwise consider it necessary or desirable.

7.5 Equalisation Shares

The Sharing Agreement provides that a share may be allotted and issued by a member of each company's group to a member of the other company's group. Distributions may be on these Equalisation Shares if the Boards of Investec PLC and IGL consider it necessary or desirable, which may include a distribution to enable the payment of Matching Dividends. There is no current intention to issue such shares.

8 Shareholder voting rights

8.1 Categories of shareholder decisions

There will be four categories of matters or actions requiring Shareholder decisions:

(a) Joint Electorate Actions (described in paragraph 8.2 below);

(b) Class Rights Actions (described in paragraph 8.3 below);

(c) other actions: any action which is neither a Class Rights Action nor a Joint Electorate Action but which, under Applicable Regulation, or under the IGL Memorandum and Articles or the Investec PLC Memorandum and Articles, requires Shareholder approval. Such actions require only the approval of the Shareholders of the company proposing to take the relevant action, unless the Boards of Investec PLC and IGL decide that such action should be treated as a Joint Electorate Action or Class Rights Action; and

(d) procedural resolutions: procedural resolutions, where considered at a Shareholders' meeting at which the holder of the Investec PLC Special Voting Share and/or the holder of the IGL Special Converting Shares is entitled to vote, may be voted on by the relevant holder either in person in accordance with the directions of the chair of the meeting or by proxy given to the chair of the meeting, who will cast such votes as he thinks fit.

8.2 Joint Electorate Actions

The Shareholders of IGL and of Investec PLC will vote together as a joint electorate on matters affecting them in similar ways. The special voting procedure in respect of Joint Electorate Actions is described below.

Matters which will require approval as a Joint Electorate Action are as follows:

(a) the appointment, removal or re-election of any director of IGL or of Investec PLC, or both of them;

(b) the receipt or adoption of the annual accounts of IGL or of Investec PLC, or both of them, or accounts prepared on a combined basis;

(c) a change of name by IGL or Investec PLC, or both of them;

(d) the appointment or removal of the auditors of IGL or of Investec PLC, or both of them;

(e) any proposed acquisition, disposal or other transaction of the kinds referred to in the JSE Listings Rules or the Listing Rules which (in any case) is required under those regulations to be authorised by holders of ordinary shares in either company;

(f) any matter considered at an annual general meeting of IGL or Investec PLC (or at a general meeting convened on the same day as an annual general meeting); and

(g) any other matter which the Boards of Investec PLC and IGL decide (either in a particular case or generally) should be approved as a Joint Electorate Action.

Voting procedures for Joint Electorate Actions

Joint Electorate Actions must be submitted to the Shareholders of both IGL and Investec PLC for approval at separate meetings but acting as a joint electorate. Parallel Shareholders' meetings will be held on the same date or as close together in time as practicable.

Procedure for Joint Electorate Actions

The IGL meeting

- At the IGL Shareholders' meeting, voting will be on a poll which will (as regards the IGL Special Converting Shares) remain open for sufficient time to allow the parallel Investec PLC Shareholders' meeting to be held and for the IGL Special Converting Shares votes to be ascertained and cast on the poll.
- On the poll:
  - each IGL ordinary share (other than those that are subject to voting restrictions) will have one vote; and
  - SA Trust Co, as holder of the IGL Special Converting Shares, will cast (if the Equalisation Ratio is 1:1) the same number of votes as were validly cast for and against the equivalent resolution at the parallel Investec PLC Shareholders' meeting (rounded up, if necessary, to the nearest whole number).
- Under the Voting Agreement, SA Trust Co will be obliged to cast these votes for and against the relevant resolution in accordance with the votes cast for and against the equivalent resolution by Investec PLC Shareholders on the poll at the parallel Investec PLC Shareholders' meeting.
- Through this mechanism, the votes of the Investec PLC Shareholders at the Investec PLC meeting will be reflected at the IGL meeting by SA Trust Co casting the votes on the IGL Special Converting Shares precisely to reflect voting at the parallel Investec PLC Shareholders' meeting.

The Investec PLC meeting

- At the corresponding Investec PLC Shareholders' meeting, voting will be on a poll which will (as regards the Investec PLC Special Voting Share) remain open for sufficient time to allow the parallel IGL Shareholders' meeting to be held and for the votes attaching to the Investec PLC Special Voting Share to be ascertained and cast on the poll.
- On the poll:
  - each fully paid Ordinary Share (other than those that are subject to voting restrictions) will have one vote; and
  - UK Trust Co, as holder of the Investec PLC Special Voting Share, will cast (if the Equalisation Ratio is 1:1) the same number of votes as were validly cast for and against the equivalent resolution at the parallel IGL Shareholders' meeting, (rounded up, if necessary to the nearest whole number).
- Under the Voting Agreement, UK Trust Co will be obliged to cast these votes for and against the relevant resolution in accordance with the votes cast for and against the equivalent resolution by IGL Shareholders on the poll at the parallel IGL Shareholders' meeting.
- Through this mechanism, the votes of the IGL Shareholders at the IGL meeting will be reflected at the Investec PLC meeting by UK Trust Co casting the votes on the Investec PLC Special Voting Share precisely to reflect voting at the parallel IGL Shareholders' meeting.

The results of the Joint Electorate Action will be announced after both polls have closed.

If the Equalisation Ratio at any stage ceases to be 1:1, the number of IGL Special Converting Shares allotted and issued the number of votes attaching to the Investec PLC Special Voting Share will be adjusted to reflect the then prevailing Equalisation Ratio so as to ensure that each Ordinary Share and each IGL ordinary share carries appropriate voting rights in relation to Joint Electorate Actions.

Voting threshold for Joint Electorate Actions

A Joint Electorate Action will be taken to have been approved if it is approved by:

(a) ordinary resolution (or a special resolution if required by Applicable Regulation or the IGL Memorandum and Articles) of the IGL Shareholders and the holder of the IGL Special Converting Shares, voting as a single class; and

(b) ordinary resolution (or a special resolution if required by Applicable Regulation or the Investec PLC Memorandum and Articles) of the Investec PLC Shareholders and the holder of the Investec PLC Special Voting Share, voting as a single class.

In this paragraph 8, ordinary resolution means any resolution of shareholders which requires a simple majority of votes cast to be in favour in order to be approved, and, special resolution means any resolution which requires a 75 per cent. majority of votes cast to be in favour in order to be approved or such other affirmative vote or quorum prescribed by Applicable Regulation, the IGL Memorandum and Articles or the Investec PLC Memorandum and Articles which is greater than or different from that required for an ordinary resolution.

8.3 Class Rights Actions

Class Rights Actions are normally those matters on which Shareholders of IGL and Investec PLC may have divergent interests or which involve an amendment either to the DLC Agreements or the DLC Structure-specific provisions ("entrenched provisions") in either the IGL Articles or the Investec PLC Articles.

Matters which will require approval as a Class Rights Action are as follows:

(a) the amendment or termination of the Sharing Agreement, the Voting Agreement, the Special Converting Shares Trust Deeds or the Dividend Access Trust Deeds other than:

  (i) any amendment which is formal or technical in nature and which would not be materially prejudicial to the interests of the Shareholders of either company or is necessary to correct any inconsistency or manifest error; or

  (ii) any amendment to conform the terms of the Voting Agreement, the Special Converting Shares Trust Deeds or the Dividend Access Trust Deeds with the terms of the Sharing Agreement,

  in each case, as agreed between the Boards of Investec PLC and IGL; or

(b) the amendment to, removal or alteration of the effect of (including the ratification of any breach of) any entrenched provision in the IGL Memorandum and Articles or the Investec PLC Memorandum and Articles (see paragraphs 13 and 14 below) other than:

  (i) any amendment which is formal or technical in nature and would not be materially prejudicial to the interests of any Shareholders of either company or is necessary to correct any inconsistency or manifest error; or

  (ii) any amendment to conform such provisions with the Sharing Agreement,

  in each case, as agreed between the Boards of Investec PLC and IGL; or

(c) any Action by one company which, having regard to the prevailing Equalisation Ratio, has a disproportionate economic effect on the Shareholders of one company, but in respect of which neither a Matching Action is to be taken nor an adjustment to the Equalisation Ratio made; and

(d) any action or matter which the Boards of Investec PLC and IGL both agree (either in a particular case or generally) should be treated as a Class Rights Action.

If a particular matter falls both within the list of matters which constitute Joint Electorate Actions (see paragraph 8.2 above) and the list of matters which constitute Class Rights Actions (see above), such matter will be treated as a Class Rights Action.

Voting threshold for Class Rights Actions

Class Rights Actions of a kind described in:

(a) paragraphs 8.3 (a) and (b) above will require approval by special resolution;

(b) paragraph 8.3 (c) above will require approval by ordinary resolution unless either Applicable Regulation imposes a requirement on either company for a special resolution, in which case that company will require a special resolution; and

(c) paragraph 8.3 (d) above will require approval by ordinary resolution, unless either Applicable Regulation imposes a requirement on either company for a special resolution, in which case that company will require a special resolution, or the Boards of Investec PLC and IGL decide that it requires a special resolution.

The majority vote in favour required to approve such resolutions will be referred to as the "Required Majority" in the remainder of this paragraph 8.

Class Rights Actions will require approval by:

(a) an ordinary resolution or a special resolution (as the case may be) of the Investec PLC Shareholders and UK Trust Co (as holder of the Investec PLC Special Voting Share) voting as a single class;

(b) an ordinary resolution or a special resolution (as the case may be) of the IGL Shareholders, voting as a single class; and

(c) the written consent of SA Trust Co (as holder of the IGL Special Converting Shares).

Voting procedures for Class Rights Actions

The following voting arrangements apply in relation to Class Rights Actions:

Procedure for Class Rights Actions requiring approval of both companies	
IGL	**Investec PLC**
• The relevant resolution will be put to the IGL Shareholders voting as a single class at a general meeting of IGL. Voting will be on a poll with each IGL ordinary share (other than those that are subject to voting restrictions) having one vote per share.	• The Investec PLC Shareholders' meeting will be held as close in time to the corresponding IGL Shareholders' meeting as is practicable. Investec PLC Shareholders and the holder of the Investec PLC Special Voting Share will vote as a single class at the general meeting of Investec PLC. Voting will be on a poll with each fully paid Ordinary Share (other than those that are subject to voting restrictions) having one vote per share.
• The resolution will also require a class approval of the holder of the IGL Special Converting Shares. Such approval will be given by way of written consent provided that SA Trust Co, as holder of the IGL Special Converting Shares, will not give such written consent unless the proposed action has been approved by the Required Majority of the Investec PLC Shareholders at the parallel Investec PLC meeting.	• UK Trust Co, as holder of the Investec PLC Special Voting Share, will not vote unless the proposed action has not been approved by the Required Majority of the IGL Shareholders at the parallel IGL Shareholders' meeting at the close of the poll at that meeting, in which case UK Trust Co will vote to defeat the resolution at the Investec PLC meeting (and the Investec PLC Special Voting Share will, as a result of the rights attached thereto, carry sufficient votes to effect such defeat).
• If the proposed action has not been approved by the Required Majority of the Investec PLC Shareholders at the parallel Investec PLC meeting, SA Trust Co will notify IGL in writing that it does not consent to the proposed action and the resolution will be defeated.	

8.4 The Trust Companies

The Trust Companies are obliged pursuant to the Voting Agreement, the IGL Articles and the Investec PLC Articles to exercise the votes attaching to the IGL Special Converting Shares and the Investec PLC Special Voting Share so as to give effect to the voting arrangements set out above.

8.5 Differences between Investec PLC and IGL voting arrangements

From the above, it can be seen that there is not complete symmetry in the DLC Structure as regards the voting arrangements. On the Investec PLC side, the Investec PLC Special Voting Share is used to reflect the votes cast by IGL Shareholders, whereas, on the IGL side, the IGL Special Converting Shares are used to reflect the votes cast by Investec PLC Shareholders. With the Investec PLC Special Voting Share, this effect is achieved by the fact that, as detailed above, the share carries a variable number of votes (i.e. the Specified Number). However, under South African law, it is not possible to attribute a variable number of votes to a single share. Where a South African company has different classes of share, the voting rights attributable to shares in such classes must be directly proportionate to their respective nominal values. For Joint Electorate Actions, the IGL Special Converting Shares (which have the same nominal value as IGL ordinary shares) are used to reflect the votes cast by Investec PLC Shareholders given that the appropriate number will always be in issue (i.e. the Investec PLC Equivalent Number). As a result, SA Trust Co simply votes a certain number of IGL Special Converting Shares for and against a resolution to reflect the votes cast on Ordinary Shares. For Class Rights Actions, again the Investec PLC Voting Share creates an effective right of veto for IGL Shareholders due to the number of votes attributed to it (the number of votes always being sufficient to defeat the resolution). On the IGL side, a different approach has had to be taken and the IGL Articles require that the consent of the holder of the IGL Special Converting Shares must be obtained in order to approve a Class Rights Action. As set out in paragraph 8.3 such consent is only given if the Investec PLC Shareholders have voted in favour of the relevant resolution.

9 Takeovers regulation of the DLC Structure

9.1 Background

IGL and Investec PLC will be separate listed companies and will be subject to the takeovers laws and rules in South Africa and the United Kingdom respectively. Provisions have been included in the IGL Articles and the Investec PLC Articles which are intended to have the effect of:

(a) recognising the substantive effect of the DLC Structure, which is that Investec should be regarded as a single corporate group;

(b) allowing the two regulatory systems to work together harmoniously and sensibly;

(c) respecting South African takeovers law and the United Kingdom takeovers rules respectively; and

(d) avoiding any unintended impediment to any takeover of Investec.

9.2 Key thresholds

Under the IGL Articles and the Investec PLC Articles:

(a) there is a limit which prevents a person (and concert parties) from exceeding a voting power threshold of 30 per cent. in relation to IGL on a stand alone basis, that is calculated as if there were no IGL Special Converting Shares and only counting IGL's ordinary shares; and

(b) there is a separate limit which prevents a person (and concert parties) from exceeding a voting power threshold of 30 per cent. in relation to IGL, calculated having regard to all the voting power on a joint electorate basis, i.e. calculated on IGL's ordinary shares and on the voting power in IGL derived (through the IGL Special Converting Shares) by holding or controlling Ordinary Shares – this limit effectively treats all ordinary shares in both companies, together with the Investec PLC Special Voting Share, and the IGL Special Converting Shares as voting shares and sets a 30 per cent. limit on control of this joint electorate voting power; and

(c) there is a limit which prevents a person (and concert parties) from exceeding a voting power threshold of 30 per cent. in relation to Investec PLC on a stand alone basis, that is calculated as if there were no Investec PLC Special Voting Share and only counting Investec PLC's Ordinary Shares; and

(d) there is a separate limit which prevents a person (and concert parties) from exceeding the mandatory offer limit set out in Rule 9 of the UK City Code which imposes a voting power threshold of 30 per cent. in relation to Investec PLC, calculated having regard to all the voting power on a joint electorate basis, i.e. calculated on Investec PLC's Ordinary Shares and on the voting power in Investec PLC derived through the Investec PLC Special Voting Share by holding or controlling IGL ordinary shares – this limit effectively treats all ordinary shares in both companies, together with the Investec PLC Special Voting Share and the IGL Special Converting Shares, as voting shares and sets a 30 per cent. limit on control of this joint electorate voting power.

The principal requirement for exceeding a limit is for all Shareholders in both companies to be treated in an equivalent manner and sanctions may be imposed for breaches of these provisions. This is explained below.

It should be noted that the South African Securities Regulation Panel have confirmed that the mandatory offer threshold imposed under the South African Securities Code on Takeovers and Mergers (presently voting power of 35 per cent.) will be applied to voting power in respect of IGL only (i.e. excluding voting power derived by holding or controlling Ordinary Shares).

9.3 Equivalent offers on equivalent terms

The IGL Articles and the Investec PLC Articles provide, in effect, that a person may only exceed any of these limits if an equivalent offer is made to both IGL Shareholders and Investec PLC Shareholders on equivalent terms. In summary, this would require:

(a) an equivalent procedure which:

 (i) is undertaken for both IGL ordinary shares and Ordinary Shares at or about the same time;

 (ii) applies to both the IGL ordinary shares and the Ordinary Shares;

(b) that each procedure complies with the IGL Articles, the Investec PLC Articles and all Applicable Regulation including the takeover laws and rules in South Africa (as regards the offer for the IGL ordinary shares) and in the United Kingdom (as regards the offer for the Ordinary Shares); and

(c) offer equivalent consideration, terms, information, conditions and time to consider to the IGL Shareholders and the Investec PLC Shareholders, both in relation to an initial offer and any increases or extensions.

Because of the variety of takeover procedures and the different takeover regimes applying in South Africa and the United Kingdom the concept of equivalence cannot be defined prescriptively. It is expected that a combination of the Boards of Investec PLC and IGL, the South African Securities Regulation Panel and/or the UK Takeover Panel will have a role in determining and achieving equivalence in a particular case.

With equivalent treatment in terms of the opportunities afforded to each group of Shareholders, each such group of Shareholders (IGL and Investec PLC) will make its own decision as to whether the relevant offer is to be accepted. It is possible that one offer will become unconditional (because the minimum acceptance condition is satisfied) but that the other offer does not become unconditional (because the equivalent minimum acceptance condition is not satisfied).

9.4 Breach of limits

Under the IGL Articles and the Investec PLC Articles, if a person breaches a shareholding limit without making equivalent offers to both groups of Shareholders on equivalent terms, then the IGL Articles and the Investec PLC Articles give the Boards of Investec PLC and IGL power to impose certain sanctions on the relevant Shareholders. Each of the Boards of Investec PLC and IGL has power to deny dividend rights in respect of that number of IGL ordinary shares or Ordinary Shares (as the case may be) which results in the threshold being exceeded ("excess shares"), and power to dispose of the excess shares. The Board also has power to deny voting rights in respect of the excess shares.

9.5 Sharing Agreement

Under the Sharing Agreement, IGL and Investec PLC have agreed to co-operate with each other in the enforcement of the restrictions in the IGL Articles and the Investec PLC Articles (respectively) described in paragraph 9.2 and 9.4 above.

10 Financial reporting

IGL and Investec PLC intend to publish a single primary set of consolidated financial statements, denominated in pounds sterling and prepared in accordance with UK GAAP, and IGL will publish consolidated financial statements denominated in Rand and prepaid in accordance with SA GAAP. IGL and Investec PLC will furthermore also prepare any other financial information needed to meet their respective local requirements. The financial year end of both IGL and Investec PLC will be 31 March.

11 Termination of the Sharing Agreement

The Sharing Agreement will be terminated:

(a) if either IGL or Investec PLC serves notice on the other at any time after either of them has become a Subsidiary of the other, or where both IGL and Investec PLC have become Subsidiaries of a third party; or

(b) by the approval of the Shareholders of Investec PLC and IGL as a Class Rights Action. However, such approval may only be sought if the Boards of Investec PLC and IGL have agreed terms for the termination and, so far as practicable, such terms are equitable to the IGL Shareholders and Investec PLC Shareholders; or

(c) if a Liquidation Event occurs in respect of either Investec PLC, IGL or a Significant Bank in either the IGL Group or the Investec PLC Group and:

   (i) the company whose group is not directly affected by the Liquidation Event serves notice on the other company terminating the agreement; or

   (ii) the order or resolution or appointment constituting the Liquidation Event is not revoked or rescinded within 30 days or such longer period as Applicable Regulation may allow; or

(d) if an Insolvency Event occurs in respect of Investec PLC, IGL or a Significant Bank in either the Investec PLC Group or the IGL Group and:

   (i) the company whose group is not directly affected by the Insolvency Event serves notice on the other company terminating the agreement; or

   (ii) a proposal not to terminate the agreement has not been approved as a Class Rights Action within 90 days of the date on which the Insolvency Event occurs or such longer period as the Boards of Investec PLC and IGL may agree.

Termination will not affect any accrued rights of Investec PLC and IGL or their respective obligations to seek a listing for their Special Converting Shares (see paragraph 12.1 below).

12 Effect of termination

Under the Sharing Agreement, the IGL Special Converting Shares Trust Deed, the Investec PLC Special Converting Shares Trust Deed, the IGL Articles and the Investec PLC Articles, the provisions described below apply on termination of the Sharing Agreement ("Conversion Event"). These provisions are intended to ensure that, as far as practicable, the Shareholders are treated equitably in the event of insolvency of either or both companies, having regard to the Equalisation Ratio.

12.1 Special Converting Shares

Equality of treatment on termination for both sets of Shareholders will be achieved through the issue of Special Converting Shares by both companies.

Investec PLC has issued the Investec PLC Equivalent Number of Investec PLC Special Converting Shares. UK Trust Co holds these shares on trust for the benefit of the IGL Shareholders. The proportion of the Investec PLC Special Converting Shares to which each IGL Shareholder is entitled corresponds to the proportion of IGL ordinary shares in issue held by such Shareholder.

Similarly, IGL has issued the IGL Equivalent Number of IGL Special Converting Shares. SA Trust Co holds these shares on trust for the benefit of the Investec PLC Shareholders. The proportion of the IGL Special Converting Shares to which each Investec PLC Shareholder is entitled corresponds to the proportion of Ordinary Shares in issue held by such Shareholder.

Under the Sharing Agreement, each of the Company and IGL have agreed not to take an Action unless, as the case may be, the IGL Equivalent Number or the Investec PLC Equivalent Number of Special Converting Shares can be maintained. In the event of the occurrence of a Conversion Event, the Special Converting Shares will automatically convert into ordinary shares (see paragraph 12.2(b) below). Investec PLC will use its best endeavours to seek admission of the resulting Ordinary Shares to the Official List and to trading on the London Stock Exchange and the JSE. IGL will similarly use its best endeavours to obtain a listing on the JSE for the ordinary shares resulting from the conversion. If the shares are admitted to listing, the relevant Trust Company will distribute them to the relevant Shareholders unless such shareholder resides in a Restricted Jurisdiction, in which case his shares will be sold and the proceeds (less all fees, commissions, costs, taxes and duties in respect of such sale) remitted to such shareholder.

Where converted Special Converting Shares are distributed to Shareholders, the Shareholders shall bear the costs of all fees, commissions, costs, taxes and duties associated with such distribution.

12.2 Rights of Special Converting Shares

(a) Prior to a Conversion Event

(i) The IGL Special Converting Shares will have the following key rights as set out in the IGL Articles:

- the voting rights in relation to Joint Electorate Actions and Class Rights Actions described in paragraphs 8.2 and 8.3 above; and
- no rights to dividends.

The IGL Special Converting Shares may, prior to the occurrence of a Conversion Event, be redeemed at the discretion of the IGL Board if it is necessary or expedient in order to ensure the IGL Equivalent Number is in issue.

(ii) The Investec PLC Special Converting Shares will have the following rights as set out in the Investec PLC Articles:

- no voting rights except in relation to a resolution proposing the variation of the rights attaching to such shares or a resolution proposing the winding-up of Investec PLC; and
- no rights to dividends.

The Investec PLC Special Converting Shares may, prior to the occurrence of a Conversion Event, be redeemed at the discretion of the Board if it is necessary or expedient in order to ensure the Investec PLC Equivalent Number is in issue.

(b) After a Conversion Event

Upon the occurrence of a Conversion Event, each Special Converting Share of both companies will have the same rights as an ordinary share issued by the relevant company and will rank *pari passu* in all respects with the ordinary shares of that company.

For a summary of the principal provisions of the Investec PLC Special Converting Shares Trust Deed and the IGL Special Converting Shares Trust Deed, see paragraph 16 below.

13 Investec PLC Memorandum and Articles

A summary of the provisions of the Investec PLC Memorandum and Articles is set out in paragraphs 8 and 9 of "Additional Information" in Part XIII.

14 IGL Memorandum and Articles

The IGL Memorandum and Articles contain equivalent provisions to those contained in the Investec PLC Memorandum and Articles save to the extent that Applicable Regulation otherwise requires.

15 Constitutional documents of the Trust Companies

The memorandum and articles of association of UK Trust Co and SA Trust Co authorise the respective Trust Companies to enter into, exercise their powers and perform their obligations under the Voting Agreement, the Dividend Access Trust Deeds and the Special Converting Shares Trust Deeds.

16 Summary of DLC Agreements

16.1 DLC Agreements

The following comprise the DLC Agreements:

(a) the Sharing Agreement;

(b) the Voting Agreement;

(c) the UK DAS Share Trust Deed;

(d) the UK DAN Share Trust Deed;

(e) the SA DAS Share Trust Deed;

(f) the SA DAN Share Trust Deed;

(g) the Investec PLC Special Converting Shares Trust Deed; and

(h) the IGL Special Converting Shares Trust Deed.

The DLC Agreements are summarised below. Each DLC Agreement is governed by South African law with disputes being referred to arbitration in South Africa. See "Additional Information – Documents available for inspection" in Part XIII for information on the availability of these documents for inspection.

16.2 The Sharing Agreement

The Sharing Agreement has been entered into between Investec PLC and IGL and is the primary agreement regulating the ongoing relationship of Investec PLC and IGL as dual listed companies.

(a) Regulation of the DLC Structure

Among other things, the Sharing Agreement regulates the following aspects of the DLC Structure:

(i) the DLC Structure Principles (see paragraph 4 of this Part XI for further details);

(ii) the DLC Equalisation Principles (see paragraph 6.1 of this Part XI for further details);

(iii) the circumstances under which the Equalisation Ratio may be adjusted (see paragraph 6.1 of this Part XI for further details);

(iv) the circumstances under which Matching Actions may not be required (see paragraphs 6.2 and 6.3 of this Part XI for further details);

(v) the scope of, and procedure in relation to, Class Rights Actions (see paragraph 8.3 of this Part XI for further details);

(vi) the scope of, and procedure in relation to, Joint Electorate Actions (see paragraph 8.2 of this Part XI for further details);

(vii) the obligation on each of Investec PLC and IGL to enforce the change of control provisions in their constitutional documents (see paragraph 9.5 of this Part XI for further details);

(viii) the issue of the Equalisation Shares (see paragraph 7.5 of this Part XI for further details); and

(ix) the obligations on each of Investec PLC and IGL in relation to the Special Converting Shares including an obligation not to take any Action unless the Investec PLC Equivalent Number and IGL Equivalent Number (as the case may be) is maintained and the requirement to make an application for listing following a Conversion Event (see paragraph 12.1 of this Part XI for further details).

(b) Termination and Amendment

The circumstances in which the Sharing Agreement may be terminated are set out in paragraph 11 of this Part XI. The circumstances in which it may be amended are set out in paragraph 8.3(a) of this Part XI.

(c) Relationship to IGL Memorandum and Articles and Investec PLC Memorandum and Articles

If there is a conflict between the Sharing Agreement on the one hand and either the IGL Memorandum and Articles or the Investec PLC Memorandum and Articles on the other hand, Investec PLC and IGL are required to use their best endeavours to ensure that any required amendment to the IGL Memorandum and Articles or the Investec PLC Memorandum and Articles, as appropriate, is proposed at general meetings of Investec PLC and/or IGL in order to conform them with the provisions of the Sharing Agreement.

(d) Other Transactions

Subject to Applicable Regulation, the Sharing Agreement also obliges Investec PLC and IGL to enter into such further transactions or arrangements, and do such acts and things, as the other may reasonably require from time to time in the furtherance of the common interests of the holders of Ordinary Shares and holders of IGL ordinary shares or to give effect to the DLC Agreements.

16.3 Voting Agreement

The Voting Agreement has been entered into by Investec PLC, IGL, UK Trust Co (as holder of the Investec PLC Special Voting Share) and SA Trust Co (as holder of the IGL Special Converting Shares).

(a) Voting procedures and the Trust Companies

Among other things, the Voting Agreement sets out the obligations described below.

(i) Notification Obligations

The obligations of Investec PLC and IGL respectively to notify the Trust Companies:

- of the votes cast by Investec PLC Shareholders and IGL Shareholders at general meetings (in the case of Joint Electorate Actions); and
- whether or not any resolution in relation to Class Rights Action was passed by the Required Majority (as defined in paragraph 8.3 of this Part XI) of Investec PLC Shareholders or IGL Shareholders;

(ii) Voting Obligations

The obligations of each of UK Trust Co and SA Trust Co to attend meetings and to vote respectively the Investec PLC Special Voting Share and the IGL Special Converting Shares and the obligations on SA Trust Co to provide written consent in respect of Class Rights Actions (see paragraph 8.3 above). Such obligations are to be carried out in accordance with the notification received from Investec PLC or IGL pursuant to paragraph (i);

(iii) Restrictions on transfer of the Investec PLC Special Voting Share and IGL Special Converting Shares

A prohibition on the Trust Companies dealing in any way with the Investec PLC Special Voting Share and the voting rights attaching to IGL Special Converting Shares or interests in or rights attaching to such shares unless approved as a Class Rights Action. UK Trust Co and SA Trust Co may respectively transfer the Investec PLC Special Voting Share and the voting rights attaching to the IGL Special Converting Shares by giving not less than 90 days' notice provided that the transferee has been approved by Investec PLC and IGL, has agreed to be bound by the terms of the Voting Agreement and, in the case of a transfer by SA Trust Co, has agreed to be successor trustee under the IGL Special Converting Shares Trust Deed.

(iv) Provision of information

The obligations of Investec PLC and IGL to provide each of the Trust Companies with such information as they reasonably require (other than information which is of a price-sensitive nature and not generally available) for the purpose of discharging the powers, duties and discretion vested in them under the Voting Agreement.

(v) Confidentiality

The obligation of the Trust Companies to maintain the confidentiality of such information provided to it.

(vi) Remuneration of Trust Companies

The remuneration, which will be agreed between the parties from time to time, and expenses payable to the Trust Companies.

(vii) Powers and discretions of Trust Companies

The Trust Companies will have:

- all requisite power to take actions contemplated by the Voting Agreement, the Investec PLC Memorandum and Articles and the IGL Memorandum and Articles; and
- absolute uncontrolled discretion as to the exercise of such powers.

(viii) Exclusion of responsibilities

Exclusion of responsibility on the part of the Trust Companies:

- in respect of the exercise of their voting rights where Investec PLC and/or IGL have failed to comply in all material respects with their obligations to provide notification as regards the convening of, the matters to be considered at and the results of any general meeting at which the Trust Companies are required to vote;
- in respect of any discretion exercised reasonably and honestly;
- in respect of actions taken by them on the opinion or advice of or on information obtained from any lawyer, valuer, banker, accountant, the share registrars of Investec PLC or IGL or other expert;
- in circumstances where they have acted upon or have implemented or given effect to any resolution purporting to have been passed either as a resolution of Investec PLC Shareholders or of IGL Shareholders; and
- in respect of them having accepted or acted or relied upon notices given to them by Investec PLC or IGL.

Neither Trust Company is required to take steps to ascertain whether any breach of the Voting Agreement has occurred and the Trust Companies may refrain from acting if they haven't been supplied with all information they consider reasonable necessary to perform their obligations having requested the same.

(ix) Indemnities

Subject to certain exceptions (such as fraud, negligence or wilful default), indemnities in favour of the Trust Companies (and their directors, officers, employees, etc.) against all liabilities or expenses incurred by them in the execution of their obligations under the Voting Agreement.

(b) Amendments

The Voting Agreement may be amended by all the parties to it agreeing in writing.

The Trust Companies are generally required to concur with Investec PLC and IGL in amending the Voting Agreement provided the amendments are:

(i) formal or technical amendments which the Boards of Investec PLC and IGL certify do not materially prejudice the interests of either Investec PLC Shareholders or IGL Shareholders;

(ii) amendments necessary to correct manifest errors or inconsistencies between the Voting Agreement and the Sharing Agreement; or

(iii) amendments approved by Investec PLC Shareholders and IGL Shareholders as a Class Rights Action,

provided such amendments do not affect the obligations or rights of the Trust Companies.

(c) Termination

The Voting Agreement will terminate if:

(i) the Sharing Agreement is terminated; or

(ii) UK Trust Co has transferred the Investec PLC Special Voting Share and SA Trust Co has transferred the voting rights attaching to the IGL Special Converting Shares provided that if only one of the Trust Companies has made such a transfer, the other Trust Company, Investec PLC and IGL will continue to be bound by the terms of the Voting Agreement.

16.4 IGL Special Converting Shares Trust Deed

The IGL Special Converting Shares Trust Deed has been entered into between Investec PLC, IGL and SA Trust Co and governs the rights and obligations of the parties thereto in respect of the IGL Special Converting Shares prior to and following the occurrence of a Conversion Event.

Among other things, the IGL Special Converting Shares Trust Deed sets out the following:

(a) Trust funds

SA Trust Co is to hold the IGL Special Converting Shares on trust for the benefit of the Investec PLC Shareholders. Each Investec PLC Shareholder will be entitled to such proportion of the issued IGL Special Converting Shares as corresponds to the proportion of the Ordinary Shares in issue held by such Investec PLC Shareholders (referred to as "Entitlement").

(b) Distribution of the converted IGL Special Converting Shares following the occurrence of a Conversion Event

(i) IGL will inform SA Trust Co of the occurrence of a Conversion Event, provide details (including names, addresses, shareholdings and Entitlements) of each Investec PLC Shareholder as at the Conversion Date and confirm whether or not SA Trust Co is to undertake the distribution or sale of the converted IGL Special Converting Shares. The circumstances in which IGL will confirm that no distribution or sale is to take place are likely to be where IGL or a Significant Bank in the IGL Group is the subject of a Liquidation Event or an Insolvency Event.

(ii) SA Trust Co will procure that the Investec PLC Shareholders are notified of the occurrence of the Conversion Event and their Entitlement as at the Conversion Date.

(iii) If SA Trust Co is to effect distribution and/or sale of the converted IGL Special Converting Shares, it will (unless IGL notifies it to the contrary) cause to be sent to each of the Investec PLC Shareholders a form of certification. By completing and returning the form of certification, the Investec PLC Shareholders will confirm whether or not they reside in a Restricted Jurisdiction.

(iv) Once the IGL Special Converting Shares have been listed:

- in respect of any Investec PLC Shareholder who has returned a form of certification confirming that he does not reside in a Restricted Jurisdiction (or if no form of certification is required), SA Trust Co will transfer to him his Entitlement as at the Conversion Date (less any shares which are sold to meet all fees, costs, taxes, duties and expenses arising out of the transfer);

- in respect of any Investec PLC Shareholder who has returned a form of certification confirming that he does reside in a Restricted Jurisdiction, SA Trust Co will sell, or procure the sale of, the converted Special Converting Shares of such Investec PLC Shareholder and remit the proceeds (less any fees, commissions, costs, taxes and duties payable in relation to such sale).

If, after the Conversion Date, an Investec PLC Shareholder requests the transfer of the Special Converting Shares to which he is entitled, SA Trust Co shall be under no obligation to effect such transfer until such Shareholder has put SA Trust Co in funds for all fees commissions, costs, taxes or duties relevant to such transfer.

(c) Dividends following a Conversion Event

Where a dividend falls to be paid by IGL in respect of the converted IGL Special Converting Shares on or after the Conversion Date but before all such shares have been transferred or sold by SA Trust Co, IGL will, on behalf of SA Trust Co, pay or procure the payment of such dividend to the relevant Investec PLC Shareholders.

(d) Untraced shareholders

If there are converted IGL Special Converting Shares which have not been sold or distributed by SA Trust Co within six years of the Conversion Date, SA Trust Co will request that IGL places an advertisement in a national daily newspaper and a newspaper circulating in the area of the last known registered address of the relevant Investec PLC Shareholders stating the intention to sell the shares. If any such shareholders have not made contact within three months of such advertisement being published, SA Trust Co will be entitled to sell the shares. The proceeds of sale will be paid to IGL, SA Trust Co will be entered as a creditor in the IGL books and the right to receive payment will become the trust property and will be held in trust for the relevant shareholders.

(e) Delegation of Operation

Investec PLC and IGL agree as a term of the trust that the trustee has delegated to IGL and/or Investec PLC responsibility for:

(i) the establishment of the identity of the Investec PLC shareholders and their Entitlements;

(ii) the making of distributions on the IGL Special Converting Shares and the mechanics of such distributions; and

(iii) obtaining directions from Investec PLC shareholders.

In addition, the Trustee shall have no responsibility for any funds paid or property delivered as part of a distribution to Investec PLC shareholders. Such funds or property will not be segregated or marked as belonging to the Trustee or the shareholders and that the Trustee shall have no responsibility for monitoring such funds. Neither the Trustee nor the shareholders shall have any entitlement to interest or income arising from such funds or property pending their application.

The Trustee may require that any amounts paid as detailed above are held to its order and applied as it directors or that such amounts are paid to it directly. The Trustee is entitled to apply any such amounts to pay any sums owed under the indemnity described in paragraph (l) below.

(f) Voting obligations

The obligation of SA Trust Co to exercise the votes attaching to the IGL Special Converting Shares:

(i) prior to the Conversion Date, in accordance with its obligations under the Voting Agreement; or

(ii) after the Conversion Date and in respect of converted IGL Special Converting Shares which have not been sold or transferred by SA Trust Co, IGL shall seek the directions of the relevant Shareholders and SA Trust Co will vote in accordance with the directions received provided that in the absence of such directions, SA Trust Co will have no obligation to vote the converted IGL Special Converting Shares.

(g) Restriction on dealings with the IGL Special Converting Shares

A prohibition on SA Trust Co from dealing with the IGL Special Converting Shares other than in accordance with the provisions of the IGL Special Converting Shares Trust Deed.

(h) Furnishing of information

The obligation of SA Trust Co to furnish Investec PLC and/or IGL with such information regarding the affairs of the trust as they may require. SA Trust Co will keep such books and records as are necessary or appropriate, commensurate with its duties in relation to the trust.

(i) Variations

SA Trust Co will concur with Investec PLC and IGL in making changes to the IGL Special Converting Shares Trust Deed provided that those changes:

(i) are formal or technical amendments which the Boards of Investec PLC and IGL have certified are not materially detrimental to the interests of the Investec PLC Shareholders;

(ii) are necessary to correct any manifest error in the IGL Special Converting Shares Trust Deed or inconsistencies between its provisions and those of the Sharing Agreement; or

(iii) have been approved by Investec PLC Shareholders and IGL Shareholders as a Class Rights Action.

(j) Redemption proceeds and Trustee's remuneration and expenses

If the Trustee receives the proceeds of the redemption of IGL Special Converting Shares, it will retain such sums in a non-interest bearing account. The Trustee may use such sums to reimburse Investec PLC and IGL for any fees and expenses paid or to be paid by IGL and Investec PLC to the Trustee for performing its services in relation to the trust. The fees of the Trustee shall be agreed in writing between the parties. If any amounts remain in the bank account on the winding-up of the trust, these sums shall be paid to the Trustee as a bonus payment.

(k) Liability of Trustee

The exclusion of SA Trust Co's liability for any loss to any person as a result of any exercise of its power or discretion pursuant to the IGL Special Converting Shares Trust Deed unless such loss results from its own fraud, wilful default or negligence.

(l) Indemnity

An indemnity in favour of SA Trust Co (and its directors, officers, employees etc.), given by Investec PLC and IGL, against all liabilities (excluding those which arise from its own fraud, wilful default or negligence or that of its directors, officers, employees etc.) incurred in the execution of its obligations under the IGL Special Converting Shares Trust Deed.

(m) Change of Trustee

IGL has the power to appoint new and/or additional trustees and the transfer of such powers in full to Investec PLC if IGL goes into liquidation and SA Trust Co the right to retire in accordance with the provisions of the IGL Special Converting Shares Trust Deed. IGL may remove SA Trust Co as trustee if SA Trust Co has breached any term of the IGL Special Converting Shares Deed or such removal has been approved as a Class Rights Action.

(n) Powers of Trustee

SA Trust Co will be entitled to deal with the IGL Special Converting Shares for the purposes of achieving the objects of the trust in accordance with the terms set out in the IGL Special Converting Shares Trust Deed and to do all such things lawful to facilitate the administration of the trust.

(o) Exclusion of responsibilities

SA Trust Co will not be responsible for, amongst other things, the following:

(i) actions taken by it on the opinion or advice of or any information obtained from any lawyer, valuer, banker, accountant or other expert;

(ii) anything done having accepted or acted or relied upon notices given to it from Investec PLC and/or IGL;

(iii) failure to fulfil any duties or obligations which are not expressly specified in the IGL Special Converting Shares Trust Deed;

(iv) incurring any financial liability in connection with the performance of its rights and obligations where it has reasonable grounds to believe that reimbursement of such financial liability is not guaranteed;

(v) actions of agents it has appointed;

(vi) actions of any person it has delegated duties to;

(vii) the validity or suitability of the IGL Special Converting Shares Trust Deed or any other document or any liability to any person because of the invalidity or unsuitability of such documents; and

(viii) any liabilities arising from the exercise of its functions provided that such liabilities do not result from its own wilful default, fraud or negligence.

(p) Trustee discretion

SA Trust Co will have an absolute and uncontrolled discretion as to the exercise of its functions.

(q) Unlawful action

SA Trust Co has the right to refrain from doing anything that it reasonably believes to constitute an unlawful action or otherwise render it liable to any person and to do anything necessary to comply with any legal requirement.

16.5 Investec PLC Special Converting Shares Trust Deed

The Investec PLC Special Converting Shares Trust Deed contains corresponding provisions to the IGL Special Converting Shares Trust Deed save in relation to voting. Prior to the occurrence of a Conversion Event, the Investec PLC Special Converting Shares will only have voting rights in respect of variations of the rights attaching to such shares or on a winding-up of Investec PLC (see paragraph 12.2 (a)(ii) of this Part XI). If such a resolution is proposed, UK Trust Co must, if due notification has been given, vote in favour of or give its written consent to the resolution, where such resolution has been approved either as a Class Rights Action or a Joint Electorate Action (as the case may be), or vote against, or withhold its consent to, a resolution, where such resolution has been defeated as a Class Rights Action or a Joint Electorate Action (as the case may be).

16.6 UK DAS Share Trust Deed

The UK DAS Share Trust Deed has been entered into between Investec PLC, IGL and UK Trust Co (as holder of the UK DAS Share) for the purposes of facilitating the payment of dividends by Investec PLC to South African IGL Shareholders through UK Trust Co, in circumstances where IGL will not be paying such Shareholders the required dividend in full. UK Trust Co is to hold the UK DAS Share on trust for each South African resident IGL Shareholder. Each South African IGL Shareholder will be entitled to such amount of the dividend as would bear the same proportion to the total dividend as the number of IGL ordinary shares he holds bears to the aggregate number of IGL ordinary shares held by South African IGL Shareholders (in each case as at the record date) ("Entitlement").

Among other things, the UK DAS Share Trust Deed sets out the following:

(a) Payment of dividends

Following a declaration by Investec PLC of a dividend on the UK DAS Share:

(i) Investec PLC will notify UK Trust Co of such declaration; and

(ii) Investec PLC will, on behalf of UK Trust Co, effect the distribution of such dividends to the South African resident IGL Shareholders, in accordance with their respective Entitlements.

Investec PLC will hold all cash dividends in separate bank accounts and all non-cash dividends to the order of UK Trust Co. Investec PLC may at any time convert a non-cash dividend into cash and hold it in a separate bank account.

(b) Delegation of operation

IGL and Investec PLC agree as a term of the trust that the Trustee has delegated to IGL and Investec PLC responsibility for:

(i) the establishment of the identity of the IGL members and their Entitlements; and

(ii) the payment or delivery of dividends and the mechanics for effecting such payment or delivery.

In addition, the Trustee shall have no responsibility for funds paid or property delivered to IGL members. Such funds or property will not be segregated or marked as belonging to the Trustee or shareholders and the Trustee shall have no responsibility for monitoring such funds. Neither the Trustee nor the shareholders shall have any entitlement to interest or income arising from such funds or property.

(c) Unclaimed dividends

If any part of a dividend has not been paid within six years from the date it was declared or became due for payment, the Entitlements of the relevant IGL Shareholders to such dividends will be forfeited in accordance with the PLC Articles.

(d) Voting

The UK DAS Share only has voting rights in respect of variations of the rights attaching to such share or on a winding-up of Investec PLC. In relation to any such resolution, UK Trust Co must, if due notification has been given, exercise the votes attaching to the UK DAS Share in favour of or give its written consent to the resolution, where such resolution has been approved as either a Class Rights Action or a Joint Electorate Action (as the case may be) and exercise the votes against or withhold its consent to the resolution, where such resolution has been defeated either as a Class Rights Action or a Joint Electorate Action (as the case may be).

(e) Other provisions

The UK DAS Share Trust Deed contains provisions corresponding to those under the IGL Special Converting Shares Trust Deed detailed under paragraphs 16.4(f) to (q).

16.7 UK DAN Share Trust Deed

The UK DAN Share Trust Deed will be entered into between Investec PLC, IGL and UK Trust Co (as holder of the UK DAN Share) for the purposes of facilitating the payment of dividends by Investec PLC to non-South African resident IGL Shareholders through UK Trust Co, in circumstances where IGL will not be paying such Shareholders the required dividend in full.

The UK DAN Share Trust Deed contains corresponding provisions to the UK DAS Share Trust Deed.

16.8 SA DAS Share Trust Deed

The SA DAS Share Trust Deed will be entered into between Investec PLC, IGL and SA Trust Co (as holder of the SA DAS Share) for the purposes of facilitating the payment of dividends by IGL to South African resident Investec PLC Shareholders through SA Trust Co, in circumstances where Investec PLC will not be paying such Shareholders the required dividend in full.

The SA DAS Share Trust Deed contains corresponding provisions to the UK DAS Share Trust Deed but will be governed by South African law and all disputes will be referred to arbitration.

16.9 SA DAN Share Trust Deed

The SA DAN Share Trust Deed will be entered into between Investec PLC, IGL and SA Trust Co (as holder of the SA DAN Share) for the purposes of facilitating the payment of dividends by IGL to the non-South African resident Investec PLC Shareholders through SA Trust Co, in circumstances where Investec PLC will not be paying such Shareholders the required dividend in full.

The SA DAN Share Trust Deed contains corresponding provisions to the UK DAS Share Trust Deed but will be governed by South African law and all disputes will be referred to arbitration.

17 Corporate Services Agreement

The Corporate Services Agreement will be entered into between Investec PLC, IGL and Trust Corporation. The agreement imposes the following obligations:

(a) DLC Agreements

Trust Corporation is to procure compliance of the Trust Companies with their respective obligations under the Voting Agreement, Dividend Access Trust Deeds and Special Converting Shares Trust Deeds and ensure that the only activities the Trust Companies perform are those necessary or expedient in order for such Trust Companies to fulfil such obligations.

(b) Trust Company administration

Trust Corporation is to maintain the accounts and corporate records for the Trust Companies and ensure that all necessary filings are made in relation thereto and arrange for the filing of all tax returns.

(c) Trust Company directors

Trust Corporation is to appoint suitable persons to act as directors of the Trust Companies.

(d) Trust Company shares

Trust Corporation is not to transfer or otherwise deal with the shares in the Trust Companies unless otherwise agreed by IGL and PLC (such agreement not to be unreasonably withheld or delayed).

(e) Indemnities

IGL and Investec PLC indemnify the Trust Corporation, and officers of the Trust Corporation and Trust Companies against all liabilities arising in respect of holding the shares in the Trust Companies or holding office in relation to the Trust Companies (in the absence of fraud, wilful default or negligence).

(f) Limitation of Liability

The obligation of Trust Corporation are corporate obligations and recourse shall not be sought against its employees, officers or shareholders.

PART XII – TAXATION CONSIDERATIONS

The summary set forth below is intended as a general guide and does not purport to constitute a comprehensive analysis of the tax consequences under United Kingdom, South African and United States law of the acquisition, ownership and sale of Ordinary Shares by certain classes of investors. It is not intended to be, nor should it be considered, legal or tax advice.

The taxation summaries have been prepared from the perspective of shareholders who are the beneficial owners of Ordinary Shares and hold such for investment purposes and not from the perspective of dealers in securities. Shareholders transacting on an exchange other than one located in a country in which they are resident should consider the following comments as regards both countries.

Prospective investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and sale, including specifically the tax consequences under United Kingdom and South African law, the laws of the jurisdiction of their residences and any tax treaty between the United Kingdom and their country of residence and any tax treaty between South Africa and their country of residence.

General

Rulings have been obtained from the UK Inland Revenue and the South African Revenue Service, on the basis of which the Company should be treated as resident in the United Kingdom and IGL should be treated as resident in South Africa for the purposes of United Kingdom and South African taxation and for the purposes of the United Kingdom-South Africa double tax treaty.

United Kingdom taxation of income and gains

The comments below are of a general nature and are based on current United Kingdom law and Inland Revenue practice at the date of this document. Except where indicated, the summary only covers the principal United Kingdom tax consequences of holding and disposing of Ordinary Shares for holders of shares who are resident or ordinarily resident in the United Kingdom for tax purposes (although it should be noted that special rules, which are not covered, apply to such holders of Ordinary Shares who are not domiciled in the United Kingdom) and do not carry on a trade through a branch, agency or permanent establishment in any other jurisdiction in connection with which the Ordinary Shares are held ("United Kingdom Shareholders"). In addition, the summary (1) only addresses the tax consequences for United Kingdom Shareholders who hold the Ordinary Shares as capital assets, and does not address the tax consequences which may be relevant to certain other categories of United Kingdom Shareholders, for example, dealers in securities; and (2) assumes that the United Kingdom Shareholder is not a company which either directly or indirectly controls 10 per cent. or more of the voting power of the Company or holds (or has held) 10 per cent. or more of the ordinary share capital of the Company.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular United Kingdom Shareholder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences in their own particular circumstances, by consulting their own tax advisers.

Ordinary Shares

Taxation of dividends

The Company will not be required to withhold tax at source when paying a dividend on its Ordinary Shares (whether to a United Kingdom Shareholder or any other Shareholder).

A United Kingdom Shareholder who is an individual will be entitled to a tax credit in respect of any United Kingdom source dividend received from the Company and will be taxable on the gross dividend, which is the aggregate of the dividend received and related tax credit. The value of the tax credit will be equal to one-ninth of the dividend received (and, therefore, 10 per cent. of the gross dividend). The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend (when treated as the top slice of his income) falls above the threshold for the higher rate of income tax. A United Kingdom Shareholder who is an individual liable to income tax at the higher rate will be subject to tax at the rate applicable to dividends for such shareholders (currently 32.5 per cent.) on the gross dividend. The tax credit will be set against but will not fully discharge such shareholder's tax liability on the gross dividend and he will have to pay additional tax currently equal to

22.5 per cent. of the gross dividend, being 25 per cent. of the dividend received, to the extent that such sum (when treated as the top slice of his income) falls above the threshold for the higher rate of income tax.

Tax credits on dividends paid by the Company in respect of shares held in personal equity plans or individual savings accounts will be repayable on dividends paid on or before 5 April 2004. In all other cases, there will be no repayment of the tax credit or any part of it to an individual.

United Kingdom Shareholders which are companies will generally not be subject to corporation tax in respect of dividends received from the Company, but will not be entitled to the payment of any tax credit with respect to the dividends.

United Kingdom Shareholders which are pension funds are not liable to United Kingdom tax on dividends, but will not be entitled to reclaim the tax credits in respect of dividends.

Non-United Kingdom Shareholders who receive a dividend from the Company will not normally be able to claim repayment of any part of the tax credit attaching to the dividend from the United Kingdom Inland Revenue under any applicable double tax treaty.

Taxation of capital gains

A disposal or deemed disposal of Ordinary Shares by a United Kingdom Shareholder, or in certain circumstances by a Shareholder who is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which the Ordinary Shares are held, may depending upon the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of capital gains.

SA DAN Share and SA DAS Share

Each United Kingdom Shareholder will have a beneficial interest in the SA DAN Share (or the SA DAS Shares if the relevant Ordinary Shares are registered on the branch register of the Company maintained in South Africa) to facilitate the payment of Matching Dividends. SA Trust Co will be responsible for distributing the dividend payments, made by IGL, to holders of Ordinary Shares.

Taxation of dividends

Dividends received by United Kingdom Shareholders from IGL in respect of the SA DAN Share (or SA DAS Share) should be regarded as non-United Kingdom source dividends for United Kingdom tax purposes. Accordingly, a United Kingdom Shareholder who is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which the beneficial interest in the SA DAN Share (or SA DAS Share) is held will generally, depending upon the holder's particular circumstances, be subject to United Kingdom income tax or corporation tax as the case may be, on the gross amount of any dividends paid by IGL before deduction of any South African withholding tax (there is currently no South African withholding tax on dividends). If, in the future, such dividends were subject to South African withholding tax, a credit for such South African withholding tax would generally be given against any United Kingdom tax liability in respect of the dividends.

Taxation of capital gains

A disposal or deemed disposal of Ordinary Shares by a United Kingdom Shareholder, or in certain circumstances by a Shareholder who is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which the Ordinary Shares are held, will also involve a disposal of such shareholder's beneficial interest in the SA DAN Share (or SA DAS Share) and, together, such disposals may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of capital gains.

IGL Special Converting Shares

Future conversion into IGL ordinary shares

A future conversion of the IGL Special Converting Shares into ordinary shares in IGL on the happening of a Conversion Event should not be treated as a disposal of the IGL Special Converting Shares and should not, of itself, give rise to a charge to United Kingdom taxation of chargeable gains.

Taxation of dividends on IGL ordinary shares

The tax treatment of dividends received on IGL ordinary shares (following a conversion of the IGL Special Converting Shares) should be the same as described above for dividends on the SA DAN Share and SA DAS Share.

Taxation of capital gains

The tax treatment of a disposal or deemed disposal of IGL ordinary shares (following a conversion of the IGL Special Converting Shares) will be the same as described above for disposals of the SA DAN Share and SA DAS Share.

South African taxation of income and gains

Shareholders who are resident in South Africa

The following is a summary of the material South African income tax consequences for Shareholders who are resident for tax purposes in South Africa of the acquisition, ownership and disposal of Ordinary Shares, based on current South African law and South African Revenue Service practice at the date of this document. The summary only addresses the South African tax consequences for South African residents who hold their Ordinary Shares as capital assets and does not address the tax consequences which may be relevant to other categories of shareholders such as share dealers.

The summary is intended only as a general guide and is not intended to be, nor should it considered to be, legal or tax advice to any particular shareholder. Accordingly, investors should satisfy themselves as to the overall tax consequences in their own particular circumstances, by consulting their own tax advisers.

Ordinary Shares

Taxation of dividends

To the extent that dividends declared in respect of the Ordinary Shares are sourced out of profits generated in designated countries (as defined in section 9E of the Income Tax Act) and taxable in the United Kingdom at a statutory rate of at least 27 per cent., they will constitute exempt foreign dividends. The receipt of such dividends will be exempt from South African tax and will give rise to South African Secondary Tax on Companies credits for Shareholders which are South African resident companies (including close corporations). This is in terms of either section 9E(7)(c) of the Income Tax Act (for Shareholders who together with connected persons hold less than 10 per cent. of the Company's equity share capital) or section 9E(7)(d) of the Income Tax Act (for Shareholders who directly hold at least 10 per cent. of the Company's equity share capital). It is the Company's intention to meet the requirements for these exemptions to the extent possible. Should the dividends be declared in circumstances which do not qualify for the exemption, Shareholders will be advised accordingly.

Taxation of capital gains

On a disposal of Ordinary Shares, a capital gain or loss will arise, equal to the difference between the disposal proceeds and the base cost of the shares. Such capital gain or loss will be aggregated with all other capital gains or loss derived by the shareholder in the same tax year. Any aggregate capital gain will, if applicable, be reduced by the natural person's annual exclusion of R10 000 (R50 000 in the year of death) and the relevant percentage (25 per cent. for individuals, special trusts and individual policyholder funds, and 50 per cent. for companies, ordinary trusts and other taxable insurance portfolios) will be included in the shareholder's taxable income. Any aggregate capital loss will, if applicable, be reduced by the natural person's annual exclusion as above, and the net amount will be carried forward for set off against future capital gains.

SA DAS Share and SA DAN Share

Each holder of Ordinary Shares who is resident for tax purposes in South Africa will have a beneficial interest in the SA DAS Share (if they hold their shares on a branch register of the Company maintained in South Africa) or the SA DAN Share (if they hold their shares on the primary register of the Company in the United Kingdom), to facilitate payment of Matching Dividends. SA Trust Co will be responsible for distributing the dividend payments, if any, made by IGL, to holders of Ordinary Shares.

Taxation of dividends

Dividends received by South African resident Shareholders from IGL in respect of the SA DAS Share (or the SA DAN Share) will be exempt from South African tax and will give rise to corresponding South African Secondary Tax on Companies credits for Shareholders which are South African resident companies.

Taxation of capital gains

A disposal or deemed disposal of Ordinary Shares by a South African resident shareholder will also involve a disposal of such shareholder's beneficial interests in the SA DAS Share (or SA DAN Share) and in the IGL Special Converting Shares. Together, such disposals will give rise to a capital gain or loss equal to the difference between the disposal proceeds and the base cost of such shares/beneficial interests.

Special Converting Shares

Future conversion of special converting shares

A future conversion of the IGL Special Converting Shares into ordinary shares in IGL on the happening of a Conversion Event will not constitute a South African capital gains tax event. It will however have an impact on the base cost of the original shares and the new ordinary shares in IGL acquired on conversion, and shareholders should, in these circumstances, consult their own tax advisers.

Taxation of dividends on IGL ordinary shares

The tax treatment of dividends payable on IGL ordinary shares (following a conversion of the IGL Special Converting Shares) will be the same as described above for dividends on the SA DAS Share and the SA DAN Share.

Taxation of Capital Gains

The tax treatment of a disposal or deemed disposal of IGL ordinary shares (following a conversion of the IGL Special Converting Shares) will be the same as described above for disposals of the SA DAS Share and the SA DAN Share.

Shareholders who are not resident in South Africa

IGL will not be required to withhold tax at source when paying a dividend on the SA DAN Share or the SA DAS Share or on IGL ordinary shares following a conversion of the Special Converting Shares. Non-South African resident Shareholders who receive a dividend from IGL (whether on the SA DAN Share, the SA DAS Share or IGL ordinary shares following a conversion of the Special Conversion Shares) will not have any South African tax to pay in respect of the dividend.

A disposal or deemed disposal of IGL ordinary shares or of an interest in the SA DAS Share, the SA DAN Share or the IGL Special Converting Shares by a Shareholder who is not resident in South Africa will not give rise to a charge to South African capital gains tax.

US federal income taxation

The following is a summary of the material US federal income tax consequences of the acquisition, ownership and disposition of Ordinary Shares by a US Holder (as defined below). This summary deals only with initial purchasers of Ordinary Shares who are US Holders and who will hold the Ordinary Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Ordinary Shares by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Company or IGL, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers or traders in securities or currencies, regulated investment companies, holders subject to the mark-to-market rules, persons who hold Ordinary Shares through partnerships or other pass through entities, investors that will hold the Ordinary Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

As used herein, the term "US Holder" means a beneficial owner of Ordinary Shares that is (i) a citizen or resident of the United States for US federal income tax purposes, (ii) a corporation, or other entity treated as a corporation, created or organised under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust. If a partnership holds Ordinary Shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding Ordinary Shares should consult its tax adviser.

This summary assumes that the Company is not a passive foreign investment company (a "PFIC") for US federal income tax purposes, which the Company believes to be the case. However, because this is a factual determination made annually at the end of each taxable year, there can be no assurance that the Company will not be considered a PFIC in the current or any future years. The Company's status as a PFIC in any taxable year will depend upon its assets and activities in each year and is subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders. See "Passive Foreign Investment Company Considerations" below.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the "Treaty"), all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE ORDINARY SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Characterisation of the DLC Structure

The Company believes that US Holders may properly treat their Ordinary Shares as shares in the Company for US federal income tax purposes. However, the US federal income tax characterisation of the DLC Structure is not entirely clear. US Holders might instead be treated as owning an interest in a partnership among the Company's and IGL's shareholders, where the partnership's sole asset consists of the Company and IGL shares. However, even if the DLC Structure were so characterised, a US Holder's share of income of the deemed partnership would generally be limited to dividends received by the US Holder. As a consequence, regardless of how the DLC Structure is characterised, the US federal income tax consequences for US Holders of Ordinary Shares should generally be as described below. However, it is unclear in those circumstances whether the Treaty benefits described below under "Dividends-Effect of United Kingdom Tax Credit" would be available to US Holders. The balance of this summary assumes that US Holders of Ordinary Shares will be treated as owning shares in the Company. The treatment of payments received in respect of the Dividend Access Share is also not entirely clear. Prospective purchasers should consult their own tax advisers concerning the US federal income tax treatment of the DLC Structure, including payments received in respect of the Dividend Access Share.

Dividends

General

Subject to the PFIC rules discussed below, distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the Ordinary Shares and thereafter as capital gain. The Company does not maintain calculations of its earnings and profits under US federal income tax principles. If the Company does not report to a US Holder the portion of a distribution that exceeds earnings and profits for US federal income tax purposes, the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Foreign currency dividends

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the pounds sterling are converted into US dollars. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. If dividends received in pounds sterling are not converted into US dollars on the date of receipt, a US Holder will have a basis in the pounds sterling received equal to their US dollar value on the date of receipt. Any gains or loss realised by a US Holder on a subsequent conversion or other disposition of pounds sterling will be treated as ordinary income or loss and generally will be treated as US source income or loss for foreign tax credit limitation purposes.

Effect of United Kingdom tax credit

As discussed in "United Kingdom Taxation – Taxation of Dividends and Distributions," under current law an individual shareholder who is resident in the United Kingdom for United Kingdom tax purposes and who receives a dividend from the Company is entitled to claim a tax credit in the United Kingdom against its income tax liability attributable to the dividend. Although a US Holder that receives a dividend from the Company will not be entitled to this United Kingdom tax credit, under the Treaty the US Holder may treat an amount equal to this credit (the "Tax Credit Amount") as a tax paid to the United Kingdom taxing authorities, for which the US Holder may claim a US foreign tax credit (as discussed below). Without providing further evidence of payment, the US Holder may claim a foreign tax credit for this amount by filing IRS Form 8833 with its income tax return for the relevant year.

Subject to certain limitations, a US Holder that makes the election on IRS Form 8833 described above will generally be entitled to a credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, equal to the Tax Credit Amount. For purposes of the foreign tax credit limitation, foreign source income is classified into one of several "baskets", and the credit for foreign taxes on income in any basket is limited to US federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income in the "passive income" basket or, in the case of certain holders, the "financial services income" basket. In certain circumstances, a US Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the US Holder (i) has not held the Ordinary Shares for at least 16 days in the 30-day period beginning 15 days before the ex dividend date, or (ii) holds the Ordinary Shares in arrangements in which the US Holder's expected profit, after non-US taxes, is insubstantial.

A new income tax treaty between the United States and the United Kingdom (the "New Treaty") has been signed but not ratified. Under the New Treaty, US Holders will no longer be entitled to a foreign tax credit in respect of the Tax Credit Amount. The New Treaty will apply to dividends paid or credited on or after the first day of the second month following the date on which the New Treaty is ratified. A US Holder may elect to continue to apply the terms of the current Treaty for an additional twelve-month period beginning on the date the New Treaty enters into force. The date on which the New Treaty will be ratified is not yet known.

US Holders that are accrual basis taxpayers must translate United Kingdom taxes into US dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all US Holders must translate taxable dividend income into US dollars at the spot rate on the date received. This difference in exchange rates may reduce the US dollar value of the credits for United Kingdom taxes relative to the US Holder's US federal income tax liability attributable to a dividend.

Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of making the election on IRS Form 8833 described above and of the New Treaty.

Sale or other disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of Ordinary Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the Ordinary Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the Ordinary Shares exceeds one year. For a non-corporate US Holder, the maximum long-term capital gains rate is 20 per cent., which is further reduced to 18 per cent. if the Ordinary Shares have been held for more than five years. The deductibility of capital losses is subject to limitations.

Any gain or loss will generally be US source, except that losses will be treated as foreign source to the extent the US Holder received dividends that were includable in the financial services income basket during the 24-month period prior to the sale.

See "Passive Foreign Investment Company Considerations" below for a discussion of more adverse rules that will apply to a sale or other disposition of Ordinary Shares if the Company is or becomes a PFIC for US federal income tax purposes.

Passive foreign investment company considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to the applicable "look-through rules," either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company does not believe that it should be treated as a PFIC. Although interest income is generally passive income, a special rule allows banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. The Company believes that its principal banking subsidiaries currently meet these requirements. The Company's possible status as a PFIC must be determined annually, however, and may be subject to change if these banking subsidiaries fail to qualify under this special rule for any year in which a US Holder holds Ordinary Shares, or if investment income and assets not associated with banking activities were to account for materially greater percentages of the Company's overall earnings and assets.

If the Company were a PFIC in any year during which a US Holder owns Ordinary Shares, and the US Holder has not made a mark to market or qualified electing fund election (each as described below), the US Holder will generally be subject to special rules (regardless of whether the Company continues to be a PFIC) with respect to (i) any "excess distribution" (generally, any distributions received by the US Holder on the Ordinary Shares in a taxable year that are greater than 125 per cent. of the average annual distributions received by the US Holder in the three preceding taxable years or, if shorter, the US Holder's holding period for the Ordinary Shares and (ii) any gain realised on the sale or other disposition of Ordinary Shares. Under these rules (a) the excess distribution or gain will be allocated rateably over the US Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company is a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. If the Company were a PFIC, a US Holder of Ordinary Shares would generally be subject to similar rules with respect to distributions to the Company by, and dispositions by the Company of the stock of, any direct or indirect subsidiaries of the Company that are also PFICs.

US Holders can avoid the interest charge by making a mark to market election with respect to the Ordinary Shares, provided that the Ordinary Shares are "marketable". Ordinary Shares will be marketable if they are regularly traded on certain US stock exchanges, or on a foreign stock exchange if (i) the foreign exchange is regulated or supervised by a governmental authority of the country in which the exchange is located; (ii) the foreign exchange has trading volume, listing, financial disclosure, and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to, and perfect the mechanism of, a free and open market, and to protect investors; (iii) the laws of the country in which the exchange is located and the rules of the exchange ensure that these requirements are actually enforced; and (iv) the rules of the exchange ensure active trading of listed stocks. The London Stock Exchange, on which the Ordinary Shares will be listed, is expected to meet these requirements. For these purposes, the Ordinary Shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded.

A US Holder that makes a mark to market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the Ordinary Shares at the close of the taxable year over the US Holder's adjusted basis in the Ordinary Shares. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the US Holder's adjusted basis in the Ordinary Shares over the fair market value of the Ordinary Shares at the close of the taxable year, but this deduction is allowable only to the extent of any net mark to market gains for prior years. Gains from an actual sale or other disposition of the Ordinary Shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the Ordinary Shares will be treated as an ordinary loss to the extent of any net mark to market gains for prior years. Once made, the election cannot be revoked without the consent of the IRS unless the Ordinary Shares cease to be marketable. If the Company is a PFIC for any year in which the US Holder owns the Ordinary Shares but before a mark to market election is made, the interest charge rules described above will apply to any mark to market gain recognised in the year the election is made.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a qualified electing fund election to be taxed currently on its share of the PFIC's undistributed income. The Company does not, however, expect to provide to US Holders the information regarding this income that would be necessary in order for a US Holder to make a qualified electing fund election with respect to its Ordinary Shares.

If the Company were a PFIC, each US Holder would be required to make an annual return on IRS Form 8621, reporting distributions received and gains realised with respect to each PFIC in which it holds a direct or indirect interest. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime and the consequences thereof.

Backup withholding and information reporting

Payments of dividends and other proceeds with respect to Ordinary Shares by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding (currently at a rate of 30 per cent., which rate is scheduled to be reduced to 29 per cent. for the years 2004 and 2005, and 28 per cent. for the years 2006 to 2010) may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders (including, among others, corporations) are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US Holder of Ordinary Shares may generally be claimed as a credit against that Holder's US federal income tax liability, provided that the required information is furnished to the IRS. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain ERISA considerations

The US Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto, including collective investment funds, separate accounts whose underlying assets are treated as if they were assets of such plans pursuant to the US Department of Labor "plan assets" regulation, 29 CFR Section 2510.3-101 (the "Plan Assets Regulation") (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment will be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under "risk factors".

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption applies to the transaction. In particular, a sale or exchange of property or an extension of credit between a Plan and a "party in interest" or "disqualified person" may constitute a prohibited transaction. In the case of indebtedness, the prohibited transaction provisions apply throughout the term of such indebtedness (and not only on the date of the initial borrowing). A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the Ordinary Shares are acquired by a Plan with respect to which the Company, IGL or an affiliate is a party in interest or a disqualified person. Similarly, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if a person or entity which is a party in interest or disqualified person with respect to a Plan acquires or holds 50 per cent. or more of the aggregate equity interest in the Company or IGL. For this purpose, an 'affiliate' of a person includes any person, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with the person, and "control" with respect to a person, other than an individual, means the power to exercise a controlling influence over the management or policies of such person. Certain exemptions from the prohibited transaction provisions of Section 406 of

ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire an Ordinary Share and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset Manager). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Ordinary Shares.

BY ITS PURCHASE OR HOLDING OF AN ORDINARY SHARE, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED EITHER THAT (A) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") AND SUBJECT TO ERISA, OR A PLAN SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR A GOVERNMENTAL PLAN OR CHURCH PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR AN ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN OR (B) ITS PURCHASE AND/OR HOLDING OF AN ORDINARY SHARE WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN OR CHURCH PLAN, ANY SUBSTANTIALLY SIMILAR FEDERAL, STATE, OR LOCAL LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing the Ordinary Shares.

Any Plan fiduciary that proposes to cause a Plan to purchase the Ordinary Shares should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Ordinary Shares to a Plan is in no respect a representation by the Company that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Stamp duty

United Kingdom stamp duty and stamp duty reserve tax

Ordinary Shares registered on the principal share register of the Company

A transfer on sale of Ordinary Shares which are registered on the principal share register of the Company will be liable to ad valorem United Kingdom stamp duty, generally at the rate of 0.5 per cent. (rounded up to the nearest £5) of the consideration paid. An agreement to transfer Ordinary Shares will normally give rise to a charge to stamp duty reserve tax ("SDRT") at the rate of 0.5 per cent. of the agreed amount or value of the consideration for the Ordinary Shares. The liability to SDRT will arise on the date the contract is made (or, in the case of a conditional agreement, on the date on which such condition is satisfied) although the liability will be cancelled, and any SDRT already paid will be repaid, generally with interest, if an instrument of transfer is executed in pursuance of the agreement and duly stamped within six years of the date on which the liability arises.

Under the CREST system for paperless share transfers, no United Kingdom stamp duty or SDRT will arise on a transfer of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise on the value of the consideration. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT (at 0.5 per cent.) rather than stamp duty.

Where Ordinary Shares are issued or transferred (a) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, United Kingdom stamp duty or SDRT will be payable. The United Kingdom stamp duty and/or SDRT is generally payable at the rate of 1.5 per cent. (rounded up to the nearest £5 in the case of stamp duty) of the consideration payable, or in certain circumstances, the value of the

Ordinary Shares. Clearance services may opt, provided certain conditions are satisfied, for the normal rate of United Kingdom stamp duty or SDRT (0.5 per cent.) to apply to issues or transfers of shares into, and to transactions within, such services instead of the higher rate applying to an issue or a transfer of shares into the clearance service.

Ordinary Shares registered on the South African share register of the Company

Ad valorem United Kingdom stamp duty will not be payable on a transfer on sale of Ordinary Shares registered on the South African branch register, provided the transfer is executed outside the United Kingdom.

An agreement to transfer Ordinary Shares registered on the South African branch register may give rise to a charge to SDRT, normally (and subject to the higher rate applicable on an agreement to issue or transfer to a provider of clearance services or issuer of depositary receipts described above) at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares. Any such liability to SDRT at the rate of 0.5 per cent. (although not necessarily any liability at the higher rate applicable to an agreement to transfer to a provider of clearance services or an issuer of depositary receipts described above) will be cancelled and any SDRT already paid will be repaid, generally with interest, if an instrument of transfer is executed and (if executed in the United Kingdom) duly stamped in pursuance of the agreement within six years of the date on which the SDRT liability arises.

The Company understands that formal confirmation has been obtained by the STRATE system for paperless transfers of shares listed on the JSE to the effect that issues or transfers of Ordinary Shares in the Company into the STRATE system will not be subject to stamp duty or SDRT at the higher rate of 1.5 per cent. The Company also understands that transfers within the STRATE system should not be subject to United Kingdom Stamp duty or SDRT.

South African stamp duty, marketable securities tax and uncertificated securities tax

In case of transfers of Ordinary Shares which are registered on the branch share register of the Company maintained in South Africa, South African stamp duty at the rate of 0.25 per cent. of the higher of the purchase price and the market value of the shares concerned will be payable on such registration, regardless of whether the transfers were executed within or outside South Africa. If the registration does not take place within the period of six months from execution of the transfer, South African stamp duty is currently payable at the effective rate of 0.75 per cent. of the higher of the purchase price and the market value of the shares concerned.

In lieu of stamp duty, either marketable securities tax or uncertificated securities tax, both currently at a rate of 0.25 *per cent. on the purchaser consideration, will be payable in respect of any transaction relating to Ordinary* Shares which is effected on the JSE.

Inheritance and gift taxes

United Kingdom inheritance tax

The Ordinary Shares (other than Ordinary Shares which are registered on the branch register of the Company maintained in South Africa and which are likely to be dealt with in South Africa by the registered owner in the *ordinary course of affairs) will be assets situated in the United Kingdom for the purposes of United Kingdom* inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) be a transfer of value chargeable to United Kingdom inheritance tax even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For United Kingdom inheritance tax purposes, a disposition of assets at less than full market value may be treated as a chargeable transfer of value and particular rules apply to gifts where the donor reserves or retains some benefit which, in general, could give rise to a liability to United Kingdom inheritance tax on the death of the donor.

Special rules also apply to close companies, to companies who would be close if they were resident in the United Kingdom, to partnerships and to trustees of settlements who hold Ordinary Shares under which the individual shareholder, partner or beneficiary (as the case may be) may be brought within the charge to inheritance tax in respect of the Ordinary Shares. Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements.

South African estate duty and donations tax

The disposal of Ordinary Shares owned by South African residents by way of gift whether on death or not for less than for market value may result in liability to donations tax or estate duty as applicable. The applicable liability would be determined independently of any capital gains tax calculations. Shareholders contemplating such transactions should consult with the appropriate professional adviser.

UK-US estate tax treaty and US estate tax

An individual who is domiciled in the US for purposes of UK-US Estate Tax Treaty and who is not a national of the United Kingdom for the purposes of the UK-US Estate Tax Treaty will generally not be subject to United Kingdom inheritance tax in respect of the Ordinary Shares on the individual's death or on a gift of the Ordinary Shares during the individual's lifetime provided that any applicable US federal gift or estate tax liability is paid, unless the Ordinary Shares are part of the business property of a permanent establishment in the United Kingdom of an enterprise or pertain to a fixed base in the United Kingdom of an individual used for the performance of independent personal services. Where the Ordinary Shares have been placed in trust by a settlor who, at the time of settlement, was domiciled in the US for the purposes of the UK-US Estate Tax Treaty and was not a national of the United Kingdom for the purposes of the UK-US Estate Tax Treaty, the Ordinary Shares will generally not be subject to United Kingdom inheritance tax (provided that the Ordinary Shares are not part of the business property of a permanent establishment in the United Kingdom and do not pertain to a fixed base in the United Kingdom as more fully summarised above). In the exceptional case where the Ordinary Shares are subject both to United Kingdom inheritance tax and to US federal gift or estate tax, the UK-US Estate Tax Treaty generally provides for the tax paid in the United Kingdom to be credited against tax paid in the US or for tax paid in the United States to be credited against tax payable in the United Kingdom based on priority rules set out in the UK-US Estate Tax Treaty.

UK-SA estate tax treaty and South African estate duty

The UK-SA Estate Tax Treaty does not exclude shares issued by a United Kingdom incorporated company from the charge to United Kingdom inheritance tax even if the individual holder of such shares is domiciled in South Africa for the purposes of the UK-SA Estate Tax Treaty. Accordingly, United Kingdom inheritance tax may be payable in respect of a gift of Ordinary Shares by, or the death of, an individual holder domiciled, i.e. ordinarily resident in South Africa for the purposes of the UK-SA Estate Tax Treaty, unless the Ordinary Shares are registered on the South African branch register of the Company and are likely to be dealt with in South Africa by the registered owner in the ordinary course of affairs.

South African estate duty will be payable in respect of Ordinary Shares, in a deceased's estate unless the deceased was not ordinarily resident in South Africa and the transfer of shares was not required to be registered in South Africa.

In a case where Ordinary Shares are subject to both United Kingdom inheritance tax and South African estate duty, the UK-SA Estate Tax Treaty generally provides for the tax paid in the United Kingdom to be credited against tax paid in South Africa or for tax paid in South Africa to be credited against tax payable in the United Kingdom based on priority rules set out in the UK-SA Estate Tax Treaty.

PART XIII – ADDITIONAL INFORMATION

1 Incorporation

(a) The Company was incorporated and registered in England and Wales with registered number 3633621 on 17 September 1998 as a private limited company under the Companies Act with the name Regatta Services Limited. On 24 November 2000 the Company's name was changed to Investec Limited and on 7 December 2000, the Company was re-registered as a Public Limited Company to become Investec PLC. The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

(b) The Company's registered office and head office is at 2 Gresham Street, London, EC2V 7QP.

(c) The Company has not traded since incorporation.

(d) By a resolution of the Directors dated 27 November 2000, Ernst & Young, whose address is Becket House, 1 Lambeth Palace Road, London, SE1 7EU, were appointed as the auditors of the Company.

2 Reorganisation

In order to restructure Investec into the form required for the implementation of the DLC Structure and the listing of the Company on the Official List, Investec has undertaken a reorganisation. The principal elements of the Reorganisation involve:

(a) the transfer of the PLC Operations to the Company (or its subsidiaries) with the balance being retained by IGL or its subsidiaries;

(b) the execution of the DLC Agreements which come into effect upon the Unbundling described in (e) below being effected;

(c) a consolidation of the IGL ordinary shares and a reduction of the nominal capital of IGL to ensure that the IGL ordinary shares have the same nominal value as the Special Converting Shares issued by IGL;

(d) the Unbundling of the IGL ordinary shares held by Investec Holdings to shareholders of Investec Holdings partly by way of reduction of share capital and premium and partly by way of dividend *in specie* out of existing distributable reserves;

(e) the Unbundling of Ordinary Shares to IGL Shareholders partly by way of reduction of share capital and premium and partly by way of dividend *in specie* out of existing distributable reserves.

As a result of the Reorganisation, the PLC Operations will be held by the Company (or its subsidiaries) with the balance being held by IGL (or its subsidiaries). IGL will continue to be listed on the JSE and will be contractually linked with the Company by virtue of the DLC Agreements (see "Details of the DLC Structure" in Part XI).

Several of the transfers involved in the Reorganisation require consent from the IGL Shareholders and Investec Holdings shareholders. Consent to these transfers will be requested at separate general meetings of the IGL Shareholders and Investec Holdings shareholders convened for 12 July 2002.

The Unbundling of the IGL ordinary shares requires consent from the shareholders of Investec Holdings. This will be requested at a general meeting of the shareholders of Investec Holdings on 12 July 2002.

3 Share and loan capital

(a) The Company's authorised share capital on incorporation was £1000, divided into 1000 ordinary shares of £1 each, two of which were issued for cash at £1 per ordinary share to the subscribers to the Investec PLC Memorandum.

(b) Since incorporation, there have been the following changes in the authorised and issued share capital of the Company:

    (i) on 10 November 1998, the authorised share capital was increased from £1,000 to £1,000,000,000;

    (ii) on 27 November 2000 each Ordinary Share was sub-divided into 10 Ordinary Shares of £0.10 each;

    (iii) on 28 November 2000, 499,980 Ordinary Shares of £0.10 per share were allotted to Investec Bank (Nominees) Limited;

(iv) on 11 December 2000 Investec Bank (Nominees) Limited transferred to IGL 499,979 Ordinary Shares and Investec Group (UK) Plc transferred to IGL 20 Ordinary Shares of £0.10 each;

(v) on 19 June 2002, IGL subscribed for 3,299 Ordinary Shares of £0.10 each and Investec Bank (Nominees) Ltd subscribed for 1 Ordinary Share of £0.10;

(vi) On 27 June 2002, IGL transferred to Investec Bank (Nominees) Limited 499,998 Ordinary Shares of £0.10 each for consideration of £49,999.80; and

(vii) on 5 July 2002 each Ordinary Share of £0.10 was sub-divided into 100 Ordinary Shares of £0.001 each, the rights attaching to all bar 330,000 of the then issued Ordinary Shares were amended such that they became deferred shares and 999,838,000,000 unissued Ordinary Shares were cancelled.

(c) The Company's authorised share capital as at 5 July 2002, the latest practicable date prior to publication of this document was £162,000, comprising 112,000,000 Ordinary Shares of £0.001 each and 50,000,000 deferred shares of £0.001 each. The Company's issued and fully paid share capital as at 5 July 2002, the latest date prior to the publication of this document was 330,000 Ordinary Shares and 50,000,000 deferred shares.

(d) Prior to the Unbundling of Ordinary Shares by IGL the following further changes will be made to the issued share capital of the Company:

(i) 70,303,746 Ordinary Shares of £0.001 each are to be issued in consideration for the transfer of the PLC Operations to the Company; and

(ii) on or around 16 July 2002 the Company will repurchase and cancel the 50,000,000 deferred shares of £0.001 each in issue.

As a result, the Company's authorised share capital as at the time of the Unbundling of Ordinary Shares by IGL will be 112,000,000 Ordinary Shares of £0.001 each, 55,500,000 Investec PLC Special Converting Shares of £0.001 each, one UK DAN Share of £0.001, one UK DAS Share of £0.001 and one Investec PLC Special Voting Share of £0.001. The Company's issued and fully paid share capital will be 70,633,746 Ordinary Shares of £0.001 each, 38,399,028 Investec PLC Special Converting Shares of £0.001 each, one UK DAN Share of £0.001, one UK DAS Share of £0.001 and one Investec PLC Special Voting Share of £0.001.

(e) A description of the resolutions, authorisations and approvals which apply with effect from the Unbundling of the Ordinary Shares by IGL is as follows:

(i) by an ordinary resolution passed at the annual general meeting of the Company held on 5 July, the Company increased its authorised share capital by the creation of 55,500,000 Investec PLC Special Converting Shares, the UK DAN Share, the UK DAS Share and the Investec PLC Special Voting Share each such share having a nominal value of £0.001 each and having the rights set out in the Investec PLC Articles;

(ii) by a special resolution passed at the annual general meeting of the Company held on 5 July 2002, the Company adopted the Investec PLC Articles pursuant to which the Directors are generally authorised, for the purposes of Section 80 of the Companies Act, to allot relevant securities up to an aggregate nominal amount equal to £111,670. The authority expires 15 months from the date of 5 July 2002 (on terms that the Company may make offers or agreements which would or might require equity securities to be allotted after the expiry of such authority). A further authority will be sought at the Company's next annual general meeting;

(iii) by a special resolution passed at the annual general meeting of the Company held on 5 July 2002, the Company adopted the Investec PLC Articles pursuant to which the provisions of Section 89(1) of the Companies Act are disapplied, for the period of the authority as described in 3(e)(ii) above, in respect of allotments of equity securities wholly for cash: (i) in connection with a rights issue; and (ii) otherwise than in connection with a rights issue, up to an aggregate nominal amount equal to £15,952 (5 per cent. of the issued share capital of the Company and IGL following Admission and assuming the issue of 10 million new Ordinary Shares pursuant to the Global Offer). The disapplication expires on the date of the next annual general meeting of the Company, when a resolution for a similar disapplication for a further period will be sought;

(iv) by a special resolution passed at the annual general meeting of the Company held on 5 July 2002, the Directors are generally authorised, for the purposes of Section 80 of the Companies Act, to allot the relevant securities. The authority expires at the end of the period of five years from the date of the resolution in respect of the Investec PLC Special Voting Share, the UK DAS Share, and the UK DAN

Share, and at the end of the period of fifteen months from the date of the resolution in respect of the Investec PLC Special Converting Shares;

(v) by a special resolution passed at the annual general meeting of the Company held on 5 July 2002, the Directors are, in respect of the Investec PLC Special Voting Share, the UK DAS Share, and the UK DAN Share, empowered from the date of the resolution, for a period of five years in respect of the UK DAS Share, and the UK DAN Share and fifteen months from the date of this resolution in respect of the Investec PLC Special Converting Shares, to allot the said securities in the Company wholly for cash, as if Section 89(1) of the Companies Act did not apply to any such allotment;

(vi) the Company is subject to the continuing obligations of the UK Listing Authority with regard to the issue of securities for cash. The provisions of Section 89 of the Companies Act (which, to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in Section 743 of the Companies Act) apply to the authorised but unissued share capital of the Company (in respect of which the Directors have authority to make allotments pursuant to Section 80 of the Companies Act as referred to in 3(e)(ii) above) except to the extent such provisions have been disapplied as referred to in 3(e)(iii) above;

(vii) by a special resolution passed at the annual general meeting of the Company held on 5 July 2002, the Company is generally and unconditionally authorised for the purpose of Section 166 of the Companies Act to make market purchases (as defined in Section 163 of the Act) of Ordinary Shares provided that (i) the maximum aggregate number of Ordinary Shares which may be purchased is 8,603,375; (ii) the minimum price which may be paid for each Ordinary Share is its nominal value of £0.001; (iii) the maximum price which may be paid for any Ordinary Share is an amount equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which such share is contracted to be purchased; and (iv) this authority shall expire on the date of the Company's next annual general meeting unless such authority is renewed prior to that time (except in relation to the purchase of Ordinary Shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry).

As a result, the Company's authorised share capital as at the time of the Unbundling of Ordinary Shares by IGL will be 112,000,000 Ordinary Shares of £0.001 each, 55,500,000 Investec PLC Special Converting Shares of £0.001 each, one UK DAN Share of £0.001, one UK DAS Share of £0.001 and one Investec PLC Special Voting Share of £0.001. The Company's issued and fully paid share capital will be 70,633,746 Ordinary Shares of £0.001 each, 38,399,028 Investec PLC Special Converting Shares of £0.001 each, one UK DAN Share of £0.001, one UK DAS Share of £0.001 and one Investec PLC Special Voting Share of £0.001.

(f) Immediately following Admission, assuming the issue of 10 million new Ordinary Shares pursuant to the Global Offer, it is expected that the Company's issued share capital will be 80,633,746 Ordinary Shares, 38,399,028 Investec PLC Special Converting Shares, 1 UK DAN Share, 1 UK DAS Share and the Investec PLC Special Voting Share each such share being credited as fully paid.

(g) As at 1 July 2002 (the latest practicable date before the publication of this document), options granted for nil consideration were outstanding over IGL ordinary shares under the IGL employee incentive arrangements (as described in paragraph 6 of this Part XIII), and assuming the Reorganisation, the Global Offer and the adjustment/variation of options described in paragraph 6.9 and 6.10 of this Part XIII has not taken place, rights were outstanding under IGL employee incentive arrangements (as described in paragraph 6 of this Part XIII) as follows:

The Investec Group Limited Security Option and Purchase Scheme

Date of Grant	Total	Option Price (Rand)	Expiry Date
4/5/93	75	28	4/5/03
1/7/94	550	54	1/7/04
1/5/95	3,209	67.50	1/5/05
1/10/96 - 31/12/96	3,588	100 - 110	2/10/06 - 31/12/06
1/04/97 - 31/12/97	40,186	130 - 165	1/4/07 - 31/12/07
31/1/98 - 31/12/98	156,192	175 - 240	31/1/08 - 31/12/08
31/1/99 - 31/12/99	335,290	195 - 280	31/1/09 - 31/12/09
10/1/00 - 31/12/00	478,590	219 - 280	10/1/10 - 31/12/10
31/1/01 - 21/12/01	1,763,269	160 - 288	31/1/11 - 21/12/11
2/1/02	28,990	168	2/1/12
1/2/02	61,410	165	1/2/12
2/5/02	6,000	168	2/5/12
20/6/02	3,974,385	164.50	20/6/12

The IGL UK Share Option Plan

Date of Grant	Total	Approved	Unapproved	Option Price (£)	Expiry Date
1/12/99	1,615,818	653,550	962,268	25.00	1/3/05 - 1/12/09
2/7/00 - 3/12/00	412,470	128,750	283,720	21.41 - 21.79	1/10/05 - 3/12/10
4/12/01	572,350	210,600	361,750	11.81	4/3/07 - 4/12/11
25/02/02	44,000	0	44,000	10.75	25/05/07
20/06/02	3,095,900	0	3,095,900	10.72	20/06/12

(h) As at 1 July 2002 (the latest practicable date before the publication of this document), and assuming the Reorganisation, the Global Offer and the adjustment/variation of options described in paragraph 6.9 and 6.10 of this Part XIII has taken place, rights were outstanding under IGL employee incentive arrangements (as described in paragraph 6 of this Part XIII) as follows:

Investec PLC

Scheme	Total	Vested	Unvested	Expiry Date
IGL Security Purchase Scheme(1)	1,470,518	436,272	1,034,246	1 July 2005
IGL Security Option Scheme(1)	4,316,592	164,288	4,152,304	20 June 2012
IGL UK Share Option Plan(2)	3,616,539	102,934	3,513,605	20 June 2012
Fintique II Scheme(3)	2,203,778	1,652,834	550,944	31 July 2008
Fintique III Scheme(4)	5,985,000	1,496,250	4,488,750	15 December 2004

(1) The IGL Security Purchase and Option Scheme also holds call options in respect of 630,000 Ordinary Shares at a strike price of R170 per share, expiry date 15 December 2003.

(2) These rights are to be granted under the Investec PLC Share Option Plan 2002 and/or the Investec PLC Discounted Share Option Plan 2002, as described in paragraph 6.9 of this Part XIII.

(3) Under a rearrangement agreement (described at paragraph 6.11 below), the Fintique II Scheme will swap, in 2008, 2,251,616 of its IGL ordinary shares for 2,251,616 Ordinary Shares, to ensure that it has sufficient IGL ordinary shares and Ordinary Shares to satisfy its obligations.

(4) Fintique III also holds call warrants in respect of 630,000 Ordinary Shares at a strike price of R145 per share and 1,260,000 Ordinary Shares at a strike price of R170 per share.

IGL

Scheme	Total	Vested	Unvested	Expiry Date
IGL Security Purchase Scheme(1)	863,637	256,223	607,414	1 July 2005
IGL Security Option Scheme(1)	2,535,142	96,487	2,438,655	20 June 2012
IGL UK Share Option Plan	2,123,999	60,454	2,063,545	20 June 2012
Fintique II Scheme(2)	1,294,282	970,712	323,570	31 July 2008
Fintique III Scheme(3)	3,515,000	878,750	2,636,250	15 December 2004

(1) The IGL Security Purchase and Option Scheme holds call options in respect of 370,000 IGL ordinary shares at a strike price of R170 per share, expiry date 15 December 2003.

(2) Under a rearrangement agreement (described at paragraph 6.11 below), the Fintique II Scheme will swap, in 2008, 2,251,616 of its IGL ordinary shares for 2,251,616 Ordinary Shares, to ensure that it has sufficient IGL ordinary shares and Ordinary Shares to satisfy its obligations.

(3) Fintique III also holds call warrants in respect of 370,000 IGL ordinary shares at a strike price of R145 per share and 740,000 IGL ordinary shares at a strike price of R170 per share.

(i) Save as referred to in this paragraph 3 and under "Employee Share Schemes" and "Directors" below:

(i) no commissions, discounts or other special terms have, in the three years immediately preceding the date of this document, been granted by the Company or any of its subsidiaries in connection with the issue or sale of any of the share or loan capital of the Company or that of any of its subsidiaries;

(ii) none of the share or loan capital of the Company nor that of any member of Investec's Group is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) none of the share or loan capital of the Company nor that of any member of the Group has, within three years before the date of this document, been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or for a consideration other than cash to any person not being another member of the Group.

4 Subsidiary and associated undertakings

The Company is the holding company of Investec's principal non-Southern African assets. IGL is the holding company of Investec's principal Southern African assets. The following table shows the principal subsidiaries and associated undertakings of the Company and IGL. The issued share capital of each company listed below is fully paid and each company is included in the consolidated accounts of Investec:

Subsidiary and Registered Office	Country of Incorporation	Principal Activity	Shareholding
Investec PLC			
Investec Bank (UK) Limited 2 Gresham Street London, EC2V 7QP	England and Wales	Banking institution	100%
Guinness Mahon Holdings Limited 2 Gresham Street London EC2V 7QP	England and Wales	Holding company	100%
Guinness Mahon Group Limited 2 Gresham Street London EC2V 7QP	England and Wales	Holding company	100%
Investec 1 Ltd 2 Gresham Street London EC2V 7QP	England and Wales	Investment holding	100%
Investec Group (UK) Plc 2 Gresham Street London EC2V 7QP	England and Wales	Holding company	100%
Investec Asset Finance Plc 2 New Abbey Court 55-59 Stert Street Abingdon Oxfordshire OX1 43JF	England and Wales	Leasing finance	100%
Investec Group Investments (UK) Limited 2 Gresham Street London EC2V 7QP	England and Wales	Investment holding	100%
Investec Property Investments Limited (formerly Investec Property PLC) 2 Gresham Street London EC2V 7QP	England and Wales	Investment holding	100%

Subsidiary and Registered Office	Country of Incorporation	Principal Activity	Shareholding
Investec Ireland Limited Andersen House 1 Harbour Master Place Dublin 1	Ireland	Banking institution	100%
Investec Australia Limited Level 16 167 Macquarie Street Sydney NSW 2000	Australia	Financial Services	100%
Investec Bank (Channel Islands) Limited PO Box 188 La Vieille Cour St Peter Port Guernsey	Guernsey	Banking institution	100%
Investec Bank (Jersey) Limited PO Box 401 19-21 Broad Street St Helier Jersey	Jersey	Banking institution	100%
Investec Bank (Switzerland) AG Talacker 41 8001 Zurich	Switzerland	Banking institution	100%
Investec Overseas Finance (BVI) Limited Tropic Isle Building PO Box 438 Road Town Tortola	British Virgin Islands	Financing company	100%
Investec SA 291 route d'Arlon L-1150 Luxembourg	Luxembourg	Investment holding	100%
Carr Sheppards Crosthwaite Limited 2 Gresham Street London EC2V 7QP	England and Wales	Stockbroking and portfolio management	100%
Investec Ireland Limited Andersen House 1 Harbour Master Place Dublin 1	Ireland	Banking institution	100%
Investec Bank (Israel) Limited 38 Rothschild Blvd Tel Aviv	Israel	Banking institution	79.63%
Investec Australia Limited Level 16 167 Macquarie Street Sydney NSW 2000	Australia	Financial Services	100%
European Capital Company Limited 2 Gresham Street London EC2V 7QP	England and Wales	Project finance	100%

Subsidiary and Registered Office	Country of Incorporation	Principal Activity	Shareholding
IGL			
Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Banking institution	100%
Investec Assurance Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Insurance company	100%
Investec Property Group Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
Investec Asset Management Holdings (Pty) Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
IFI Finance (Pty) Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
Securities Investment Bank Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Banking institution	100%
Investec Securities Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Stockbroking and portfolio management	100%
Investec Bank (Botswana) Limited c/o Ernst & Young 2nd Floor, UN Place Khama Crescent Gabarone	Botswana	Banking institution	100%
Grayinvest Limited (formerly Investec Limited) 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
Invego Investments Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
Barfold Investments Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
Investec Asset Management (Pty) Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Asset management	100%

Subsidiary and Registered Office	Country of Incorporation	Principal Activity	Shareholding
Investec Insurance Brokers (Pty) Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Insurance broking	100%
Investec International Holdings (Pty) Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
Investec Fund Managers SA Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Unit trust management	100%
Investec Bank (Mauritius) Limited 7th Floor Harbour Front Building President John Kennedy Street Port-Louis Mauritius	Mauritius	Banking institution	100%
IPG (Property Trading & Development) (Pty) Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Property trading	100%
Reichmans Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Trade financing	100%
100 Grayston Drive Property (Pty) Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Property holding	100%
Investec Employee Benefits Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Long term insurer	100%
Norwich Life South Africa Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Long term insurer	100%
Fedsure International Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Investment holding	100%
Fedsure Asset Management Limited 100 Grayston Drive Sandown Sandton 2196	South Africa	Asset management	100%

5 Nature of trading market

The Ordinary Shares are expected to be admitted to the Official List and to trading on the London Stock Exchange. The Ordinary Shares are also expected to be listed on the JSE.

6 Employee Share Schemes

Employees of the Company may be offered participation in some or all of the Investec PLC Employee Share Plans described below.

6.1 Common features

The following features are common to each of the Investec PLC Employee Share Plans (the "Plans").

Shareholder approval will be required to amend certain provisions of the Plans to the advantage of participants. These provisions relate to: eligibility; individual and dilution limits; option price; rights attaching to options or shares; adjustment of options on a variation in the Company's share capital; and the amendment powers. The Directors may make other amendments as they consider appropriate, but alterations to the Investec PLC Sharesave Option Plan 2002, the Investec PLC Approved Share Option Plan 2002 (the "Approved Plan") and the Investec PLC Share Participation Plan 2002 are generally subject to the prior approval of the Inland Revenue.

The Directors can, without seeking further shareholder approval, make amendments to obtain or maintain Inland Revenue approval; make minor amendments to benefit the administration of the Plans or which relate to any changes in legislation, or which will obtain or maintain favourable tax, exchange control or regulatory treatment for any participant; and adopt further plans, based on the Plans, to take account of tax, exchange control or securities laws which apply to non-United Kingdom employees.

Options and other rights granted under the Plans are not pensionable and are granted for no consideration.

In any ten-year period, not more than 10 per cent. of the issued ordinary share capital of the Company may be issued or issuable under the Plans and all other employees' share plans operated by the Company. In addition, in any ten year period, not more than 5 per cent. of the issued ordinary share capital of the Company may be issued or be issuable under all discretionary share plans adopted by the Company. These limits do not include options or other rights which have lapsed or been surrendered, nor will they include options or other rights which may only be satisfied using shares purchased in the market, or Ordinary Shares issued in respect of obligations entered into before Admission, including Ordinary Shares to be issued on the exercise of options granted under the Investec PLC Share Option Plan 2002 including under the Discounted Share Option Plan 2002 Schedule in conjunction with the adjustment of IGL options (see paragraph 6.9 below). These limits do not, however, apply under the Investec PLC Share Appreciation Option Plan 2002, under which employees have a right to receive a cash sum by reference to IGL shares. These limits do not include any Ordinary Shares issued pursuant to the IGL Security Purchase and Option Scheme 2002 or any other employee share plan or trust operated by IGL (see paragraph 6.13(b) below).

Any Ordinary Shares issued under the Plans will rank equally with Ordinary Shares of the same class in issue on that date of allotment except in respect of rights arising by reference to a prior record date. Application will be made to the UK Listing Authority for the Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading.

All the Plans will terminate ten years after their approval by the Company's shareholders, or earlier if the Directors decide. Termination will not affect outstanding options and other rights, but no new rights may be granted under the Plans after termination.

6.2 The Investec PLC Share Option Plan 2002 (the "Option Plan")

(a) Operation

Options under the Option Plan may be granted over Ordinary Shares or other shares or debentures in the Company (all referred to as "shares" in this paragraph 6.2).

Options may be granted by the Company or, with the consent of the Directors, be granted by the trustee of an employee trust established by the Company. Apart from initial grants following Inland Revenue approval of the Approved Plan, options will normally only be granted within 42 days of the announcement of the Company's results to the London Stock Exchange for any period. It is not intended to grant options under the Option Plan immediately following Admission, apart from the grant of some options in conjunction with the adjustment of options under the IGL UK Share Option Plan (see paragraph 6.9 below).

The Option Plan will be operated by the Directors (or a duly authorised committee of the Board). It is intended that the operation of the Option Plan in respect of executive directors of the Company will be supervised by the Remuneration Committee, which consists entirely of non-executive directors.

(b) Eligibility

Employees and executive directors of the Company and, if so designated by the Directors as a participating company, any subsidiary or other company, who are more than six months before their expected retirement date are eligible to participate in the Option Plan. The present intention is to continue the practice of IGL in respect of option grants so that employees and executive directors would become eligible to be considered for a grant in proportion to their annual package after completing six months of employment, and subsequent grants would be at the discretion of the Directors (or the Remuneration Committee for executive directors).

(c) Option price

The option price must be not less than the market value of the shares on the date when options are granted (and if shares are to be subscribed, must not be less than their nominal value).

Market value, in relation to Ordinary Shares, means the average of the middle-market quotations (derived from the London Stock Exchange Daily Official List) over the five preceding business days, or the middle-market quotation on the immediately preceding business day, as the Directors may decide.

(d) Performance conditions

When granting an option (apart from grants in conjunction with the adjustment of options under the IGL UK Share Option Plan – see paragraph 6.9 below), the Directors will make its exercise conditional on the satisfaction of appropriate conditions relating to the Company's performance. These conditions must be objective and specified at the date of grant of the option and will be based on significant and sustained improvement in the underlying financial performance of the Company. The Directors may waive or change the conditions in accordance with their terms or if any event happens which causes the Directors to reasonably consider that changed conditions would be a fairer measure of performance, and would be no more difficult to satisfy, or the conditions should be waived.

(e) Individual limits

Subject to a cumulative limit of 500,000 newly issued Ordinary Shares and newly issued IGL ordinary shares in total, the total market value of Ordinary Shares and IGL ordinary shares in respect of which an individual may participate in incentive plans in any financial year is limited to the participant's annual remuneration, including salary, bonuses, commission and benefits-in-kind. "Incentive Plans" means share based employee incentive plans (including the Option Plan, the Investec PLC Share Appreciation Option Plan 2002 and share purchase type plans such as the Investec PLC Share Purchase Plan 2002) established by the Company or IGL which confer an element of benefit on the participant, but excluding "all-employee" plans and "Fintique" type plans.

This limit may be exceeded if the Directors determine that exceptional circumstances make it desirable that options should be granted in excess of the limit. This would enable grants, for example, to recruit or retain key executives.

(f) Exercise of options

Options will normally be exercisable as set out below (or in accordance with a vesting schedule set at the time of grant of the option). Exercise is also subject to the satisfaction of any performance conditions and the optionholder being employed by Investec.

Options become exercisable in tranches of 25 per cent. on each anniversary of the date of grant starting on the second and ending on the fifth anniversary. To the extent that the option has not been exercised within 90 days it will lapse in respect of the shares covered by that tranche.

Options may be exercised (subject to the satisfaction or waiver of any performance conditions) if a participant leaves employment with Investec for any reason (except for misconduct, in which case all options immediately lapse). In these circumstances, options may only be exercised to the extent and during the period set out above, unless the Directors decide otherwise. If a participant dies, his options become exercisable in full (excluding any shares in respect of which the options have previously lapsed) and may be exercised by his personal representatives, irrespective of the satisfaction or waiver of any performance conditions.

Options may also generally be exercised in full (excluding any shares in respect of which the options have previously lapsed), subject to the satisfaction or waiver of any performance conditions, on a takeover, reconstruction or winding-up of the Company, or if there is a demerger or other significant distribution affecting the Company. If there is a change in control of the Company, and in certain other circumstances, participants may, as an alternative to exercise of their options, be allowed or required to exchange their options for options over shares in the acquiring company.

(g) Variation in share capital

Options may be adjusted to take account of a variation in the Company's share capital. In certain specific circumstances, the option price may be adjusted below the nominal value of the shares. There is also a special adjustment facility to deal with the adjustment of options in specific circumstances which may arise as a result of economic equalisation mechanics under the DLC Structure (see paragraph 6 of Part XI).

(h) Schedules

There are currently two schedules to the Option Plan, under which options can be granted on substantially the same terms as under the Option Plan, subject to certain changes which are summarised below.

(i) The Approved Plan has been drafted to comply with the relevant United Kingdom tax legislation so that options granted under it will attract UK tax benefits. Options may be granted in respect of Ordinary Shares only.

An individual's participation in the Approved Plan is limited so that the total value of shares (as at the date of grant) under option at any one time under the Approved Plan and any other Inland Revenue approved discretionary share option plans established by the Company, its subsidiaries or its associated companies, does not exceed £30,000.

Options under the Approved Plan become exercisable up to 20 per cent., 50 per cent. and 100 per cent. on the third, sixth and ninth anniversaries of grant respectively, and to the extent that portion is unexercised, lapse on the expiry of 90 days after each of those anniversaries.

The special adjustment facility referred to in paragraph 6.2(g) above will only apply if the Inland Revenue approve, or if the Approved Plan ceases to be tax-approved.

(ii) The Discounted Share Option Plan 2002 schedule enables the Remuneration Committee to grant options with an option price which is less than the market value of the shares at the date of grant. This facility has been included to accommodate the grant of options over Ordinary Shares in conjunction with the option adjustments under the IGL UK Share Option Plan referred to under the section "Continuing rights under the IGL Share Plans" at paragraph 6.9 below. It is not intended to grant options under the Discounted Share Option Plan 2002 as part of the Company's normal share option programme.

6.3 Investec PLC Share Appreciation Option Plan 2002 (the "Share Appreciation Plan")

The Share Appreciation Plan is based on the Investec PLC Share Option Plan 2002, but options are granted in respect of shares (including debentures) in IGL. Under the Share Appreciation Plan, instead of a right to receive shares, eligible employees are granted a right to receive a cash amount on the exercise of the option, equal to the difference between the market value of the shares in respect of which the option is exercised (calculated at the time of exercise) and the option exercise price.

6.4 The Investec PLC Sharesave Option Plan 2002 (the "Sharesave Plan")

(a) General

The Sharesave Plan has been drafted to comply with the relevant UK tax legislation so that options granted under it will attract UK tax benefits. Under the Sharesave Plan employees are granted an option to acquire Ordinary Shares in the future at a price determined at the date of invitation or date of grant of the option. The option price may be set at a discount to market value at that time. Employees are required to save monthly through a contractual savings arrangement over a period of either three or five years. At the end of the savings contract the employee may either exercise the option using the savings contributions and interest (or an equivalent amount) or have the savings and accrued interest repaid. In the case of a five-year contract, the participant can elect to leave the savings in his account for a further two years.

(b) Operation

The Directors or, with the consent of the Directors, the trustee of an employee benefit trust, may issue invitations and grant options under the Sharesave Plan. Apart from initial invitations following Inland Revenue approval, invitations will normally only be issued within 42 days of the announcement of the Company's results to the London Stock Exchange for any period.

(c) Eligibility

All United Kingdom based employees and full-time directors of the Company and, if so designated by the Directors, any Subsidiary or other company which the Inland Revenue permit, may participate in the Sharesave Plan. However, the Directors may set a qualifying period of continuous employment (not exceeding five years) for eligibility. When the Sharesave Plan is operated, all eligible employees must be invited to participate. Participation may also be offered to any other employees.

(d) Option price

The Directors set the option price, which must not be manifestly less than 80 per cent. of the market value of an Ordinary Share on the business day before the date determined under paragraph 6.4(a) above or the average market values over the three preceding business days.

(e) Employee contributions

The maximum amount an employee may save monthly over the three-year or five-year period is the maximum allowed under an Inland Revenue approved savings-related share option plan, which is currently £250 per month. The minimum amount which may be saved under the Sharesave Plan is £10 per month.

(f) Exercise of options

Options can normally only be exercised for six months starting either three, five or seven years after the start of the savings contract. Options may, however, be exercised early in certain circumstances. These include an employee leaving employment with the Company or any of its subsidiaries or associated companies (or if permitted by the Inland Revenue, with Investec), due to injury, disability, redundancy or retirement, or following the sale of his employing company or business. On cessation of employment for any other reason, options will normally lapse.

Options may generally be exercised early on a takeover, scheme of arrangement, merger or other corporate reorganisation, or on a winding-up of the Company. Alternatively, if there is a change in control of the Company, and in certain other circumstances, participants may be allowed or required to exchange their options for options over shares in the acquiring company.

(g) Variation of share capital

Options may be adjusted to take account of a variation in the Company's share capital. In certain specific circumstances, the option price may be adjusted below the nominal value of the Ordinary Shares. Options may also be adjusted in specific circumstances which may arise as a result of economic equalisation mechanics under the DLC Structure (see paragraph 6 of Part XI) if the Inland Revenue so permit or the Sharesave Plan ceases to be tax-approved.

6.5 The Investec PLC Share Purchase Plan 2002 (the "Purchase Plan")

(a) Operation

The Purchase Plan will be operated by the Directors (or a duly authorised committee of the Board). It is intended that the operation of the Purchase Plan in respect of executive directors of the Company will be supervised by the Remuneration Committee. It is not intended to operate the Purchase Plan immediately following Admission.

(b) Eligibility

The Purchase Plan offers employees and executive directors of the Company and any participating subsidiaries the opportunity to buy shares and debentures in the Company (both referred to as "shares" in this paragraph 6.5) at the market price at the time the offer is made. The individual limits set out in paragraph 6.2(e) apply to the Purchase Plan. Employees must not be within six months of retirement. Individual participation in the Purchase Plan is limited as described in paragraph 6.2(e) above.

(c) Payment for the shares

Participants are loaned the purchase price by the trustees. Interest may be charged on the outstanding loan. Participants may pay any part of the aggregate amount of such loan at any time, but must pay at least 10 per cent. of the aggregate amount of the loan by the second anniversary of the offer date and on each subsequent anniversary until the tenth anniversary when the whole amount is payable.

(d) Holding of the shares

The shares which the participant has agreed to buy are registered in the name of the trustee or a nominee on the participant's behalf, and are held as security against the loan made to the participant.

(e) Rights to the shares

The participant's rights to the shares are restricted until the shares are released in accordance with the terms of the Purchase Plan. In the meantime, the trustee has the right to vote on the shares, lend or sell or pledge the shares. Participants are not entitled to delivery of specific shares, but rather to delivery of a number of shares of a given class. Participants are entitled to dividends.

(f) Release of the shares

The participant becomes entitled to have the shares released in tranches of 25 per cent. on each anniversary of the offer date between the second and fifth anniversaries and, provided certain conditions are satisfied, in particular, the participant remaining in employment and repaying the appropriate part of the loan plus interest.

If a participant leaves employment with Investec due to death, retirement or for any other reason which the Directors, in their discretion, deem to be good and sufficient, the participant has the right to take up and pay for all the shares. Alternatively, he can force the trustee to buy the shares back from him. If a participant leaves employment with Investec in any other circumstances (including misconduct), he must repay the loan plus interest in respect of all the shares. Alternatively, the trustee can force him to sell the shares back to the trust.

(g) Repurchase price

The price at which the shares are repurchased by the trust is the lesser of the market value of the shares and the outstanding loan plus interest payable by the participant in respect of the purchase price.

6.6 The Investec PLC Share Participation Plan 2002 (the "SPP")

(a) General

The SPP offers three ways to provide Ordinary Shares (referred to as "shares" in this paragraph 6.6) to employees – free, partnership and matching shares. The SPP contains all three elements, and the Directors will decide which, if any, should be implemented. The SPP operates in conjunction with a trust, which will hold shares on behalf of participants. It is intended that Inland Revenue approval for the SPP will be sought if it is decided to operate the SPP.

(b) Operation

The SPP may be operated by the Directors (or a duly authorised committee of the Board). It is intended that the operation of the SPP in respect of executive directors of the Company will be supervised by the Remuneration Committee.

If it is decided to offer free shares, apart from initial awards of free shares following Inland Revenue Approval, free share awards will normally only be made within 42 days of the announcement of the Company's results to the London Stock Exchange for any period.

(c) Eligibility

All United Kingdom based employees and full-time executive directors of the Company and any subsidiaries designated by the Directors as participating companies must be eligible to join the SPP. The Directors may set a qualifying period of continuous employment which may not exceed 18 months. Participation may also be offered to other employees who have satisfied the qualifying period of service, if any.

(d) Free Shares

The SPP provides for the award of free shares in the Company with a market value limited by the tax legislation to, currently, £3,000 for each participant each year. The free shares must generally be offered to all eligible employees on similar terms, but the number of free shares can vary by reference to the participant's remuneration, length of service or hours worked. The Directors may make the awards of free shares subject to performance targets.

Free shares must generally be held in trust for between three and five years at the discretion of the Company and will be free of income tax and national insurance if held in trust for five years. If a participant leaves employment with the Company or any of its subsidiaries or associated companies (the "Employment Group"), or if permitted by the UK Inland Revenue, with Investec, his shares cease to be subject to the SPP. The Directors may require free shares to be forfeited if the participant leaves the Employment Group or, if permitted by the Inland Revenue, Investec, within three years other than through death, retirement, redundancy, injury or disability, or his employing company or business being sold outside the Employment Group or, if permitted by the UK Inland Revenue, Investec.

(e) Partnership Shares

Employees may be offered the opportunity to purchase shares out of monthly contributions taken from pre-tax salary of up to the maximum set by the legislation (currently £1,500 in each tax year, or 10 per cent. of salary if less). Employees can stop saving at any stage. The employees' contributions may be used to buy partnership shares immediately or accumulated for up to 12 months before they are used to buy shares. Where they are accumulated the price at which they are acquired is the lesser of the price at the beginning of the accumulation period and the end.

Partnership shares can be withdrawn from the SPP by the participant at any time, but there will be an income tax and national insurance liability if the shares are withdrawn before five years.

(f) Matching Shares

The SPP provides that where employees buy partnership shares, the Directors may award additional free shares on a matching basis, up to a current maximum of two matching shares for each partnership share. Matching shares must be offered on the same basis to each participant purchasing partnership shares on each occasion. Matching shares must generally be held in trust for a minimum of three years and will be free of income tax if held in trust for five years.

The Directors may decide that if a participant withdraws his partnership shares within a period not exceeding three years, he will forfeit the linked matching shares. In addition, the Directors may decide that if the participant ceases to be employed in the Employment Group or, if permitted by the UK Inland Revenue, in Investec within three years (or within such shorter period as the Directors may decide) other than for a specified reason such as retirement, redundancy or disability, his matching shares will be forfeited.

(g) Dividends

The SPP provides that Directors may permit any dividends paid on the free, partnership or matching shares to be re-invested in the purchase of additional shares, which must be held in the SPP for a period of three years.

(h) Voting Rights

Participants may direct the trustees how to exercise the voting rights attributable to the shares held on their behalf. The trustees will not exercise the voting rights unless they receive the participants' instructions.

6.7 Investec PLC Employee Trusts

(a) Introduction

The Company intends to establish the Investec PLC Employee Trusts to operate in conjunction with the Investec PLC Employee Share Plans. This will provide the Company with flexibility in the sourcing of shares (including debentures) to satisfy options and other rights granted under the Investec PLC Employee Share Plans.

(b) The Investec PLC Jersey Trust Number 1 ("Jersey Trust Number 1")

Jersey Trust Number 1 will be a Jersey resident discretionary trust for the benefit of employees and former employees of the Company and its subsidiaries, together with their spouses and children under the age of 18 years. The Trustee will be Theodores Trustees (Jersey) Limited (the "Trustee").

The Company and its subsidiaries may fund Jersey Trust Number 1 by loan or gift to acquire shares or debentures in Investec PLC Group companies, either by market purchase or by subscription. The Trustee may use these securities for the purposes of incentive plans established or to be established by the Company, or its subsidiaries, for employees in the United Kingdom or overseas, such as option plans, share purchase plans and bonus plans. However, shareholder approval will be sought for any plans which constitute a "long-term incentive scheme" (as defined in the Listing Rules) in which Directors are to participate, where required by the Listing Rules.

(c) The Investec PLC Jersey Trust Number 2 ("Jersey Trust Number 2")

The Company also intends to establish Jersey Trust Number 2, which is similar in structure to Jersey Trust Number 1, but which may subscribe, acquire and hold shares or debentures in IGL Group companies. In particular, the class of beneficiaries under Jersey Trust Number 2 is the same as under Jersey Trust Number 1, and the Trustee will also be the trustee for Jersey Trust Number 2. It is desirable to have separate trusts for United Kingdom legal reasons.

It is intended that Jersey Trust Number 2 will be used for incentive plans established by the Company or its subsidiaries which are designed to deliver benefits to the Company's employees, in the United Kingdom or overseas, by reference to IGL share performance, such as the Investec PLC Share Appreciation Option Plan 2002. However, shareholder approval will be sought for any plans which constitute a "long-term incentive scheme" (as defined in the Listing Rules) in which Directors are to participate, where required by the Listing Rules.

(d) Other Investec PLC employee trusts

For Jersey tax reasons, employees resident in Jersey will be excluded from the class of beneficiaries of Jersey Trust Number 1 and Jersey Trust Number 2. They will instead be beneficiaries of two Guernsey resident trusts which are otherwise identical to Jersey Trust Number 1 and Jersey Trust Number 2. The trustee of those Guernsey trusts will be Theodores Trustees (Guernsey) Limited.

If appropriate, the Company may also establish a qualifying employee share ownership trust ("QUEST"), to operate in conjunction with the Investec PLC Sharesave Plan 2002 and any other sharesave option plan established by the Company or its subsidiaries.

(e) Limits on shareholding

Any Ordinary Shares issued to the Investec Employee Trusts (including, if established, the QUEST) will be treated as counting towards the 10 per cent. in 10 years dilution limit referred to in paragraph 6.1 above.

The Company has obtained shareholder approval for the Investec PLC Employee Trusts (and any other employee trusts which the Company may establish in the future) to hold a total of up to (but not including) 10 per cent. of the Company's issued share capital at any one time. This limit will not be exceeded without prior shareholder approval.

It is intended to manage the number of shares held by the trustees of the Investec PLC employee trusts, so as to ensure compliance with the requirements of local overseas banking regulators.

6.8 Shareholder approval

The Investec PLC Employee Share Plans and the establishment of the Investec PLC Employee Trusts were all approved by the Company's shareholders on 5 July 2002.

6.9 Continuing rights under the IGL UK Share Option Plan (the "IGL UK Plan")

Options have been granted under the IGL UK Plan at market value to employees and full-time directors of IGL and participating companies, and are either Inland Revenue approved options or were granted on an unapproved basis. There are no performance conditions attaching to the options.

The options will normally be exercisable up to 25 per cent., 50 per cent., 75 per cent. and 100 per cent. on the second, third, fourth and fifth anniversary of the grant of the option respectively. All options which have not been exercised within ten years from the date on which they were granted automatically lapse. Options may be adjusted in the event of any capitalisation (other than a scrip issue), rights issue, consolidation, subdivision, reduction or other variation of the share capital of IGL, subject to the confirmation of IGL's auditors that the adjustments are fair and reasonable and, in respect of approved options, the approval of the Inland Revenue.

It is proposed to adjust options under the IGL UK Plan to take account of the consolidation of share capital of IGL. It is intended to reduce the number of IGL ordinary shares under option and leave the option price unchanged. This will, in respect of Inland Revenue approved options, be done on a tax-approved basis if the Inland Revenue agree. If the Inland Revenue do not agree, the adjustment will take place on an unapproved basis, which will result in the approved options losing their tax-approved status. The confirmation of Ernst & Young as auditors, that the proposed adjustment is, in their opinion, fair and reasonable will be obtained.

In conjunction with the adjustment mentioned above, it is intended that the Company will grant new unapproved options under the Investec PLC Share Option Plan 2002 including under the Discounted Share Option Plan 2002 Schedule to individuals whose options are adjusted under the IGL UK Plan, in respect of the balance of the original IGL options. It is intended that the adjusted IGL options and the new options over Ordinary Shares should together be of equivalent value to the original IGL options. To reflect the terms of the original IGL options, the new Investec PLC options will have the same vesting schedule as the original IGL options, and will not be subject to any performance conditions.

In addition, the IGL Board have approved the amendment of the rules of the IGL UK Plan to allow exercise by a participant while a director or employee of Investec. This will enable participants to maintain their adjusted options over IGL ordinary shares. In respect of options granted under the Approved Plan, this amendment will be done on a tax-approved basis if the Inland Revenue agree. If the Inland Revenue do not agree, the amendment will be made on an unapproved basis, which will result in the approved options losing their tax-approved status.

As at 1 July 2002, options are outstanding over 5,740,538 IGL ordinary shares under the IGL UK Plan. Following the proposed adjustment, there will be 2,123,999 IGL ordinary shares under option and 3,616,539 Ordinary Shares under replacement options granted under the Investec PLC Share Option Plan 2002 and/or the Investec PLC Discounted Share Option Plan 2002. No further options will be granted under the IGL UK Plan.

6.10 Continuing rights under the Investec Group Limited Security and Purchase Option Scheme (as amended) (the "SA Plan")

The terms and operation of the SA Plan (also known as the Staff Share Scheme) are substantially the same as the IGL Security Purchase and Option Scheme 2002, described at paragraph 6.13 of this Part XIII below. No further options will be granted under the option scheme part of the SA Plan, and no further securities will be offered under the purchase scheme part of the SA Plan.

Following Admission, participants in the purchase scheme part of the SA Plan will have rights in respect of both IGL ordinary shares and Ordinary Shares, in the same way as other Shareholders. The Ordinary Shares will be subject to the same terms and conditions as the original IGL ordinary shares to which they relate.

As at 1 July 2002, and assuming the Reorganisation has taken place, 863,637 IGL ordinary shares and 1,470,518 Ordinary Shares are held in the purchase scheme part of the SA Plan.

It is proposed to vary outstanding options under the SA Plan so that they are in respect of both IGL ordinary shares and Ordinary Shares, on the same basis as applicable to Shareholders. It is intended that the varied options should be of equivalent value to the original options.

As at 1 July 2002, and assuming the Reorganisation has taken place and following the proposed variation, options are outstanding over 2,535,142 IGL ordinary shares and 4,316,592 Ordinary Shares under the option scheme part of the SA Plan.

As at 18 June 2002, 5,251,616 Ordinary Shares have been transferred to the trust, of which 2,251,616 Ordinary Shares will be swapped in 2008 for 2,251,616 IGL ordinary shares under a rearrangement agreement (described at paragraph 6.11 below) entered into with Fintique II to ensure that it has sufficient IGL ordinary shares and Ordinary Shares to satisfy its obligations.

6.11 Continuing rights under the IGL Fintique II Scheme ("Fintique II")

Fintique II is a share ownership plan structured and arranged by IGL, but externally funded.

Fintique II was constituted as a unit trust, available to about 235 selected executives and senior employees of IGL. Investec Bank Limited ("IBL") issued compulsory convertible debentures to IGL. IGL sold the right to the income and the right to receive the redemption monies on redemption of the debentures to unrelated third parties, retaining the right to acquire and the obligation to pay for the IBL ordinary shares which would arise on conversion. IGL sold these IBL ordinary shares to Fintique II for cash.

Initial subscriptions were offered by the trustees (some of whom are Directors of the Company) of Fintique II (the "Trustees") to participants at the market value of the units. The contributions made by the participants were used by Fintique II to make an initial payment for the IBL ordinary shares and to start a sinking fund, intended to pay the balance of the purchase price of the IBL ordinary shares when due. As security for the contingent obligations to Fintique II (if the sinking fund turns out to be insufficient to pay the costs of the IBL ordinary shares), the participants are bound jointly for their share of the shortfall as sureties and have pledged their units to Fintique II.

Participants who subscribed for units acquired the benefits and risks of ownership of those units and accordingly, under South African trust law, acquired a personal right against the Trustees, which is an interest in the rights to the IBL ordinary shares acquired by Fintique II. Fintique II will generally repurchase a unit at a price equivalent to the participant's cost, adjusted to take account of the sinking fund. The units cannot be sold, except back to Fintique II if the Trustees agree, to varying extents and for varying periods. These restrictions will come to an end on 31 July 2002. *Once the sale restriction ends, units may be traded but only among the participants.* After 31 July 2002, or earlier in the event of death or retirement, participants may apply to the trustees of the SA Plan (see paragraph 6.10) to exchange their units for shares in IGL. Fintique II has agreed with Investec Holdings to exchange the IBL ordinary shares acquired for shares in Investec Holdings, resulting in participants receiving Investec Holdings shares. A rearrangement agreement has been entered into, effective from 18 June 2002. The purpose of the rearrangement agreement is to ensure that Fintique II would be able to deliver both Investec PLC shares and shares in IGL. Under the terms of the rearrangement agreement, the exchange agreement with Investec Holdings has been cancelled and Fintique II has agreed with IGL to accept shares in IGL in exchange for its IBL ordinary shares as if the exchange agreement with Investec Holdings has not been cancelled and had effect before the Unbundling of IGL and Investec Holdings. Fintique II has also agreed with the trustees of the SA Plan that it will exchange part of the shares in IGL so acquired for Investec PLC shares held by the trustees of the SA Plan.

Rights outstanding under Fintique II as at 1 July 2002 are shown in the table at paragraph 3(h) above.

6.12 Continuing rights under the IGL Fintique III Scheme ("Fintique III")

Fintique III was constituted in Guernsey as a unit trust available to about 500 employees and directors of IGL invited by the board of directors of IGL to acquire units in the unit trust. Fintique III is the sole owner of *Fintique Three BVI Limited ("Fintique Three BVI") (Fintique Three BVI is a Selling Shareholder).*

Investec Bank Limited ("IBL") issued compulsory convertible debentures ("CCDs"). The first tranche of CCDs was issued to PF & CB Finance No. 27 (Pty) Limited ("PF & CB"). PF & CB financed the purchase of the CCDs through a loan from IBL and by selling the right to the income on the CCDs to unrelated third parties. PF & CB *then sold the right to acquire and the obligation to pay for the IBL ordinary shares which would arise on* redemption and conversion (the "stub rights") to Ellenburg Properties (Pty) Ltd. ("Ellenburg"). Ellenburg in turn sold the stub rights to Fintique Three BVI. Fintique Three BVI funded the purchase of the stub rights by short selling IGL shares, selling call options over IGL shares to certain unrelated third parties, by borrowing from Investec Bank Mauritius and through cash subscribed for its equity by Fintique III.

The second and third tranches of CCDs were issued to Three and a Half Limited which is owned by a number of trusts of which participate in Fintique III. Three and a Half Limited financed the purchase of the CCDs by borrowing from Investec Bank Mauritius, by selling the right to the income to unrelated third parties and by on-selling the stub rights to Fintique Three BVI. Fintique Three BVI funded its purchase of the stub rights by short selling IGL shares to unrelated third parties, by borrowing from Investec Bank Mauritius and through cash subscribed for its equity.

The fourth tranche was issued direct to Fintique Three BVI which funded the purchase by borrowing from Investec Bank Mauritius, entering into a stock borrow agreement with the SA Plan and short selling IGL shares, selling the right to the income on the CCDs and selling calls over IGL shares to unrelated third parties.

The participants in Fintique III subscribed for units and made contributions to Fintique III calculated at the market value of the units and have an unquantified contingent obligation to make up any shortfall in Fintique III. As security for their contingent obligations to Fintique III the participants have pledged their units to Fintique III.

Participants who subscribe for units in Fintique III acquire the benefits and risks of ownership of those units and accordingly under South African trust law acquire a personal right against the trustee of Fintique III, Investec Trust Guernsey Limited (the "Trustee") which is the interest of Fintique III in Fintique Three BVI.

Units in Fintique III may not be sold by participants for predetermined extents and periods except to Fintique III if the Trustee agrees to acquire the units. After the sale restrictions have ended, participants may sell their units but the Trustee has a right of first refusal. If the Trustee does not choose to acquire the units, the units may be traded but only among participants.

If a participant dies or retires or leaves IGL for any other reason, approved by the board of directors of Investec Holdings, the sale restriction on the units ends. The Trustee may then acquire the units at their market value. If a participant leaves IGL for any other reason or is declared insolvent, the Trustee may require him to sell his units. Those units which are not subject to sale restrictions may be acquired by Fintique III at the then market value, and units which are still subject to sale restrictions may be acquired at the lesser of market value or, usually, the original cost of subscription of the unit.

Fintique Three BVI entered into an agreement with IGL under which the IBL ordinary shares would be exchanged for IGL ordinary shares. Fintique III also entered into an agreement with Investec Holdings under which the IGL ordinary shares which it was to acquire from IGL would be sold to Investec Holdings for shares in Investec Holdings (the "exchange agreements").

Under the terms of the re-arrangement agreement, the purpose of which is to enable Fintique III BVI to deliver both shares in Investec PLC and shares in IGL, Fintique Three BVI has agreed that, effective as from 18 June 2002, the exchange agreements have been cancelled and in addition, Fintique III BVI has ceded its rights to the redemption monies in respect of the compulsory convertible debentures and has delegated its obligations to subscribe for the IBL ordinary shares to IGL. The purchase consideration paid by IGL is to be immediately applied by Fintique III BVI to subscribe for IGL ordinary shares. The IGL ordinary shares which Fintique Three BVI thus acquires will accordingly convert into new IGL shares and Investec PLC shares on the same basis as for any other shareholder in IGL.

Rights outstanding under Fintique III as at 1 July 2002 are shown in the table at paragraph 3(h) above.

6.13 The IGL Share Purchase and Option Scheme 2002 (the "Scheme")

(a) Legal structure

The Scheme is operated by a trust governed by South African trust law. The trustees of the trust are Werksmans Trustees (Proprietary) Limited and Sam Abrahams (a non-executive director of IGL).

(b) Operation

The trust operates two schemes: a purchase scheme and an option scheme, described in paragraphs 6.13(f) and 6.13(g) below.

The securities used in the schemes include marketable securities (including convertible shares or debentures) issued by IGL, its holding or controlling company, subsidiaries of IGL or its holding or controlling company, or any associate of those companies; units issued by Fintique II and Fintique III; shares issued by Investec PLC; shares issued by Fintique (Proprietary) Limited; units in any other trust constituted to assist employees of the IGL group; and listed or unlisted marketable securities issued by companies whose major asset is any interest in a listed instrument issued by IGL or Investec PLC or any of their subsidiary or associated companies. Investec PLC will receive full market value at the relevant time in respect of any shares issued to the trustee of the Scheme to be used for the purposes of the Scheme or issued otherwise in respect of IGL's share plans.

(c) Eligibility

Employees and executive directors of IGL and any participating subsidiary who are more than six months before their expected retirement date are eligible to participate in the Scheme. The remuneration committee of IGL will decide which employees or executive directors will participate in the Scheme, whether they will participate in the purchase scheme or the option scheme, and the number of shares to which such employees or executive directors are entitled. Trusts and companies owned by or constituted for the benefit of such persons and their direct families may become participants.

(d) Individual limit

The maximum number of securities which any one participant may actually or contingently be entitled to acquire under the Scheme and any other incentive schemes established by Investec may not exceed the right (direct or indirect and after taking into account any conversion rights) to more than 500,000 newly issued Ordinary Shares and newly issued IGL ordinary shares in total or such increased number of ordinary shares in the company concerned as may from time to time be approved by the JSE, or the greater of his total remuneration from Investec in the 12 months ending on the date of grant and the annual rate of his total remuneration from Investec, or such increased number of ordinary shares or other limits as may from time to time be approved by the JSE or the London Stock Exchange (or any other relevant recognised stock exchange) and by the company concerned in general meeting.

(e) Plan limit

No offer of securities may be made to the extent that, after acceptance of such offer, the aggregate number of scheme securities held under the purchase scheme, together with securities which may be acquired on the exercise of options granted and accepted under the option scheme and in terms of all other staff share incentive schemes of IGL would confer the direct or indirect right to or beneficial interest in more than 10 per cent of the ordinary shares in IGL and Investec PLC (direct or indirect and after taking account of any conversion rights), or such increased percentage of ordinary shares as may from time to time be approved by the JSE (currently 20 per cent).

(f) Purchase scheme

The participants agree to purchase the securities and take on the benefits and risks of ownership. Participants in the purchase scheme are loaned the acquisition price by the trustees. They may pay any part of it at any time but must pay at least 10 per cent. of the aggregate amount of such loan each year after an initial two-year period.

The securities are pledged to the trust as security for the participant's loan. The securities may only be released as to:

- up to 25 per cent. of the original number of securities between the second and third anniversaries of the date of acquisition;
- up to 50 per cent. of the original number of securities between the third and fourth anniversaries of the date of acquisition;
- up to 75 per cent. of the original number of securities between the fourth and fifth anniversaries of the date of acquisition; and
- up to 100 per cent. of the original number of securities on and after the fifth anniversary of the date of acquisition.

Securities may only be released on full payment provided the participant remained employed by Investec.

If a participant dies in service, retires or leaves Investec for any reason which the IGL directors deem to be good and sufficient, the participant (or in the case of his death, his executor) has the right to take up and pay for the securities he has purchased or to resell them to the trust. If a participant is dismissed or leaves Investec for any other reason, the trustees may require him to purchase all or some of the shares at the acquisition price or alternatively the trustees may repurchase the securities. The price at which the trustees repurchase securities is the lesser of the market value of the securities or the outstanding loan obligation adjusted for any payments previously made.

(g) Option scheme

Options may be granted by IGL or, with the consent of IGL, by the trustee of an employee benefit trust established by IGL.

The purchase price payable by participants for their securities will be their market price, which is determined as follows. If the securities are listed on the JSE, the closing price of the securities on the trading day immediately prior to the date of the grant of the option or, if the securities are not so listed, the price determined by the directors of IGL as being the fair market price of the securities on the date immediately prior to that on which the option is granted to the participant, having regard to matters including the terms and conditions of the issue of the security and, if applicable, the price of the listed security into which it is convertible.

Options will normally be exercisable while the participant is employed by Investec.

Options become exercisable in tranches of 25 per cent. on each anniversary of the date of grant starting on the second and ending on the fifth anniversary. To the extent that the option has not been exercised within 90 days it will lapse in respect of the securities covered by that tranche.

Options may be exercised if the participant dies in service, retires or leaves Investec for any reason which the directors of IGL deem to be good and sufficient. In these circumstances, options may only be exercised to the extent set out above unless the directors of IGL decide otherwise. If the participant is dismissed or leaves Investec for any other reason, all his options lapse.

Options may also generally be exercised early on a takeover, reconstruction or winding-up of IGL, or if there is a demerger or other significant distribution affecting IGL. If there is a change in control of IGL, and in certain other circumstances, participants may, as an alternative to exercising their options, be allowed or required to exchange their options for options over shares in the acquiring company. Options may be adjusted to take account of a variation in IGL's share capital. In certain specific circumstances, the option price may be adjusted below the nominal value of the IGL shares. Options may also be adjusted in specific circumstances which may arise as a result of economic equalisation mechanics under the DLC Structure (see paragraph 6 of Part XI).

7 Pensions

7.1 Pension Schemes: South Africa

Investec has two occupational pension schemes for South African employees: the Investec Group Pension Fund and the Investec Group Provident Fund. Both are defined contribution arrangements and therefore have limited recourse to the employer.

(a) The Investec Group Pension Fund ("the Pension Fund")

After 1 October 2000, the Pension Fund was closed to new members. Members had the option to transfer to the Investec Group Provident Fund from 1 July 2000. As at 30 June 2001, there were 633 members in the Pension Fund. The last financial review of the Pension Fund was performed on 30 June 2001. Employer contributions for existing members are based on a variable rate calculation of between 7 per cent. and 15 per cent. of pensionable salary plus 3.5 per cent. of pensionable salary towards death, disability and accident insurance.

(b) The Investec Group Provident Fund ("the Provident Fund")

Employees of Investec in South Africa automatically become members of the Provident Fund. As at 30 June 2001, there were 2,706 members. The last financial review was performed on 30 June 2001.

Employer contributions are based on a variable rate calculation of between 7 per cent. and 15 per cent. of pensionable salary plus an additional 3.5 per cent. of pensionable salary towards death, disability and accident insurance.

7.2 Pension Schemes: United Kingdom

Investec has three pension schemes for United Kingdom employees: the Investec Group Personal Pension Plan; the Investec Group Executive Pension Plan and the Investec Guinness Flight Executive Pension Scheme. There are also various individual personal pension plans.

(a) The Investec Group Personal Pension Plan

The Investec Group Personal Pension Plan is provided by Scottish Equitable and is a defined contribution plan designed for Inland Revenue approval. Employer contributions as standard are 10 per cent. calculated as a percentage of salary, although there are some individuals with contributions of more than 10 per cent.

(b) The Investec Group Executive Pension Plan

The Investec Group Executive Pension Plan is provided by Scottish Equitable and is a defined contribution plan designed for Inland Revenue approval. Employer contributions calculated as a percentage of salary are 10 per cent.

(c) The Investec Guinness Flight Executive Pension Scheme

The Investec Guinness Flight Executive Pension Scheme is a defined contribution scheme designed for Inland Revenue approval. Employer contributions are variable between 32 per cent. and 35 per cent. The scheme has two active members.

(d) Various Individual Personal Pension Plans

These individual personal pension plans are defined contribution arrangements, with variable employer contributions. There are approximately 50 individuals in such arrangements.

(e) Closed Schemes

There are two closed schemes in the United Kingdom. These are:

- The Guinness Mahon Group Pension Scheme; and
- The Investec Asset Management Pension Scheme.

Both schemes were defined benefit arrangements. Members of these two schemes transferred into either the Investec Group Personal Pension Plan or the Investec Group Executive Pension Plan with effect 1 April 2002. Employer's contributions for these members vary according to age between 10 per cent. and 25 per cent. The pension earned within the closed schemes will be calculated on service to 31 March 2002 but will use whatever the actual final salary of the member is at the time of leaving/retirement. As at 1 April 2002 the closed schemes were adequately funded on the statutory minimum funding requirement basis and require no ongoing contributions from Investec in order to meet their liabilities. This position will have to be reviewed on a regular basis and may require further payment in to the funds if significant salary increases occur, or if the investment returns are insufficient to cover the liabilities.

7.3 Other jurisdictions

There are pension arrangements provided for employees in the Channel Islands, Ireland, Switzerland, the United States and Israel. These are all on a defined contribution basis.

8 Investec PLC Memorandum

The Investec PLC Memorandum provides that its principal objects are, amongst other things:

(a) to carry on the business of a holding and investment company; and

(b) to carry on the business of banking in all its aspects.

The objects of the Company are set out in full in clause 4 of the Investec PLC Memorandum which is available for inspection at the address specified in paragraph 17 below.

The IGL Memorandum includes objects similar in effect to those set out in paragraphs (a) to (c) above and is also available for inspection at the address specified in paragraph 17 below.

9 Investec PLC Articles

The Investec PLC Articles were adopted at an annual general meeting held on 5 July 2002. These contain (amongst others) provisions to the following effect:

9.1 Share capital

(a) The share capital of the Company will comprise the Ordinary Shares, the Investec PLC Special Converting Shares, the Investec PLC Special Voting Share, the UK DAN Share and the UK DAS Share. Each such share will have a nominal value of £0.001. (Art 3)

The voting rights attached to these shares are set out in paragraphs 9.9 to 9.11 below, the entitlement of these shares to share in profits is set out in paragraph 9.12 and their respective rights to any surplus on a liquidation are set out in paragraph 9.13.

(b) On the Conversion Date, all of the Investec PLC Special Converting Shares will automatically be converted into and in all respects rank *pari passu* with Ordinary Shares. (Art 4)

(c) The Company will have the right to redeem:

(i) at any time prior to the Conversion Date, any or all of the Investec PLC Special Converting Shares if the Board considers such redemption is necessary or expedient in order to maintain in issue the Investec PLC Equivalent Number; and

(ii) at any time on or after the Conversion Date, the Investec PLC Special Voting Share, the UK DAN Share and the UK DAS Share if the Board so decides.

The Company will pay for each share so redeemed an amount equal to the nominal value of such share. (Art 6)

9.2 Alteration of share capital

(a) The Company may by ordinary resolution:

(i) increase its capital by such sum to be divided into shares of such amounts as the resolution will prescribe;

(ii) consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares;

(iii) cancel any shares which, at the date of the resolution, have not been taken, or agreed to be taken, by any person and reduce its share capital by the amount of the shares so cancelled; and

(iv) subject to the Companies Act, subdivide its shares into shares of a smaller nominal amount than is fixed by the Investec PLC Memorandum and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any preferred, deferred or other special rights or be subject to any restrictions, as the Company has power to attach to unissued or new shares.

Where any members would become entitled to fractions of a share, the Directors may deal on behalf of the members sell the shares representing the fractions for the best price reasonably obtainable to any person. In particular, the Directors may authorise some person to transfer the shares to, or in accordance with the directions of, the purchaser. (Arts 7 and 8)

(b) Subject to the provisions of the Companies Act, the Company may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares. (Art 9)

(c) Subject to the provisions of the Companies Act and to any rights conferred on the holders of any class of shares, the Company may, by special resolution, reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way. (Art 10)

9.3 Share issues

(a) Subject to the provisions of the Companies Act, and without prejudice to the rights attached to 6.B.15(a) any existing shares or class of shares:

(i) any share in the Company may be issued with such rights and subject to such restrictions as the Company may by ordinary resolution determine or, in the absence of such determination, as the Directors will determine; and

(ii) subject to the provisions of the Articles, the Company may issue any shares which are, or at the option of the Company or the holder are liable, to be redeemed, or create and issue secured or unsecured debentures, on such terms and conditions and in such manner as the Company may determine. (Art 11)

(b) Subject to the provisions of the Companies Act, the Directors will have the authority to allot, grant options over or otherwise dispose of unissued shares on such terms and conditions as they think proper. (Art 12.1)

(c) The Directors will be empowered during each Allotment Period:

  (i) to allot relevant securities with an aggregate nominal value up to the Section 80 Amount; and

  (ii) to allot equity securities (within the terms of paragraph (i) above) wholly for cash in connection with a rights issue or (otherwise than in connection with a rights issue) with an aggregate nominal value up to the Section 89 Amount. (Art 12.2 to 12.5)

In this paragraph (c):

"Allotment Period" means any period (not exceeding 15 months) for which the authority conferred in paragraph (i) above is granted;

"rights issue" means an offer of equity securities to (i) holders on the register on a record date in proportion to their respective holdings, (ii) holders of IGL ordinary shares in proportion to their respective holdings such that the ratio of the entitlement per IGL ordinary share to the entitlement per Ordinary Share is, as nearly as practicable, equal to the Equalisation Ratio and (iii) other persons entitled by virtue of the rights attaching to any other equity securities they hold (subject in each case to such exclusions or other arrangements as the Directors deem necessary or expedient);

"Section 80 Amount" means such amount for any Allotment Period stated in the relevant ordinary resolution passed at a general meeting of the Company; and

"Section 89 Amount" means such amount for any Allotment Period stated in the relevant special resolution passed at a general meeting of the Company.

(d) The Directors may capitalise profits and reserves by appropriating sums to such members on such basis as they may decide and by applying such sums, *inter alia*, to pay up shares of any class.

9.4 Variations of rights

Subject to the Companies Act unless provided by the terms of allotment of shares of that class, whenever the share capital of the Company is divided into different classes of shares, the special rights attaching to any class of shares may be varied or abrogated by special resolution of the Company approving such variation or abrogation either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise). (Art 34)

9.5 Transfer of shares

(a) All transfers of shares which are in certificated form may be effected in writing in any usual or common form or in any other form acceptable to the Directors. The transfer instrument will be signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor will remain the holder of the shares until the transferee's name is entered in the share register. All transfers of shares that are in uncertificated form may be effected by means of a computer-based system and procedures which enable the transfer of shares without a written instrument. (Art 36.1 and Art 36.2)

(b) Every instrument of transfer must be lodged, duly stamped if required, at the transfer office accompanied by the share certificates or other form of evidence the Directors may reasonably require to show the transferor's right of transfer. (Art 36.3)

(c) The Directors may decline to recognise any transfer instrument relating to shares in certificated form unless it is in respect of one class of share and the provisions of paragraph (b) above have been complied with (Art 38.1).

(d) The Directors may, in the case of shares in certificated form, in their absolute discretion and without giving any specific reason, refuse to register any transfer of certificated shares that are not fully paid provided that their discretion does not prevent dealings of shares of that class from taking place on an open and proper basis. The Directors also may refuse to register an allotment or transfer of shares, whether fully paid or not, in favour of more than four persons jointly. (Arts 38.2 and 38.3)

(e) If the Directors refuse to register an allotment or transfer, they will send to the allottee or transferee notice of the refusal within two months after the date on which:

  (i) the letter of allotment or transfer was lodged with the Company, in the case of shares held in certificated form; or

(ii) the instruction required by the CREST Regulations was received by the Company, in the case of shares held in uncertificated form. (Art 38.4)

(f) The Directors will decline to register any transfer of:

(i) the Investec PLC Special Voting Share unless the transfer has been approved in accordance with the provisions of the Voting Agreement;

(ii) the UK DAN Share or the UK DAS Share unless the transfer has been effected in accordance with the provisions of the UK DAN Share Trust Deed and UK DAS Share Trust Deed, respectively; and

(iii) prior to the date of a Conversion Event, any or all of the Investec PLC Special Converting Shares. (Art 38.5)

(g) The Directors may also be entitled to decline the registration of a transfer following service of a Section 212 Notice – see paragraph 9.11 of this Part XIII.

9.6 *Untraced Shareholders*

(a) Subject to any restrictions applicable to uncertificated shares under the CREST Regulations, the Company will be entitled to sell at the best price reasonably obtainable at the time of sale the shares of a member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if and provided that:

(i) during the period of six years prior to the date of the publication of the advertisements referred to in paragraph (ii) below (or, if published on different dates, the first date) at least three dividends in respect of the shares in question have become payable and all dividend warrants and cheques have remained uncashed;

(ii) the Company will as soon as practicable on expiry of such period have inserted advertisements in both a national daily newspaper and in a newspaper circulating in the area in which the last known address of the member or the address at which service of notices may be effected under these Articles is located giving notice of its intention to sell the said shares; and

(iii) during the period of three months following the publication of such advertisements the Company has received no indication of the whereabouts of such member or person. (Art 46.1 and Art 46.3)

(b) To give effect to such sale the Directors may appoint any person to transfer the shares and such transfer will be as effective as if it had been carried out by the registered holder of or a person entitled by transmission to such shares and the title of the transferee will not be affected by any irregularity or invalidity in the relevant proceedings. The Company will be obliged to account to the former member or other person previously entitled as aforesaid for an amount equal to such proceeds and will enter the name of such former member or other person in the books of the Company as a creditor for such amount which will be a permanent debt of the Company. No trust will be created in respect of the debt, no interest will be payable and the Company will not be required to account for any money earned on the net proceeds of sale. (Art 46.2)

9.7 *General meetings and notices*

(a) An annual general meeting will be held every year, at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting) and place or places as may be determined by the Directors. All other general meetings will be called extraordinary general meetings. (Art 47)

(b) The Directors may direct that any shareholders' meeting will be held at two or more locations. Arrangements must be made to ensure that all members and proxies are able to participate at the meeting and see and hear everyone else at the meeting (Art 48.2)

(c) Annual general meetings and extraordinary general meetings at which special resolutions are to be proposed will be called on at least 21 days' written notice. Any other extraordinary general meeting will be called on 14 days' notice. (Art 49)

(d) Any notice calling a general meeting will specify *inter alia*:

(i) the date, time and place of the meeting; and

(ii) the general nature of business to be transacted and whether resolutions to be proposed are special or extraordinary resolutions. (Art 50)

9.8 Amendments to resolutions

In the case of any resolution, no amendment thereto (other than to correct an error) may be considered or voted upon (Art 56.2).

9.9 Polls

(a) At any general meeting, all resolutions will be decided on a poll unless, subject to paragraphs (b) and (d) below, the chairman of the meeting ("chairman") determines that it will be decided on a show of hands. (Art 57.1)

(b) If pursuant to (a) above, the chairman of the meeting determines that a resolution will be decided on a show of hands, before or on declaration of the result, a poll may be demanded by:

(i) not less than three members present in person or by proxy entitled to vote; or

(ii) a member or members present in person or by proxy and representing not less than one tenth of the total voting rights of all those entitled to vote; or

(iii) a member or members present in person or by proxy holding shares conferring the right to vote and on whose shares the total sum paid up is not less than one tenth of the total sum paid up on all the shares conferring that right;

(iv) the holder of the Investec PLC Special Voting Share; or

(v) the chairman,

but no poll may be demanded on the election of a chairman of a meeting or, unless the chairman of the meeting otherwise determines, the adjournment of a meeting. (Art 57.2)

(c) Unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has been passed or lost and an entry to that effect in the minute book is conclusive evidence of that fact, without proof of the number or proportion of the votes recorded in favour or against the resolution. (Art 68.2)

(d) At any general meeting all substantive resolutions and proposed amendments thereto put to the vote of the meeting on which the holder of the Investec PLC Special Voting Share is entitled to vote will be decided on a poll. (Art 57.4)

(e) In the event of any dispute as to the admission or rejection of a vote, the chairman's determination in respect of the dispute is final. (Art 68.1)

(f) A poll in relation to a question of adjournment will be taken forthwith. A poll in relation to any other question will be taken either at the meeting or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. A poll on a resolution on which the holder of the Investec PLC Special Voting Share is entitled to vote will be taken immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct and will remain open for so long as the chairman may determine. Any poll may, as the chairman will direct, close at different times for different classes of shareholder or for different shareholders of the same class entitled to vote on the relevant resolution. No notice need be given of a poll not taken immediately. The taking of a poll will not prevent the continuance of the meeting for the transaction of any business other than the question to which the poll relates. (Art 60)

9.10 Voting and votes attaching to shares

(a) The Articles set out the provisions relating to Joint Electorate Actions and Class Rights Actions and the procedures relating thereto as described in paragraph 8 of Section XI. Paragraphs (b) and (c) below set out the voting rights attached to the Investec PLC Special Voting Share which give effect to those voting arrangements. (Arts 61 and 62)

(b) Subject to any special rights or restrictions as to voting attached to any class of shares:

(i) on a show of hands every member being an individual who is present in person will have one vote; and

(ii) on a poll:

- every member who is present in person or by proxy (except the holder of the Investec PLC Special Voting Share) will have one vote for each fully paid share of which he is the holder; and

- the holder of the Investec PLC Special Voting Share will have the Specified Number (as defined in paragraph (c)(ii) below) of votes. (Art 63.1)

(c) Prior to the Conversion Date, the holder of the Investec PLC Special Voting Share will have the following voting rights:

(i) no right to vote on any show of hands.

(ii) the right to attend any general meeting and to cast on a poll the Specified Number (as set out below) of votes some of which may be cast for and others against any resolution in such numbers as the holder may determine:

- on a resolution in respect of a Joint Electorate Action: the Specified Number of votes will be the total number of votes validly cast (both for or against) by IGL Shareholders on the poll on the equivalent resolution at the parallel IGL shareholders' meeting (adjusted, if necessary, by reference to the Equalisation Ratio);

- on a resolution in respect of a Class Rights Action: if the resolution has not been approved by the necessary majority of the IGL Shareholders, the Specified Number of votes will be equal to 25.1 per cent. (in relation to an action to be approved by special resolution) and 50.1 per cent. (in relation to an action to be approved by ordinary resolution) in each case, of the aggregate number of votes attaching to all classes of issued shares in the Company (including the Investec PLC Special Voting Share) which could be cast on such resolution (rounded up to the next whole number). If the resolution has been approved by the Required Majority (as defined in paragraph 8.3 of Part XI) of the IGL Shareholders, the holder of the Investec PLC Special Voting Share will not be entitled to vote;

- on a procedural resolution put to a general meeting at which a Joint Electorate Action is to be considered: the Specified Number of votes will be the greatest number of votes cast or able to be cast via proxy (if such meeting has not yet been held) by IGL Shareholders at the parallel IGL shareholders' meeting on any equivalent resolution on a Joint Electorate Action (adjusted, if necessary, by reference to the Equalisation Ratio);

- the Specified Number of votes that may be cast on all other decisions will be zero.

The prescribed manner in which the above voting rights are to be exercised are set out in the Voting Agreement, as described in paragraph 8 of "Details of the DLC Structure" in Part XI. In this paragraph (c), the expression "special resolution" will have the same meaning as set out in paragraph 8.2 of Part XI.

(d) On and from the Conversion Date, the holder of the Investec PLC Special Voting Share will cease to have any right to receive notice of, attend, speak at or vote at a general meeting.

(e) Holders of the UK DAS Share and the UK DAN Share will have the right to receive notice of, attend and vote at a general meeting only in relation to a resolution proposing to vary the rights attached to the UK DAS Share and the UK DAN Share or a resolution proposing the winding-up of the Company. (Art 63.3)

(f) Holder(s) of the Investec PLC Special Converting Shares will, prior to the Conversion Date, have the right to receive notice of, attend and vote at a general meeting only in relation to a resolution proposing to vary the rights attached to the Investec PLC Special Converting Shares or a resolution proposing the winding-up of the Company. (Art 63.4)

9.11 Restrictions on voting

(a) A member loses his right to vote if any call or other sum presently payable by him in respect of the shares in the Company remains unpaid. (Art 66.1)

(b) Unless the Board determines otherwise, a member, who has been served with a direction notice under section 212 of the Companies Act ("Section 212 Notice") (which confers upon public companies the power to require information as to interests in its voting shares) and is in default for a period of 14 days in supplying to the Company the information required, will not be entitled to vote in respect of the Ordinary Shares ("Default Shares") in relation to which the information has not been supplied (Art 66.2). If the Default Shares represent 0.25 per cent. or more of the nominal value of the issued ordinary share capital then the Directors may:

(i) *direct that any dividend on the Default Shares is withheld (without any liability to pay interest* thereon); and/or

(ii) *refuse to register any transfer of the Default Shares if, in the case of shares held in uncertificated* form, they are permitted to do so by the CREST Regulations. (Art 66.3).

(c) The Board *may also decide to impose voting restrictions in respect of the takeover restrictions described in* paragraph 9.15.

9.12 Dividends

(a) Prior to the Conversion Date:

(i) profits resolved to be distributed will be divided among the holders of the Ordinary Shares, the UK DAN Share and the UK DAS Share in such a manner as to ensure that the Company (having regard to any Actions taken by IGL) gives effect to the DLC Equalisation Principles (described in paragraph 6.1 of Part XI);

(ii) the Investec PLC Special Voting Share will have no right to receive dividends or other distributions; and

(iii) the Investec PLC Special Converting Shares will have no right to receive dividends or other distributions. (Art 5.1(a))

(b) On and from the Conversion Date:

(i) profits resolved to be distributed will be divided among the holders of Ordinary Shares (including the newly converted Investec PLC Special Converting Shares);

(ii) the UK DAN Share and the UK DAS Share will have no right to receive dividends or other distributions; and

(iii) the Investec PLC Special Voting Share will have no right to receive any dividends or other distributions. (Art 5.1(b))

(c) The Directors or the Company by ordinary resolution may declare dividends, provided that no dividend declared by the Company by ordinary resolution will exceed the amount recommended by the Directors (Art 118)

(d) The Directors may pay:

(i) fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof; and

(ii) interim dividends on shares of any class of such amounts, on such dates and in respect of such periods as they think fit,

if it appears to the Directors that the profits of the Company justify such payments. If the Directors act in good faith they will not incur any liability to the holders of any shares for any loss they may suffer by the lawful payment of any such fixed or interim dividend. (Art 119)

(e) The Company may upon the recommendation of the Directors and by ordinary resolution, direct payment of a dividend in whole or in part by the distribution of specific assets. (Art 120)

(f) No dividend will be paid otherwise than out of profits available for distribution under the provisions of the Companies Act. (Art 121)

(g) Except as otherwise provided by the rights attached to any shares and the terms of issue thereof, all dividends will be apportioned and paid pro rata according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will be treated as paid on the share. (Art 122)

(h) Subject to the rights attaching to any shares, the Directors may determine that any dividend or other moneys payable on or in respect of a share may be paid in such currency as the Directors may determine. (Art 123.2)

(i) No dividend or other moneys payable in respect of a share will bear any interest as against the Company. (Art 126)

(j) Any dividend unclaimed after a period of six years from the date on which such dividend was declared or became due for payment will be forfeited and will cease to remain owing by the Company. Any sums paid on the UK DAN Share or the UK DAS Share which have not been claimed by the beneficiaries under the relevant trust within the equivalent six year period, shall also be unclaimed dividends and be forfeited by the relevant beneficiaries. (Art 128)

(k) The Directors may, if authorised by an ordinary resolution of the Company, offer to Investec PLC Shareholders the right to elect to receive new Ordinary Shares by way of scrip dividend instead of cash in respect of all or any part of a dividend. (Art 130)

(l) The Directors may withhold dividends in certain circumstances following service of a Section 212 Notice (see paragraph 9.11(b)(i) above) or pursuant to the takeover restrictions (see paragraph 9.15 below).

9.13 Winding-up

(a) Subject to paragraph (b), if the Company is wound up, the liquidator may, with the authority of an extraordinary resolution:

  (i) divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company (whether they will consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division will be carried out between the members or different classes of members; and

  (ii) vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator will think fit but no shareholder will be compelled to accept any shares or other property in respect of which there is a liability. (Art 145)

(b) On a winding-up of the Company, the assets of the Company remaining after payments of all amounts payable to the creditors of the Company and prior ranking statutory entitlements will be distributed:

  (i) first to the holders of the UK DAN Share, the UK DAS Share and the Investec PLC Special Voting Share subject, in each case, to a maximum of the nominal amount paid upon such shares; and

  (ii) subject to (i) above, Investec PLC Shareholders (including, after the Conversion Date, the holders of any converted Investec PLC Special Converting Shares). (Art 5.2)

9.14 Directors

(a) Number of Directors

The minimum number of Directors of the Company will be not less than 4 nor more than 20 in number. The Company may by special resolution from time to time vary the minimum and/or maximum number of Directors. (Art 76)

(b) No share qualification

A Director will not be required to hold any shares in the capital of the Company by way of qualification. A Director who is not a member of the Company will nevertheless be entitled to attend and speak at Investec PLC general meetings. (Art 77)

(c) Remuneration

(i) The ordinary remuneration of the Directors will be determined by the Directors from time to time except that such remuneration (for both executive and non-executive Directors) will not exceed £1 million per annum in aggregate or such higher amount as may be determined by an ordinary resolution of the Company and will (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who will hold office for part only of the period in respect of which such remuneration is payable will be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Any fee payable under the relevant provision of the Articles will be distinct from any remuneration or other amounts payable to a Director under other provisions of the Articles or payable by IGL under the relevant provisions of the IGL Memorandum and Articles. (Art 78)

(ii) Any Director who holds an executive office with the Company or IGL, including for this purpose the office of chairman or deputy chairman, or who serves on any committee of the Board, or who otherwise performs services, in relation to the business of Investec that are outside the scope of ordinary duties of a Director, may be paid extra remuneration or may receive any other benefits as a disinterested quorum of Directors may reasonably determine. (Art 79)

(iii) The Directors may repay to any Director all reasonable expenses properly incurred by him in travelling to and from Board or general meetings, meetings of any committees appointed pursuant to the Articles or otherwise in connection with the business of the Company or IGL. (Art 80)

(iv) The Directors may provide benefits, whether by the payment of gratuities or pensions or otherwise, to any past or present Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums. (Art 81)

(d) Age limit

Any provision of the Companies Act which, subject to the Articles, would have the effect of rendering any person ineligible for appointment or election as a Director or liable to vacate office as a Director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any Director over a specified age, will not apply to the Company. (Art 84)

(e) Retirement of Directors by rotation

Save as provided in paragraph (g) below, each Director will retire by rotation at the annual general meeting held in the third calendar year following the year in which he was elected or last re-elected. A Director retiring by rotation will be eligible for re-election. (Art 85)

(f) Nomination of Director for election

(i) No person other than a Director retiring at a meeting will be eligible for election as a Director at any general meeting unless there is lodged at the office of the Company:

(a) a written notice signed by a member qualified to attend and vote at the meeting or a Director indicating his intention to propose such person for election; and

(b) a written notice signed by the person to be proposed of his willingness to be elected as a director of the Company and IGL.

The Directors will nominate for election as a director of the Company at a general meeting of the Company any person duly nominated for election at the parallel general meeting of IGL.

(ii) The notice required for the nomination of a person or election as a Director at a general meeting must be lodged not less than 7 business days nor more than 28 business days inclusive of the date on which the notice is given before the earlier of the date appointed for the meeting and the date appointed for the parallel general meeting of IGL. (Art 89)

(g) Additional Directors

The Company may by ordinary resolution elect, and without prejudice thereto the Directors will have power at any time to appoint, any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the appointment will not cause the maximum number of Directors to be exceeded and will not take effect before such Director has been duly appointed as a director of IGL. Any person so appointed by the Directors will hold office only until the next annual general meeting and will then be eligible for election. Save that the Directors who held office at the time the DLC Structure came into effect will not be required to retire under this provision and the commencement of their retirement by rotation period shall be deemed to be 25 July 2002. (Art 90)

(h) Termination of office

A Director's office will be terminated if, *inter alia*, he ceases to be a director of IGL. (Art 91)

(i) Directors' interests

Subject to the provisions of the Companies Act, and provided that he has disclosed to the Directors the nature and extent of any interest of his, a Director:

(a) may be party to, or otherwise interested in, any contract, transaction or arrangement with the Company or IGL or in which the Company or IGL is otherwise interested;

(b) may be a director or other officer of, or be employed by, or be a party to any contract, transaction or arrangement with, or be otherwise interested in, any body corporate promoted by the Company or IGL in which the Company or IGL is otherwise interested provided that a Director may not accept such office or employment or enter into such contract, transaction or arrangement or take such interest or receive remuneration in relation to any of the foregoing without the prior approval of a disinterested quorum of Directors;

(c) may (or any firm of which he is a partner, employee or member may) act in a professional capacity for the Company or IGL, other than as auditor, and be remunerated provided that any appointment so to act and the remuneration therefor will require the approval of a disinterested quorum of Directors; and

(d) will not, except as otherwise agreed by him, be accountable to the Company for any benefit that he derives from any contract, transaction or arrangement or from any such office or employment or from any interest in any body corporate or for remuneration, and no such contract, transaction or arrangement disclosed to the Directors will be avoided because of any such interest or benefit. (Art 100)

(j) Restrictions on voting

A Director is prevented from voting at a meeting of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he has a material interest (together with any interest of any person connected with him) except where the resolution relates to any of the following matters:

(i) the giving of any security, guarantee or indemnity in respect of:

(a) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or

(b) a debt or other obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings where the Director concerned is entitled to participate as a holder of shares or in the underwriting or sub-underwriting;

(iii) any proposal concerning any other company in which he is interested, directly or indirectly and in whatever capacity, provided that he (together with persons connected with him as defined by applicable law) does not have an interest in one per cent or more of any class of shares issued by such company or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

(iv) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and

(v) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors. (Art 101)

(k) Powers and obligations in relation to the Sharing Agreement

The Directors are authorised and directed, subject to applicable regulation, to carry into effect the provisions of the DLC Agreements and any further or other agreements or arrangements contemplated by or relating to such agreements and nothing done by any Director in good faith pursuant to such authority and obligations (the "DLC Obligations") will constitute a breach of fiduciary duties of such Director to the Company or the members of the Company. In particular, but without limitation to the generality of the above: the Directors may in addition to their duties to the Company have regard to the interests of IGL and both the holders of Ordinary Shares and IGL ordinary shares as if the Company and IGL were a single unified entity and for that purpose the Directors will in exercising their powers take into account the interests of the holders of IGL ordinary shares.

In the absence of fraud or negligence neither the Company nor any member(s) will have the right to bring any proceedings or claims against any Director(s) which arise out of or in connection with anything done in good faith by any Director(s) or the Board pursuant to the DLC Obligations. (Art 106) *(l) Borrowing powers*

Subject to the provisions of applicable law, the Directors may exercise all the powers of the Company to borrow money, to indemnify, to guarantee and to mortgage or charge its undertaking, property, assets (both present and future) and uncalled capital or any part or parts thereof and to issue any debentures (whether secured, unsecured or subordinated and whether convertible into shares of any class) and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. (Art 111)

9.15 Takeover restrictions

Except as a result of a Permitted Acquisition (as defined below), a person must not breach any of the limits ("Limits") set out under the following provisions:

(a) 30 per cent. of the voting rights of IGL without regard to the IGL Special Converting Shares; or

(b) 30 per cent. of the voting rights of IGL taking into account the IGL Special Converting Shares; or

(c) 30 per cent. of the voting rights of the Company without regard to the Investec PLC Special Voting Share; or

(d) 30 per cent. of the voting rights of the Company being the limit set by Rule 9 of the UK City Code.

Where any person breaches any such Limits (except as a result of a Permitted Acquisition) that person and any person acting in concert with him (as defined by the relevant applicable laws in South Africa and United Kingdom) will be in breach of these Articles.

The Board may do all or any of the following where it has reason to believe that any such Limit has been breached:

(a) require any member to provide such information as the Board considers appropriate to determine any of the matters under these provisions;

(b) have regard to such public filing as it considers appropriate to determine any of the matters;

(c) make such determinations as it thinks fit, either after calling for submissions from affected members or other persons or without calling for such submissions;

(d) determine that the voting rights attached to Ordinary Shares held by a member in breach and/or a number of specified votes attaching to the Investec PLC Special Voting Share (in relation to Joint Electorate Actions) are from a particular time incapable of being exercised for a definite or indefinite period but only to the extent necessary so that, as far as the Board can judge the matter, the person otherwise in breach of one or more of the Limits would not thereafter exceed the relevant Limit;

(e) determine that specified Ordinary Shares held by a member in breach will not carry any right to any distributions from a particular time for a definite or indefinite period but only such number of shares as exceeds the relevant Limit;

(f) determine that specified Ordinary Shares held by a member in breach must be sold but only to the extent necessary so that, as far as the Board can judge the matter, the person otherwise in breach of one or more of the Limits would not thereafter exceed the relevant Limit;

(g) take such other action as it thinks fit including:

   (i) prescribing rules;

   (ii) executing documents on behalf of a member;

   (iii) paying costs and expenses out of proceeds of sale; and

   (iv) changing any decision or determination or rule previously made.

An acquisition will be a "Permitted Acquisition" if the Board consents to the acquisition or if each of paragraphs (a), (b) and (c) below is satisfied:

(a) the acquisition is under or pursuant to a procedure which applies to or is undertaken for both the IGL ordinary shares and the Ordinary Shares at or about the same time; and

(b) each such procedure complies with all applicable laws, rules and articles; and

(c) IGL Shareholders on the one hand and the Investec PLC Shareholders on the other hand are afforded equivalent treatment in terms of, *inter alia*:

(i) the consideration offered for their shares (having regard to the Equalisation Ratio);

(ii) the information provided to them;

(iii) the time to consider the offer or procedure; and

(iv) the conditions to which the procedure is subject.

The effect of these control provisions, having regard to the operation of the South African Securities Regulation Code on Takeovers and Mergers and the UK City Code, is described in paragraph 9 of Part XI above. (Art 69)

9.16 Entrenchment

The DLC Structure specific provisions of the Articles ("Investec PLC Entrenched Provisions") will be prohibited from being altered except by the passing of special resolutions of both IGL and the Company, as a Class Rights Action. Investec PLC Entrenched Provisions include, *inter alia:*

(a) the scope of, and voting rights and procedures in relation to, Joint Electorate Actions;

(b) the scope of, and voting rights and procedures in relation to, Class Rights Actions;

(c) the rights attaching to the shares as to dividends or other distributions and return of capital;

(d) the provisions dealing with restrictions on transfers;

(e) the appointment and retirement/vacation of office of Directors;

(f) the takeover restrictions; and

(g) the defined terms relating to the above.

10 Directors

10.1 General

(a) The Directors and their functions are set out in "Management and corporate governance" in Part IV.

(b) The Articles provide that each Director will retire at the annual general meeting in the third calendar year following the year in which he was last elected or re-elected and that the retirement by rotation period for the Directors who hold office at the date of adoption of the PLC Articles will commence on 25 July 2002. Retiring Directors are eligible for re-appointment at such meeting. The business address of each of the Directors in their capacity as a director of the Company is 2 Gresham Street, London, EC2V 7QP and in their capacity as a director of IGL is 100 Grayston Drive, Sandown, Sandton 2196, South Africa.

(c) The Directors' current directorship and partnerships and past directorships and partnerships within the last five years, if any, are as follows:

Director	Position	Company
Hugh Herman	Director	Pick 'n Pay Holdings Limited Pick 'n Pay Stores Limited Freddy Hirsh Group (Proprietary) Limited Investec Group Limited Investec Holdings Limited Fedsure Holdings Limited(*)
Stephen Koseff	Director	Investec Group Limited Investec Holdings Limited JSE Securities Exchange Bid Corporation Limited Council of Southern African Bankers S Koseff Property Investments (Proprietary) Limited S Koseff Investment Holdings (Pty) Limited KK Investments (Pty) Limited Treasure Ark (Pty) Limited Bantry Rocks Apartment 101 (Pty) Limited HD Israel International Fund LLC Fedsure Holdings Limited(*)
Bernard Kantor	Director	Investec Group Limited Investec Holdings Limited(*) Phumelela Gaming and Leisure Limited KK Investments (Proprietary) Limited Greggaleigh Holdings (Pty) Limited Greggaleigh 2 (Pty) Limited Greggaleigh 3 (Pty) Limited
Glynn Burger	Director	Investec Group Limited Investec Holdings Limited Bushin Investment Holdings (Pty) Limited Sapling Property Company (Pty) Limited Enterprise Capital Management Company (Pty) Limited(*) Saambou Holdings Limited
Alan Tapnack	Director	Investec Group Limited Investec Bank (UK) Limited
John Abell	Director	Investec Group Limited Echo Bay Mines Limited Stelco Inc(*) AT Plastics Inc(*)
Sam Abrahams	Director	Investec Group Limited Foschini Limited Super Group Limited Betdor (Pty) Ltd Jentus (Pty) Ltd ERF 1178 Morningside (Pty) Ltd Norhel Investments (Pty) Ltd Phumelela Gaming and Leisure Limited Relyant Retail Limited(*) SA Jewish Report (Pty) Limited(*) Maraldette Investments CC(*) Bluefin Investments Limited

Director	Position	Company
George Alford	Director	Investec Group Limited
		Focus Central London (formerly Cilntec)(*)
		Absolutely Training Limited(*)
Donn Jowell	Director	Investec Group Limited
		Alsteco Investments (Pty) Ltd
		Anglovaal Mining Limited
		Chataprop Holdings 41 (Pty) Ltd
		Crocodile Investment Company (Pty) Limited
		D Jowell Consultancy CC
		JGM Nominees (Proprietary) Limited
		Jowell Glyn & Marais Inc
		PF & CB Finance No. 27 (Proprietary) Limited
		Techold (Pty) Ltd
		72 Grayston Drive (Pty) Limited
		Tsunamai No 6 Limited
		Uniprops 1 (Pty) Limited
		Graystonpref Investments (Pty) Limited
		Greenstone Management Services (Proprietary) Limited(*)
		Maid O'The Mist (Proprietary) Limited(*)
		Global Capital Limited (now Glocash Investments Limited)(*)
		Arctic Resources Limited(*)
		Rhoex Limited(*)
		Chromecorp Holdings Limited(*)
Ian Kantor	Director	Investec Group Limited
		Investec Holdings Limited
		Baltic Investments
		Bank Insinger de Beaufort NV
		Insinger de Beaufort Holding BV
		Heerze Effecten BV
		Insinger de Beaufort Holdings SA
		Insinger Finance SA
		The PT Investment Company (Proprietary) Limited
		Insinger Finance (BVI) SA(*)
		Integro Financial Services BV(*)
		Integro Finance BV(*)
		Clive Securities Group Limited(*)
Sir Chips Keswick	Director	Investec Group Limited
		Central Holdings International Limited
		Central Holdings Limited
		De Beers SA
		De Beers Consolidated Mines Limited
		IMI Plc
		Persimmon Plc
		The Manor (Davies Street) Management Company Limited
		The Test & Itchen Fishing Association Limited
		Anglo American Plc(*)
		The Edinburgh Investment Trust Plc(*)
		Finovia Limited(*)
		Hunters & Frankau Group Limited(*)
		Ruegg Bank AG, Zurich(*)
		Hambros Bank Limited(*)
		Hambros Northern Limited(*)
		Hambros Trust Company Limited(*)
		Hambros PLC(*)
		Hambro Group Investments Limited(*)
Peter Malungani	Director	Investec Group Limited
		Peu Investment Group (Pty) Limited
		Phumelela Gaming and Leisure Limited
		South African Rail Commuter Corporation Limited
		Super Group Limited
		Superfleet (Pty) Limited
		Suddaby Investments (Pty) Limited(*)
		Taylor Woodrow South Africa (Pty) Limited(*)
		Intersite Property Management Service (Pty) Limited(*)
		Tsogo Investments (Pty) Limited(*)
		Tsogo Sun(*)
		Viamax Fleet Solutions (Pty) Limited(*)
		Gauteng Tender Board (Pty) Limited(*)
		Interfocus Construction (Pty) Limited(*)
		South African Black Construction Assistance Programme Ltd
		Mpindo (Pty) Limited
		Klatrade (Pty) Limited
		Asili Financial Services (Pty) Limited
		Masana Technologies (Pty) Limited
Peter Thomas	Director	Investec Group Limited
		Investec Holdings Limited
		Big Brother Advertising (Pty) Limited
		Libra Bathroomware SA (Pty) Limited
		Primesite Outdoor Advertising (Pty) Limited(*)
		Primedia Outdoor Advertising (Pty) Limited(*)
		Giant Foods (Pty) Limited(*)
		Wedge Holdings Limited(*)
		Growth Investment Company Limited(*)
		Charter Development Finance (Pty) Limited
		Grapenian Investments (Pty) Limited
		Jacana Education (Pty) Limited
		Khulu Outdoor Advertising (Pty) Limited
		Libra Bathroomware (Pty) Limited
		Movie Magic Management Services (Pty) Limited
		Plovers Nest Investments (Pty) Limited
		Ryton Estates (Pty) Limited
		Thomwep Investments (Pty) Limited(*)
		United Technologies (Pty) Limited

(*) Past directorship within the past five years

(i) Save as disclosed above none of the Directors has been a partner in any partnership in the last five years.

(ii) None of the Directors has any unspent convictions in relation to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.

(iii) None of the Directors has been a director with an executive function of any company at the time of or within the 12 months preceding the date of its receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

(iv) None of the Directors has been a partner of any partnership which has been placed into compulsory liquidation, administration or entered into a partnership voluntary arrangement at the time of or within 12 months preceding such event. There have been no receiverships of any asset of any of the Directors or of any partnership of which any of the Directors was a partner at the time of or within the 12 months preceding such event.

(v) None of the Directors has been publicly criticised by any statutory or regulatory authority (including designated professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct or the affairs of any company.

10.2 Directors' interests

(a) Immediately following the Reorganisation and the Global Offer, the total aggregate interests of Directors and their immediate families (all of which are beneficial unless otherwise stated) in the Company's or IGL's share capital (based on the interests of each of the Directors in Investec Holdings and IGL on 4 July 2002, the latest practicable date prior to the printing of this document) which, in the case of the Company: (i) are required to be notified to the Company pursuant to Section 324 or 328 of the Companies Act; (ii) are required pursuant to Section 325 of the Companies Act to be entered into the register referred to therein or (iii) are interests of a connected person of a Director (within the meaning of Section 346 of the Companies Act) which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director:

Investec PLC	**Ordinary Shares outside share schemes following Admission**	**Ordinary Shares held within share schemes following Admission**	**Total Ordinary Shares following Admission**[2]	**Call warrants**[3][4]
Director				
Hugh Herman[1]	220,623	227,470	448,093	75,848
Stephen Koseff[1]	1,116,822	259,505	1,376,327	416,131
Bernard Kantor[1]	1,179,471	259,505	1,438,976	101,131
Glynn Burger	461,425	273,681	735,106	194,355
Alan Tapnack	–	154,884	154,884	–
John Abell	284	–	284	–
Sam Abrahams	–	11,651	11,651	3,978
George Alford	–	–	–	–
Donn Jowell	73,731	17,477	91,208	5,969
Ian Kantor	551	49,158	49,709	693,000
Sir Chips Keswick	3,150	–	3,150	–
Peter Malungani	–	–	–	–
Peter Thomas	87,064	14,564	101,628	4,974

(1) The interests set out above include the pro rata entitlement of Hugh Herman, Glynn Burger, Stephen Koseff and Bernard Kantor, through KK Investments (Pty) Limited, in which they own 7.6 per cent., 15.6 per cent., 38.4 per cent. and 38.4 per cent. respectively in an indirect beneficial capacity, to 2,069,500 Ordinary Shares and 1,215,421 IGL ordinary shares but excludes a short position of 2,209,500 IGL ordinary shares held by that company.

(2) Interests relating to Ordinary Shares held through the share schemes described in paragraph 6 in this Part XIII. The aggregate figure appearing above is broken down by scheme in paragraph 10.2(c) below.

(3) Interests relating to call warrants held by the Fintique III scheme in respect of 630,000 Ordinary Shares of a strike price of R145 (£9.47) and 1,260,000 Ordinary Shares at a strike price of R170 (£11.10). Save that Ian Kantor holds 315,000 call warrants at a strike price of R142 and 378,000 call warrants at a strike price of R145 through Chament (Pty) Ltd. Glynn Burger's holding includes 126,000 call warrants at a strike price of R145 through Bushin Investment Holdings (Pty) Limited. Stephen Koseff's holding includes 315,000 call warrants at a strike price of R145 through KK Investments (Pty) Limited.

(4) The Directors together with all other employees of the IGL Group are beneficiaries of the Investec Group Limited Security Purchase and Option Scheme and are therefore interested in call options held in respect of 630,000 Ordinary Shares at a strike price of R170 per share.

IGL	Ordinary Shares outside share schemes following Admission	Ordinary Shares held within share schemes following Admission	Total Ordinary Shares following Admission	Call warrants[4][5]
Director				
Hugh Herman[1]	129,573	133,594	263,167	44,546
Stephen Koseff[1]	655,912	152,407	808,319	244,395
Bernard Kantor[1][2]	692,705	152,407	845,112	59,395
Glynn Burger	270,996	160,734	431,730	114,145
Alan Tapnack	–	90,963	90,963	–
John Abell	166	–	166	–
Sam Abrahams	–	6,843	6,843	2,337
George Alford	–	–	–	–
Donn Jowell	43,303	10,264	53,567	3,505
Ian Kantor	323	28,870	29,193	407,000
Sir Chips Keswick	1,850	–	1,850	–
Peter Malungani	–	–	–	–
Peter Thomas	51,133	8,554	59,687	2,922

(1) The interests set out above include the pro rata entitlements of Hugh Herman, Glynn Burger, Stephen Koseff and Bernard Kantor, through KK Investments (Pty) Limited, in which they own 7.6 per cent., 15.6 per cent., 38.4 per cent. and 38.4 per cent. respectively in an indirect beneficial capacity, owns 2,069,500 Ordinary Shares and 1,215,421 IGL ordinary shares but excludes a short position of 2,209,500 IGL ordinary shares.

(2) In addition, Bernard Kantor entered into a put and call option agreement with Investec Securities Limited on 30 November 2001 pursuant to which he is entitled to put 200,000 IGL ordinary shares at a strike price of R225 and Investec Securities Limited are entitled to call 200,000 IGL ordinary shares at a strike price of R300. The expiry date for the exercise of the put and/or the call is 28 November 2003.

(3) Interests relating to IGL ordinary shares held through the shares schemes described in paragraph 6 in this Part XIII. The aggregate figure appearing above is broken down by scheme in paragraph 10.2(c) below.

(4) Interests relating to call warrants held by Fintique III in respect of 370,000 IGL ordinary shares of a strike price of R170 per share, Save that Ian Kantor holds 185,000 call warrants at a strike price of R142 and 222,000 call warrants at a strike price of R145 through Chament (Pty) Ltd. Glynn Burger's holding includes 24,000 call warrants at a strike price of R145 through Bushin Investment Holdings (Pty) Ltd. Stephen Koseff's holding includes 185,000 call warrants at a strike price of R145 through KK Investments (Pty) Limited.

(5) The Directors together with all other employees of the IGL Group are beneficiaries of the Investec Group Limited Security Purchase and Option Scheme and are therefore interested in call options held in respect of 370,000 IGL ordinary shares at a strike price of R170 per share.

(b) The interests of the Directors together represent approximately 5.5 per cent. of the Company's expected issued share capital on Admission (assuming the issue of 10 million new Ordinary Shares pursuant to the Global Offer) and 6.2 per cent. of IGL's issued share capital at the same date.

(c) Immediately following the Reorganisation and the Global Offer, and assuming the adjustment/variation of options described in paragraphs 6.9 and 6.10 of this Part XIII has taken place, the Directors will have interests in shares (all of which are beneficial interests) under employee incentive arrangements (as described in paragraph 6 of this Part XIII) as follows:

The Investec Group Limited Security Purchase and Option Scheme

Investec PLC

Director	Total	Vested	Unvested	Expiry Date
Hugh Herman[1]	13,714	13,714	–	1 May 2005
Stephen Koseff	–	–	–	–
Bernard Kantor	–	–	–	–
Glynn Burger[2]	83,047	20,047	63,000	See note (2)
Alan Tapnack[3]	2,277	2,277	–	1 July 2004
John Abell	–	–	–	–
Sam Abrahams	–	–	–	–
George Alford	–	–	–	–
Donn Jowell	–	–	–	–
Ian Kantor	–	–	–	–
Sir Chips Keswick	–	–	–	–
Peter Malungani	–	–	–	–
Peter Thomas	–	–	–	–

(1) Interest under the purchase scheme part of the Scheme.

(2) Interest in 63,000 shares under the option scheme part of the Scheme (expiry date 20 June 2012) and in 20,047 shares under the purchase scheme part of the Scheme (expiry date 1 May 2005).

(3) Interest under the purchase scheme part of the Scheme.

The Investec Group Limited Security Purchase and Option Scheme

IGL

Director	Total	Vested	Unvested	Expiry Date
Hugh Herman[1]	8,054	8,054	–	1 May 2005
Stephen Koseff	–	–	–	–
Bernard Kantor	–	–	–	–
Glynn Burger[2]	48,773	11,773	37,000	See note (3)
Alan Tapnack[3]	1,337	1,337	–	1 July 2004
John Abell	–	–	–	–
Sam Abrahams	–	–	–	–
George Alford	–	–	–	–
Donn Jowell	–	–	–	–
Ian Kantor	–	–	–	–
Sir Chips Keswick	–	–	–	–
Peter Malungani	–	–	–	–
Peter Thomas	–	–	–	–

(1) Interest under the purchase scheme part of the Scheme.

(2) Interest in 37,000 shares under the option part of the Scheme (expiring date 20 June 2012) and in 11,773 shares under the purchase scheme part of the Scheme (expiry date 1 May 2005).

(3) Interest under the purchase scheme part of the Scheme.

The IGL UK Share Option Plan

Investec PLC

Director	Total	Vested	Unvested	Expiry Date
Hugh Herman	8,054	8,054	–	1 May 2005
Stephen Koseff	–	–	–	–
Bernard Kantor	–	–	–	–
Glynn Burger	–	–	–	–
Alan Tapnack	47,250	–	47,250	20 June 2012
John Abell	–	–	–	–
Sam Abrahams	–	–	–	–
George Alford	–	–	–	–
Donn Jowell	–	–	–	–
Ian Kantor	–	–	–	–
Sir Chips Keswick	–	–	–	–
Peter Malungani	–	–	–	–
Peter Thomas	–	–	–	–

The IGL UK Share Option Plan

IGL

Director	Total	Vested	Unvested	Expiry Date
Hugh Herman	8,054	8,054	–	1 May 2005
Stephen Koseff	–	–	–	–
Bernard Kantor	–	–	–	–
Glynn Burger	–	–	–	–
Alan Tapnack	27,750	–	27,750	20 June 2012
John Abell	–	–	–	–
Sam Abrahams	–	–	–	–
George Alford	–	–	–	–
Donn Jowell	–	–	–	–
Ian Kantor	–	–	–	–
Sir Chips Keswick	–	–	–	–
Peter Malungani	–	–	–	–
Peter Thomas	–	–	–	–

The Fintique II Scheme

Investec PLC

Director	Total	Vested	Unvested	Expiry Date
Hugh Herman	76,491	57,368	19,123	31 July 2008
Stephen Koseff	76,491	57,368	19,123	31 July 2008
Bernard Kantor	76,491	57,368	19,123	31 July 2008
Glynn Burger	66,264	49,698	16,566	31 July 2008
Alan Tapnack	32,555	24,416	8,139	31 July 2008
John Abell	–	–	–	–
Sam Abrahams	–	–	–	–
George Alford	–	–	–	–
Donn Jowell	–	–	–	–
Ian Kantor	49,158	36,869	12,289	31 July 2008
Sir Chips Keswick	–	–	–	–
Peter Malungani	–	–	–	–
Peter Thomas	–	–	–	–

The Fintique II Scheme

IGL

Director	Total	Vested	Unvested	Expiry Date
Hugh Herman	44,924	33,693	11,231	31 July 2008
Stephen Koseff	44,924	33,693	11,231	31 July 2008
Bernard Kantor	44,924	33,693	11,231	31 July 2008
Glynn Burger	38,917	29,188	9,729	31 July 2008
Alan Tapnack	19,120	14,340	4,780	31 July 2008
John Abell	–	–	–	–
Sam Abrahams	–	–	–	–
George Alford	–	–	–	–
Donn Jowell	–	–	–	–
Ian Kantor	28,870	21,652	7,218	31 July 2008
Sir Chips Keswick	–	–	–	–
Peter Malungani	–	–	–	–
Peter Thomas	–	–	–	–

The Fintique III Scheme

Investec PLC

Director	Total	Vested	Unvested	Expiry Date	Call Warrants(1)
Hugh Herman	137,265	34,316	102,949	15 December 2004	75,848
Stephen Koseff	183,013	45,753	137,260	15 December 2004	101,131
Bernard Kantor	183,013	45,753	137,260	15 December 2004	101,131
Glynn Burger	124,371	31,093	93,278	15 December 2004	68,355
Alan Tapnack	72,802	18,201	54,601	15 December 2004	–
John Abell	–	–	–	–	–
Sam Abrahams	11,651	2,913	8,738	15 December 2004	3,978
George Alford	–	–	–	–	–
Donn Jowell	17,477	4,369	13,108	15 December 2004	5,969
Ian Kantor	–	–	–	–	–
Sir Chips Keswick	–	–	–	–	–
Peter Malungani	–	–	–	–	–
Peter Thomas	14,564	3,641	10,923	15 December 2004	4,974

(1) Interests relating to call warrants held by Fintique III in respect of 630,000 Ordinary Shares at a strike price of R145 per share and 1,260,000 Ordinary Shares at a strike price of R170 per share.

The Fintique III Scheme

IGL

Director	Total	Vested	Unvested	Expiry Date	Call Warrants(1)
Hugh Herman	80,616	20,154	60,462	15 December 2004	44,546
Stephen Koseff	107,484	26,871	80,613	15 December 2004	59,395
Bernard Kantor	107,484	26,871	80,613	15 December 2004	59,395
Glynn Burger	73,043	18,261	54,782	15 December 2004	40,145
Alan Tapnack	42,756	10,689	32,067	15 December 2004	–
John Abell	–	–	–	–	–
Sam Abrahams	6,843	1,711	5,132	15 December 2004	2,337
George Alford	–	–	–	–	–
Donn Jowell	10,264	2,566	7,698	15 December 2004	3,505
Ian Kantor	–	–	–	–	–
Sir Chips Keswick	–	–	–	–	–
Peter Malungani	–	–	–	–	–
Peter Thomas	8,554	2,139	6,415	15 December 2004	2,922

(1) Interests relating to call warrants held by Fintique III in respect of 370,000 IGL ordinary shares at a strike price of R145 and 740,000 IGL ordinary shares at a strike price of R170 per share.

(d) Save as disclosed above, on Admission, none of the Directors will have any interest in the Company's or IGL's share or loan capital.

(e) On Admission becoming effective (assuming the issue of 10 million new Ordinary Shares pursuant to the Global Offer and that none of the shareholders listed below purchase any additional Ordinary Shares in the Global Offer) each of the following persons (not being a Director of the Company) directly or indirectly, will be interested in 3 per cent. or more of the Company's ordinary share capital, and the amount of such person's interest will be as follows:

Shareholder	Number of Ordinary Shares following Admission	Percentage of issued share capital of Investec PLC	Number of IGL ordinary shares following Admission	Percentage of issued share capital of IGL
Public Investment Commission	6,423,784	8.0%	3,772,699	9.8%
Old Mutual	6,024,740	7.5%	3,538,339	9.2%
Fintique Three (BVI) Limited	5,985,000	7.4%	3,515,000	9.2%
Sanlam	2,710,499	3.4%	1,591,881	4.1%
Investec Employee Benefits Limited	2,669,434	3.3%	1,567,763	4.1%

(f) Save as disclosed above, the Company is not aware of any person who is or will be immediately following Admission, directly or indirectly interested in 3 per cent. or more of the issued share capital of the Company.

(g) The Company is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Company.

(h) No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

(i) There are no outstanding loans granted by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for the benefit of any director.

10.3 Directors' service agreements and remuneration

The Executive Directors of the Company have the following service agreements with the Company and IGL providing for the remuneration and benefits described below:

Stephen Koseff

Mr Koseff will be employed by the Company and IGL under an indefinite contract of employment terminable by either party giving six months written notice to the other. He will receive a basic salary of £280,000 per annum. He is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Remuneration Committee. Mr Koseff may elect to sacrifice a portion of his annual salary to receive company benefits such as travel allowance, provident fund, medical aid, group life insurance, pension and company care. The full cost of these benefits would be deducted from Mr Koseff's salary. Mr Koseff's contract of employment contains no provisions for compensation payable upon early termination.

Bernard Kantor

Mr Kantor will be employed by the Company and IGL under an indefinite contract of employment terminable by either party giving six months written notice to the other. He will receive a basic salary of £280,000 per annum. He is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Remuneration Committee. Mr Kantor may elect to sacrifice a portion of his annual salary to receive company benefits such as travel allowance, provident fund, medical aid, group life insurance, pension and company care. The full cost of these benefits would be deducted from Mr Kantor's salary. Mr Kantor's contract of employment contains no provisions for compensation payable upon early termination.

Glynn Burger

Mr Burger will be employed by the Company and IGL under an indefinite contract of employment terminable by either party giving six months written notice to the other. He will receive a basic salary of £167,570 (to be paid partly in Rand and partly in pounds sterling) per annum. He is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Remuneration Committee. Mr Burger may elect to sacrifice a portion of his annual salary to receive company benefits such as travel allowance, provident fund, medical aid, group life insurance, pension and company care. The full cost of these benefits would be deducted from Mr Burger's salary. Mr Burger's contract of employment contains no provisions for compensation payable upon early termination.

Alan Tapnack

Mr Tapnack will be employed by the Company and IGL under an indefinite contract of employment terminable by either party giving six months written notice to the other. He will receive a basic salary of £215,000 per annum together with a pension contribution of ten percent of his basic salary. He is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Remuneration Committee. Mr Tapnack may elect to sacrifice a portion of his annual salary to receive company benefits such as travel allowance, provident fund, medical aid, group life insurance, pension and company care. The full cost of these benefits would be deducted from Mr Tapnack's salary. Mr Tapnack's contract of employment contains no provisions for compensation payable upon early termination.

The Non-Executive Directors of the Company receive the remuneration and benefits described below:

Hugh Herman

Mr Herman will serve as the Non-Executive Chairman of the Company and IGL. Mr Herman will be paid an annual fee of £139,233 (to be paid partly in Rand and partly in pounds sterling). He is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Remuneration Committee.

John Abell

Mr Abell will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each appointment to any audit or remuneration committee on which he accepts a position, as nominated by the Board and an additional fee of £5,000 for his appointment to the board of Investec Bank (UK) Limited.

Donn Jowell

Mr Jowell will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each additional committee on which he accepts a position, as nominated by the Board. Mr Jowell also receives an annual fixed fee of £99,010 (to be paid in Rand) for consulting services that he provides to Investec.

Ian Kantor

Mr Kantor will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each appointment to any audit or remuneration committee on which he accepts a position, as nominated by the Board.

Sir Chips Keswick

Sir Chips Keswick will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each appointment to any audit or remuneration committee on which he accepts a position, as nominated by the Board and an additional fee of £5,000 for his appointment to the board of Investec Bank (UK) Limited.

Sam Abrahams

Mr Abrahams will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each additional committee on which he accepts a position, as nominated by the Board. Mr Abrahams also receives an annual fixed fee of £35,582 (to be paid in Rand) for consulting services that he provides to Investec.

George Alford

Mr Alford will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each appointment to any audit or remuneration committee on which he accepts a position, as nominated by the Board and an additional fee of £5,000 for his appointment to the board of Investec Bank (UK) Limited.

Peter Malungani

Peter Malungani will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each additional committee on which he accepts a position, as nominated by the Board.

Peter Thomas

Mr Thomas will receive an annual fee of £30,000 for his appointment as a Non-Executive Director to the Boards of the Company and IGL. He will receive an additional fee of £5,000 for each additional committee on which he accepts a position, as nominated by the Board. Mr Thomas also receives an annual fixed fee of £34,035 (to be paid in Rand) for consulting services that he provides to Investec.

Save as set out in this paragraph, there are no existing or proposed service agreements between any Director and the Company, IGL or any of their subsidiaries. Copies of the agreements referred to above will be available for inspection at the address set out in paragraph 17 below.

The remuneration packages for each of the directors have been determined by the Remuneration Committee having taken advice on market competitive remuneration levels. Salaries will be subject to review at the end of each year.

The total aggregate of the remuneration paid and benefits in kind granted to the Directors by any member of the Investec Group for the financial year ended 31 March 2002 under any description whatsoever was £2,516,674 million. The amounts payable to the Directors by any member of the Group for the current financial year under the arrangements in force at the date of this document is estimated to be £1.5 million.

11 Property

Details of the principal immovable properties occupied by Investec, are set out below:

Property	**Location**	**Tenure**
100 Grayston Drive(1) Sandown Sandton 2196	South Africa	Freehold
36 Hans Strijdom Avenue Foreshore Cape Town, 8001	South Africa	Freehold
325 Smith Street Durban, 4001	South Africa	Freehold
300 Middel Street Brooklyn Pretoria, 0181	South Africa	Leasehold
2 Gresham Street(2) London EC2V 7QP	United Kingdom	Leasehold
167 Macquarie Street Sydney NSW 2000	Australia	Leasehold
38 Rothschild Blvd Tel Aviv	Israel	Freehold
One Battery Park Plaza New York NY10004	USA	Leasehold

(1) This property is an office block and comprises 45,000 square metres.

(2) This property is an office block comprising 176,000 square feet which is leased to Investec Bank (UK) Limited until 11 September 2023 for a current annual rent of £7,492,825.

12 Material contracts

The following contracts have been entered into otherwise than in the course of ordinary business by Investec (i) in the two years immediately preceding the date of this document or will be entered into before Admission and are or may be material or (ii) which contain provisions under which any member of Investec has any obligation or entitlement which is material to Investec as at the date of this document:

(a) Prior to the announcement of the Offer Price, the Company, IGL, the Selling Shareholders, and the Managers are expected to enter into the Underwriting Agreement. Pursuant to the Underwriting Agreement:

(i) subject to certain conditions contained in the Underwriting Agreement and described below:

- the Company will agree to allot and issue, at the Offer Price, a number of Ordinary Shares which will not exceed 10 million to be issued in connection with the Global Offer;
- the Selling Shareholders will agree to sell a number of Ordinary Shares which will not exceed 8 million at the Offer Price;
- the Managers will severally agree to procure subscribers (or, other than Investec Bank (UK) Limited, subscribe themselves) for the number of Ordinary Shares to be allotted and to procure purchasers for (or, other than Investec Bank (UK) Limited, purchase themselves) the number of Ordinary Shares to be sold pursuant to the Global Offer; and
- IGL will agree to guarantee the obligations of the Company.

(ii) the Managers will deduct from the proceeds of the Global Offer a commission of 3 per cent. of the product of the Offer Price and the number of Ordinary Shares allotted or sold pursuant to the Global Offer (together with any Ordinary Shares sold pursuant to any exercise of the Over-Allotment Option), together with any applicable VAT. In addition, (at the sole discretion of the Company, the Managers may receive an additional commission of 0.75 per cent. of the product of the Offer Price and the number of Ordinary Shares allotted or sold pursuant to the Global Offer;

(iii) the obligations of the Company and the Selling Shareholders to issue or sell, as the case may be, Ordinary Shares under the Underwriting Agreement will be, and the obligations of Managers to procure subscribers and/or purchasers for or, failing which, themselves (other than Investec Bank (UK) Limited) to subscribe or purchase Ordinary Shares will be, subject to certain conditions that are typical for an agreement of this nature. These conditions will include, amongst others, the continued accuracy of the representations and warranties under the Underwriting Agreement at Admission and Admission occurring by no later than 8.00 a.m. on 29 July 2002 or such later time and/or date as the Company and the Managers may agree in writing. In addition, the Managers will have the right to terminate the Underwriting Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature;

(iv) the Company and/or the Selling Shareholders will grant to Schroder Salomon Smith Barney, on behalf of the Managers, an Over-Allotment Option of up to 15 per cent. of the aggregate number of Ordinary Shares available in the Global Offer, exercisable for a period of 30 days following the date of Admission, pursuant to which Schroder Salomon Smith Barney may require the Company and/or the Selling Shareholders to make available additional Ordinary Shares at the Offer Price, solely to cover over-allotments, if any, made in connection with the Global Offer and to cover short positions resulting from stabilisation transactions.

(v) the Company and the Selling Shareholders have agreed to pay the costs and expenses incurred in connection with the Global Offer (together with any related value added tax);

(vi) the Company and the Selling Shareholders will agree to give customary representations, warranties and undertakings to the Managers and the Company and the Selling Shareholders have agreed to give customary indemnities to the Managers; and

(vii) the Company, IGL and the Selling Shareholders will agree certain lock-ups described in "The Global Offer – Lock-Up and Orderly Sale arrangements" in Part VIII.

(b) The DLC Agreements summarised in paragraph 16 of "Details of the DLC Structure" in Part XI.

(c) A Sponsorship Agreement between the Company, IGL and the Sponsor pursuant to which, *inter alia*: the Company appointed Schroder Salomon Smith Barney to act as sponsor for the purpose of the application for Admission; the Company and IGL have given certain representations, warranties, undertakings and indemnities to the Sponsor and IGL has agreed to guarantee the obligations of the Company under the agreement.

(d) The re-arrangement agreements in respect of IGL's Fintique II Scheme and Fintique III Scheme respectively described in paragraphs 6.11 and 6.12 of this Part XIII.

(e) An Undertaking given by the Company and IGL to FSA on 11 June 2002 and 22 May 2002 respectively pursuant to which the Boards of Investec PLC and IGL confirm that (i) they have considered and accepted the FSA's legal and supervisory conditions summarised in Part IX; (ii) they understand that the FSA has entered into a Memorandum of Understanding with the South African Reserve Bank; (iii) they agree that the FSA's legal and supervisory conditions summarised in Part IX will be met on a continuing basis and the FSA will be notified immediately if, for whatever reason, one or more of the conditions ceases to be met.

(f) An Asset Purchase Agreement dated 10 May 2002 between Maxim Partners LLC, a New York limited liability company (the Buyer) and Investec Ernst & Company, a Delaware corporation (the Seller) for Ernst and Company's US retail brokerage business. The consideration shall consist of percentages of the monthly aggregate gross commissions generated by the business for a period of 5 years after the closing date of the transaction.

(g) Investec Employee Benefits Limited ("IEB") has entered into a black empowerment transaction, effective as of 1 April 2002, with Peu Investment Group (Pty) Limited ("Peu") pursuant to which approximately 20 per cent. of the issued share capital of Capital Alliance Holdings Limited was transferred to Lexshell 519 Investments (Pty) Limited ("Lexshell"), a special purpose vehicle. IEB retained approximately 9 per cent. of the issued share capital of Capital Alliance Holdings Limited. There were three transaction documents.

   (i) A Sale of Shares Agreement dated 21 June 2002 between IEB and Lexshell pursuant to which IEB sells 36,466,400 Capital Alliance Holdings Limited shares to Lexshell at a price of R11.50 per share (total consideration of R419,363,600).

   (ii) A Subscription Agreement dated 21 June 2002 between IEB, Peu and Lexshell pursuant to which Peu and IEB, to the extent that the parties have not already done so each subscribe for 50 per cent. of the ordinary share capital of Lexshell. In addition IEB subscribed for 84 cumulative redeemable participating preference shares for R5 million each. Peu subscribed for 1 cumulative redeemable participating preference share for R5 million. The preference shares participate in the profits of Lexshell such that Lexshell must achieve a return on investment of 25 per cent. before the ordinary shareholders participate. The preference shares are redeemable five years from the date of the Subscription Agreement at a redemption price of R5 million for each preference share.

   (iii) A Shareholders Agreement dated 21 June 2002 between IEB, IGL, Peu and Lexshell which sets out the terms upon which Lexshell will be operated. Pre-emptive provisions are in place should either IEB or Peu seek to sell their shares in Lexshell to a third party. In addition, IGL undertakes not to sell, dispose of or transfer any shares that it holds directly in Capital Alliance Holdings Limited to any other black empowerment entity without first offering the shares to Peu. There are no other restrictions on IGL selling the Capital Alliance Holdings Limited shares it holds directly.

(h) A Settlement Agreement dated 27 February 2002 between IGL and Root Ginger Investments (Pty) Ltd ("RGI") pursuant to which IGL and RGI agreed to settle, in full and final settlement, all disputes, obligations and claims of whatever nature which (1) IGL had or may have against RGI, Fedsure Holdings, Fedsure Healthcare (Pty) Limited ("Fedsure Healthcare"), (2) RGI had or may have against IGL. The claims and disputes being settled include those pursuant to:

- the sale by Fedsure Holdings of its insurance and financial services operations to IGL in terms of an agreement dated 24 December 2000, the purchase consideration in respect of which was discharged by IGL by the allotment and issue to Fedsure Holdings of 19 212 204 ordinary shares in IGL;
- the cautionary announcement on 31 January 2002 in which Fedsure Holdings announced that IGL had intimated claims against Fedsure Holdings in excess of R 400 million;
- other liabilities of Fedsure Holdings relating to the sale and/or closure of Fedsure Healthcare; and
- the sale agreement whereby RGI will acquire from Fedsure Holdings all Fedsure Holdings assets (including 602 127 ordinary shares in the share capital of IGL) and all shares in and claims of any nature against Fedsure Healthcare and liabilities of any nature.

The Settlement Agreement between IGL and RGI was reached, *inter alia*, on the following terms:

- that RGI procure the transfer to IGL of 602,127 ordinary shares in the share capital of IGL together with the entire issued share capital of Landsview Investments (Pty) Limited held by Fedsure Healthcare and all the claims on loan account held by Fedsure Healthcare against Landsview Investments (Pty) Limited;
- that RGI shall pay R10,000,000 to the trustees of the TMA Funds;
- that RGI shall pay the difference between the amount of R10,769,000 allocated by the Fedsure Group Medical Pre-Funding Trust to the purchase of an annuity and the actual cost of such annuity;
- the RGI procure the transfer to IGL of the ordinary shares in Irish Life International Limited held by Fedsure Holdings and all the claims on loan account held by Fedsure Holdings against Irish Life International Limited.
- that IGL assume the obligations arising out of the Western Province Rugby Contract. RGI shall hold the benefits of the Western Province Rugby Contract in trust for IGL.

(i) A Reinsurance Agreement dated 24 August 2001 between Fedsure Life Assurance Limited ("Fedlife") and Capital Alliance Life Limited ("Capital Alliance") pursuant to which Capital Alliance agrees to reinsure all policies issued by Fedlife in force at 31 May 2001 and all post 31 May 2001 policies issued by Fedlife until 31 August 2001. As remuneration for the reinsurance obligations in respect of the pre-31 May 2001 policies, Fedlife agrees to pay Capital Alliance the 31 May 2001 reinsurance premium, being R11,247,079,208. As consideration for Capital Alliance's reinsurance obligations in respect of the post 31 May 2001 policies Fedlife agrees to pay Capital Alliance the post 31 May 2001 reinsurance premiums. Fedlife pays the premiums to Capital Alliance by transferring to Capital Alliance the portfolio of assets listed in appendix 1 to the agreement. An additional amount of R2.6 billion was reinsured with Capital Alliance and assets of R2.6 billion were transferred to Capital Alliance.

(j) An Amended and Restated Merger Agreement dated 30 May 2001 between Investec USA Holdings Corp., PMG Acquisition Inc., PMG Group, Inc. and the Stockholders of PMG Group, Inc. for the acquisition of PMG Group, Inc. by Investec USA Holdings Corp. by means of merger of PMG Acquisition, Inc., a wholly owned subsidiary of Investec PMG Holdings Corp., into PMG Group, Inc. Investec PMG Holdings Corp is itself a wholly owned subsidiary of Investec USA Holdings Corp.

(k) A Share Sale Agreement dated 6 March 2001 between Investec Bank (UK) Limited, Investec Australia Corporate Finance Limited (now known as Wentworth Associates Limited), David Gonski, Geoffrey Levy, Richard Longes, Sarai Pty Limited, Gemnet Pty Limited, GDL Investments Pty Limited and Clooan Pty Limited, pursuant to which Investec Australia Corporate Finance Limited purchased the entire issued share capital of Wentworth Associates Pty Limited (now known as Investec Wentworth Pty Limited) for the total consideration of A$63 million.

(l) An Acquisition Agreement dated 21 November 2000, as superseded by an agreement dated 24 December 2000 which was further amended by an agreement dated 9 March 2001, between IGL and Fedsure Holdings for the sale and purchase of the whole of the issued share capital of, and all Fedsure Holding's claims against, Fedsure International Limited and Fedsure Investments Limited. The Agreement also contains provisions relating to the sale and purchase of TMA Investment Products Services (Proprietary) Limited ("TMA") by IGL from Fedsure Holdings and potential third party claims against TMA arising out of the management, administration and promotion by TMA of certain funds and schemes. Fedsure Holdings indemnifies IGL against all such claims that may arise from the activities of TMA prior to 1 January 2001 up to a maximum aggregate of R360 million. The purchase consideration for the sale shares and claims to be paid by IGL on the closing date consisted of R250 million in cash or its equivalent in renounceable rights to receive IGL shares (subject to any set-off as contemplated in the agreement) and 19,212,204 IGL ordinary shares to be allotted and issued to Fedsure Holdings.

(m) A Loan Agreement dated 20 August 1999 between Investec Bank (Mauritius) Limited (the "Lender") and Three and a Half Limited (the "Borrower"), pursuant to which the Lender agreed to lend to the Borrower the sum of US$42,198,467 with effect from 23 April 1999 which bears interest at 6.83 per cent. nominal per annum compounded semi-annually in arrears on the basis of a 360 day year. The loan is repayable on demand.

(n) An undated Stock Lending Agreement between the SA Plan and IBL appointing IBL as agent on behalf of the SA Plan to lend securities owned by the SA Plan to third parties. No remuneration is payable by the SA Plan to IBL but IBL is entitled to retain any fee it negotiates from third parties.

(o) A Master Securities Loan Agreement dated as of 20 November 1998 between Fintique Three (BVI) Limited and IBL whereby IBL acts as Fintique Three's agent to make available to Fintique Three securities to enable Fintique Three to settle contracts to sell such securities. Fintique Three agrees to pay IBL such amounts as are agreed from time to time.

(p) A Loan Facility dated 30 September 1998 between IBL (the "Lender") and PF & CB Finance No 27 (Proprietary) Limited (the "Borrower") pursuant to which the Lender agreed to lend to the Borrower Rand 800,000,000 for one year at an interest rate of 16.81 per cent.

(q) A Loan Agreement dated 20 August 1999 between Investec Bank (Mauritius) Limited (the "Lender") and Fintique Three (BVI) Limited (the "Borrower") pursuant to which the Lender agreed to lend to the Borrower US$27,231,071 with effect from 15 December 1998 which bears interest at 6.35 per cent. per annum compounded semi-annually in arrears on the basis of a 360 day year. The repayment date is 15 December 2004.

(r) A Loan Agreement dated 20 August 1999 between Investec Bank (Mauritius) Limited (the "Lender") and Fintique Three (BVI) Limited (the "Borrower") pursuant to which the Lender agreed to lend to the Borrower US$1,278,499 with effect from 12 March 1999 which bears interest at 6.83 per cent. per annum compounded semi-annually in arrears on the basis of a 360 day year. The repayment date is 15 December 2004.

(s) A Loan Agreement dated 20 August 1999 from Investec Bank (Mauritius) Limited (the "Lender") to Fintique Three (BVI) Limited (the "Borrower") pursuant to which the Lender agreed to lend to the Borrower US$27,227,762 with effect from 23 April 1999 which bears interest at 6.83 per cent. per annum compounded semi-annually in arrears on the basis of a 360 day year. The repayment date is 15 December 2004.

13 Legal proceedings

Neither the Company nor IGL is or has been involved in any legal or arbitration proceedings, nor, so far as the Directors are aware, are there any legal or arbitration proceedings pending or threatened involving the Company or IGL which may have or have had in the previous 12 months a significant effect on Investec's financial position.

A former employee of Investec Bank (UK) Limited lodged proceedings with the employment tribunal alleging sexual discrimination regarding her remuneration. The Company defended its position in these proceedings. The hearing of this case concluded on 28 June 2002 and a decision is expected from the tribunal during September 2002. The value of the claim will only be considered once the employment tribunal has decided upon the issue of liability. The Directors believe that this claim is not material in the context of the Group.

14 Investments

Over the last three financial years and during the course of the current financial year, Investec has made no investments, other than in the ordinary course of business or as disclosed in "Accountants' report" in Part VII.

15 Summary of differences between accounting standards

15.1 Summary of differences between UK GAAP and US GAAP

The financial information presented in this report has been prepared in accordance with accounting principles generally accepted in the United Kingdom. Such principles vary in significant respects from those generally accepted in the United States. The significant differences applicable to equity and profit in the Group's financial information are summarised below.

(a) Goodwill/core deposit intangibles

Under US GAAP, goodwill arising on acquisitions by group and associated undertakings must be capitalised and amortised over its estimated life. The period must not exceed 25 years. Under UK GAAP goodwill arising on acquisitions of or by group and associated undertakings is capitalised and amortised over its estimated life. There is a presumption that this is limited to 20 years.

In relation to the acquisition of a deposit taking institution, under US GAAP a separate intangible asset covering depositor relationships is recognised. To the extent that such an asset is recognised there is a commensurate reduction in the amount of recorded goodwill. The value ascribed is amortised over the average life of depositor relationships in question. Under UK GAAP the value of depositor relationships is not separately recognised.

In June 2001, the US Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements.

(b) Investment and trading securities

Under US GAAP, marketable equity and all debt securities must be classified, according to management's intent, into one of the following categories: trading, available-for-sale, or held-to-maturity.

Trading securities (those actively bought and sold) should be marked to market, with the resulting unrealised gain or loss recognised currently in the income statement. Available-for-sale securities should be marked to market with the resulting unrealised gain or loss, net of tax, recorded directly to a separate component of shareholders' equity until realised, at which time the gain or loss is recorded in income. Foreign exchange gains or losses on foreign currency denominated available-for-sale securities are also excluded from earnings and recorded as part of the same separate component of shareholders' funds.

Held-to-maturity securities (a classification allowed only for debt securities, not equity, except for preferred stock with required redemption dates) should be carried at amortised cost other than where there are impairments in value which are accounted for as realised losses.

Under UK GAAP debt and equity shares intended to be held on a continuing basis are disclosed as investment securities and included in the balance sheet at cost less provision for permanent diminution in value. Other participating interests are accounted for on the same basis. When dated investment securities are purchased at a premium or discount, these premiums and discounts are amortised through the profit and loss account over the period from the date of purchase to the date of maturity and included in 'interest income'. Any profit or loss on realisation of these securities is recognised in the profit and loss account as it arises and included in 'Gains on disposal of investment securities'.

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

(c) Acceptances

Under US GAAP acceptances and the related customer liabilities are recorded within the balance sheet. Under UK GAAP acceptances and related customer liabilities are not recorded within the balance sheet.

(d) Revaluation of property

US GAAP does not permit revaluations of properties and does not account for investment properties differently from other fixed assets. Properties are termed real estate under US GAAP, with land reported at cost and buildings in own use reported at depreciated cost.

Under UK GAAP, investment properties are reported at market value with unrealised gains taken directly to shareholders' funds. No depreciation is charged on investment properties.

(e) Property depreciation

Under US GAAP freehold and long-leasehold property are depreciated over their estimated useful economic lives based on historical cost. Under UK GAAP depreciation is charged on the cost or re-valued amounts of freehold and long-leasehold property over their useful economic lives.

(f) Deferred tax

US GAAP requires full provision for deferred taxation on all temporary differences using the liability method, which requires the recognition of deferred tax assets to the extent recoverability is considered more likely than not. This includes creating a deferred tax asset in respect of the general provision for bad and doubtful debts. A valuation allowance is established to reduce any resulting deferred tax asset to the extent it is more likely than not that the related tax benefits will not be realised.

Under UK GAAP deferred tax is recognised in full on timing differences. UK GAAP requires provision on revaluations only where the assets concerned are continually re-valued through the profit and loss account, or at the balance sheet date the Group has entered into a binding contract to sell the asset at its re-valued amount and is unlikely to obtain rollover relief.

(g) Internal hedging

US GAAP requires all derivatives to be recorded at fair value. If certain conditions are met then the derivative may be designated as a fair value hedge or cash flow hedge. The change in fair value of the fair value hedge is recorded in income along with the change in the fair value of the hedged asset or liability. The change in value of a cash flow hedge is recorded in other comprehensive income and reclassified as income as the hedged cash flows affect earnings.

Under UK GAAP where a derivative is documented and evidenced as reasonably expected to match or eliminate risk from a transaction, hedge accounting is applied. Profits or losses on that derivative are included in the relevant income or expense category as part of the yield on that transaction. Derivatives that are not hedge accounted are recorded at fair value, with the change recorded in the profit and loss account.

(h) Offset

Under US GAAP, netting is only permitted where there is a legal right of set off and an intention to settle on a net basis. Repurchase and reverse repurchase agreements may only be netted when they have the same explicit settlement date specified at the inception of the agreement.

Under UK GAAP items can be aggregated into a single item where there is the right to insist on net settlement and the debit balance matures no later than the credit balance.

(i) Dividends

Under US GAAP dividends are recognised in the period in which they are declared. Under UK GAAP, dividends are recognised in the period to which they pertain, which may be earlier than the date of their declaration.

(j) Revenue recognition

Under US GAAP, loan origination fees, net of related direct costs, are deferred and the net amount is recognised over the life of the loan as an adjustment to interest income. Under UK GAAP loan origination fees which are charged to cover the costs of continuing service to the borrower are spread over the life of the advance on the basis of work done, whereas loan origination fees which are charged in lieu of interest are brought into profit on a level yield basis over the life of the advance. Under UK GAAP costs associated with loan origination are written off as incurred.

(k) Shareholders' interest in the long term assurance fund

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. Under US GAAP the value of these profits is not recognised. An adjustment is made to amortise acquisition costs and fees in accordance with SFAS 97.

(l) Allowance for loan losses

Under US GAAP, the allowance for loan losses is an accounting estimate of credit losses inherent in the loan portfolio as at the balance sheet date. Such allowance would be determined by utilising judgement, historical experience and, for individually significant loans, an analysis of the specific terms of the individual loans and the condition of the borrower. Amounts are written-off when they are deemed improbable of collection. Loans are deemed impaired when it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan. An impaired loan which is evaluated individually should be carried at the present value of the expected future cash flows discounted at the loan's effective interest rate or, as a practical alternative, at the loan's observable market value or the fair value of the loan's collateral if the loan is collateral dependent.

Under UK GAAP a specific provision is made to cover the estimated loss as soon as the recovery of an outstanding loan is considered doubtful. General provisions are raised to cover losses incurred but not yet identified at the balance sheet date.

(m) Pension costs

Under US GAAP pension costs of a defined benefit scheme are based on prescribed actuarial assumptions, allocation of costs and valuation methods. Certain variations from regular cost are allocated in equal amounts over the average remaining service lives of current employees.

Under UK GAAP, pension costs relating to a defined benefit scheme, calculated using actuarial assumptions and methods, are charged so as to allocate the cost of providing benefits over the average remaining service lives of employees. However, certain of the assumptions used under US GAAP differ from those under UK GAAP. Assets are assessed at fair value and liabilities are assessed at current settlement rates. Variations from regular cost are spread in equal annual amounts over the average remaining service lives of current employees.

(n) Leasing

Under US GAAP finance lease income is recognised at a level rate of return on the investment in the lease, but without taking account of tax payments and receipts. Under US GAAP operating lease assets are depreciated such that the depreciation charge is at least equal to that which would arise on a straight-line basis.

Under UK GAAP, finance lease income is recognised in proportion to the funds invested in the lease using a method that results in a constant rate of return on the net cash investment, which takes into account tax payments and receipts. This results in income being recognised in different periods than under UK GAAP. Operating lease assets are depreciated such that rentals less depreciation are recognised at a constant periodic rate of return on the net cash invested in the asset.

(o) Share compensation schemes

US GAAP allows two alternative treatments for accounting for employee stock options, an intrinsic-value based method codified in Accounting Principles Board Opinion 25 "Accounting for Stock Issued to Employees" (APB 25) and a fair-value based method codified in Statement of Financial Accounting Standards No 123 "Accounting for Stock Based Compensation" (SFAS 123). Compensation expense under APB 25 is the difference between the market price of the shares at the measurement date and the exercise price of the option. The measurement date is the first date on which both (a) the number of shares that an individual is entitled to receive and (b) the exercise price are known. Under SFAS 123 the compensation cost is measured based on the fair value of the option estimated using an option-pricing model. If an entity chooses to follow APB 25 then it must make pro forma disclosures of net income and earnings per share as if SFAS 123 has been applied. Under UK GAAP where shares are purchased as part of a share compensation scheme, the difference between the purchase price and any contribution made by the employee is charged to the profit and loss account in the period to which it relates. Where shares are issued, or options granted, the charge made to the profit and loss account is the difference between the fair value at the time the award is made and any contribution made by the employee. For these purposes fair value is the intrinsic value of the option.

(p) Own shares

Under US GAAP, own shares are reclassified as treasury stock and deducted from shareholders' equity. Under UK GAAP, own shares are treated as an asset on the balance sheet.

(q) Acquisitions

Under US GAAP the shares issued as consideration for acquisitions are valued at announcement date not date of consummation of the acquisition as under UK GAAP.

Under US GAAP contingent consideration is required to be recorded only when the contingency is resolved. Under UK GAAP where the amount of purchase consideration is contingent on one or more future events, the cost of acquisition should include a reasonable estimate of the fair value of the amounts expected to be payable in the future.

15.2 Summary of differences between UK GAAP and SA GAAP

The accounts presented in this report 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. Preparing the financial statements requires management to makes 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 are summarised below.

(a) Presentation in financial statements

Under SA GAAP the layouts of the principal statements are significantly different than under UK GAAP.

(b) Distinction between equity and non-equity interests

Under UK GAAP shareholders funds are required to be separately analysed between equity and non-equity interests. This distinction is not made under SA GAAP.

(c) Investment properties

Investment properties are recorded at open market value under UK GAAP with all revaluations recognised in the statement of total recognised gains and losses and taken to a revaluation reserve. Investment properties are recorded at cost under SA GAAP

(d) Associated entities

Under UK GAAP an investor needs to actually exercise significant influence in order to create an associate relationship. Under SA GAAP an investor merely needs to be in a position to exercise such influence. Whilst Investec's management were in a position to exercise significant influence over the operations of Fedsure, prior to it becoming a subsidiary undertaking, they did not actually exercise that influence. This difference in GAAP has resulted in Investec's interest in Fedsure being accounted for as an "other participating interest", held at cost under UK GAAP, prior to it becoming a subsidiary undertaking, whereas under SA GAAP it was treated as an associated undertaking of the Group and equity accounted for over the same period.

(e) Business Combinations: fair value provisions

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, but 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.

(f) Accounting for investment securities

Under UK GAAP, all investment securities are held at cost, but with the carrying value adjusted:

- in the case of securities redeemable on or before a given date and not subject to abnormal risk of default, to allow for the amortisation of the premium or discount representing the difference between cost and the redemption proceeds; and
- in other cases, to reflect any diminution in their value which is expected to be other than temporary.

Under SA GAAP interest bearing securities, intended to be held to maturity, are accounted for in the same way as under UK GAAP, as described above. Under SA GAAP, listed equity investment securities, intended to be held for continuing use in the business, are held at market value with the excess of market value over cost, on a portfolio basis, taken directly to reserves, until realised, at which time it is taken through income. Any deficit arising on revaluing the portfolio is taken directly to the income statement.

(g) Deferred taxation

Both UK and SA GAAP require deferred tax to be recognised on a full provision basis. However, SA GAAP requires deferred tax to be recognised on the basis of 'temporary differences' rather than on the basis of obligations arising from timing differences.

The circumstances in which deferred tax is recognised are wider under SA GAAP than under the FRS. This is for two reasons: temporary differences can arise from both timing and permanent differences; and SA GAAP requires provisions to be made even when the critical events causing the deferred tax to become payable in future have not occurred by the balance sheet date.

(h) Distinction between debt and equity

Investec has issued Compulsorily Convertible Debentures (CCD's), which under SA GAAP have been classified as shareholders' equity. UK GAAP requires that capital instruments (other than shares) should be classified as liabilities if they contain an obligation or contingent obligation to transfer economic benefits. 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.

(i) Employee share option plans

Investec has set up a number of staff share scheme trusts. The assets and liabilities of these schemes are off balance sheet under SA GAAP. UK GAAP requires Investec, as the sponsoring company of the share scheme trusts, to recognise certain assets and liabilities of the trusts as its own in situations when it has de facto control of the shares held by the trusts and bears their benefits or risks. Under UK GAAP the shares held by the trusts are required to be recognised as "own shares" within fixed assets until such time as the shares held by the trusts vest unconditionally in employees.

UK GAAP requires that the dividends relating to the "own shares" be excluded in arriving at profit before tax and deducted from the aggregate of dividends paid and proposed.

(j) Trade date versus settlement date accounting

Under SA GAAP transactions in securities are recognised as occurring on settlement date. This practice results in unsettled security transactions as well as repurchases and scrip lending transactions not being recorded on balance sheet. In contrast UK GAAP requires that such transactions are recognised on the balance sheet from trade date.

(k) Shareholders interest in the long term assurance fund

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.

16 General

(a) There has been no significant change in the financial or trading position of Investec since 31 March 2002, the date to which the latest audited consolidated accounts of Investec were prepared.

(b) The total expenses payable by the Company in connection with the Reorganisation, the DLC Structure and the Global Offer and matters required in relation thereto (including but not limited to the regulatory approval process in the numerous jurisdictions in which Investec conducts its business) are estimated to amount to £27.5 million which includes commisions payable to the Managers of an aggregate of 3.75 per cent. (of which 0.75 per cent. is at the sole discretion of the Company) of the proceeds of the new Ordinary Shares issued under the Global Offer which based on the Indicative Offer Price and the issue of 10 million new Ordinary Shares would amount to £3,688,276.

(c) Ernst & Young, registered auditors, of Becket House, 1 Lambeth Palace Road, London SE1 7EU, has given and has not withdrawn their written consent to the inclusion herein of their Accountants Report in Part VII and their letter in Part VII and the references thereto and to their name in the form and context in which it appears and have authorised the contents of their reports and letter for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000.

(d) The financial information set out in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act. Ernst & Young, the Company's and IGL's independent auditors, have made an unqualified report under Section 235 of the Companies Act (such reports not containing statements under Section 237(2) or (3) of the Companies Act) on the statutory accounts of IGL for the financial years ended 31 March 2000, 2001 and 2002.

(e) Based on the Offer Price being set at the Indicative Offer Price each Ordinary Share to be issued under the Global Offer will be issued at a premium of £9.84 to its nominal value of £0.001.

(f) Other than as disclosed in this document, neither the Company, IGL nor any of their subsidiaries is a party to any material transaction or proposed transaction in which any Director, any other executive officer, any spouse or other relative of any of the foregoing, or any relative of such spouse, has or was to have a direct or indirect material interest. In addition to those transactions disclosed elsewhere in this document the following transactions exist:

(i) Private Banking – Several of the Directors and related parties are clients of Investec's private banking operation and are provided with ordinary course credit cards, loans and other banking services on an arms length basis.

(ii) Picabel Parkade Shareblock (Pty) Ltd and Taaibos Square (Pty) Ltd – As at 31 March 2002 Investec has two outstanding loans of aggregate value £2.9 million to Picabel and Taaibos in which Hugh Herman has a 17 per cent. and 13 per cent. interest respectively. The loans were provided on an arms length basis and are fully secured.

(iii) Boutique Finance II Limited – The transaction relates to the purchase of shares in Insinger SA by senior management through a limited company. Investec Bank (UK) Limited provided a loan of R60 million to Boutique Finance II Limited secured by the investment in Insinger SA. The terms of the loan and security arrangements require 200 per cent. cover at all times. Ian Kantor has guaranteed 34 per cent. of the loan.

Details of each of these transactions are disclosed in "Accountants' Report" in Part VII.

17 Documents available for inspection

Copies of the following documents may be inspected at the offices of Linklaters, One Silk Street, London EC2Y 8HQ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), from the date of this document until 5:30 pm on 29 July 2002:

(a) the Investec PLC Memorandum and Articles;

(b) the IGL Memorandum and Articles;

(c) the audited accounts of IGL for the financial years ended 31 March 2000, 2001 and 2002;

(d) the Accountants' Report by Ernst & Young LLP on Investec contained in Part VII together with a statement of adjustments;

(e) the Directors' service agreements referred to in "Additional information – Directors" in this Part XIII;

(f) the material contracts, including the DLC Agreements, referred to in "Additional information – Material contracts" in this Part XIII;

(g) the rules and trust deeds of the share schemes referred to in "Additional information – Employee Share Schemes" in this Part XIII; and

(h) the letter of consent from Ernst & Young LLP, referred to in "Additional information – General" in this Part XIII.

Dated 5 July 2002

PART XIV – DEFINITIONS

Definitions

"Action"	any distribution or any action affecting the amount or nature of or economic benefit derived from issued equity share capital, including any cash dividend, distribution in specie, offer by way of rights, bonus issue or capitalisation issue, repayment or reduction of capital, sub-division or consolidation, share buy-back or amendment of the rights of any shares or a series of one or more of such actions, but excluding any change in the Equalisation Ratio
"Admission"	the admission of the Ordinary Shares to the Official List becoming effective in accordance with the Listing Rules and admission of the Ordinary Shares to trading on the London Stock Exchange
"Applicable Regulation"	(a) applicable law and regulations (including, without limitation, the requirements of the UK City Code and the South African Securities Regulation Code on Takeovers and Mergers); and (b) directives, notices or requirements of any Governmental Agency having jurisdiction over IGL or the Company, as the case may be; and (c) the rules, regulations, and guidelines of: (i) any stock exchange on which either the Ordinary Shares or the IGL ordinary shares are listed or quoted; (ii) any other body with which entities with securities listed or quoted on such exchanges customarily comply, (but, if not having the force of law, only if compliance with such directives, notices, requirements, rules, regulations or guidelines is in accordance with the general practice of persons to whom they are intended to apply) in each case for the time being in force and taking account of all exemptions, waivers or variations from time to time applicable (in particular situations or generally) to the Company or, as the case may be, to IGL
"best endeavours"	in relation to an obligation of either Investec PLC or IGL, a requirement for such company to do all such things as are or may be necessary or desirable so as to comply with satisfaction of that obligation unless the companies agree that it is not reasonable to take the action or assume the obligation
"Board"	the board of Directors of the Company from time to time
"Boards of Investec PLC and IGL" or "Boards"	the Board and the IGL Board and/or, in either case, a duly constituted committee thereof
"Class Rights Actions"	as described in paragraph 2.5 of Part XI
"CMA"	the common monetary area consisting of South Africa, The Republic of Namibia and the Kingdoms of Lesotho and Swaziland
"Combined Code"	the principles of good governance and code of best practice annexed to the Listing Rules of the UK Listing Authority
"Companies Act"	the United Kingdom Companies Act 1985, as amended
"Company" or "Investec PLC"	Investec PLC
"Conversion Date"	the time and date of the Conversion Event
"Conversion Event"	as described in paragraph 12 of Part XI
"CREST"	the dematerialised securities trading system operated by CRESTCo Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001, as amended

"Directors"	the directors (Executive and Non-Executive) of the Company
"Dividend Access Shares"	in relation to IGL, the SA DAN Share and the SA DAS Share and in relation to the Company, the UK DAN Share and the UK DAS Share
"Dividend Access Trust Deeds"	the SA DAN Share Trust Deed, the SA DAS Share Trust Deed, the UK DAN Share Trust Deed and the UK DAS Share Trust Deed
"DLC Agreements"	the Sharing Agreement; the Voting Agreement; the Dividend Access Trust Deeds and the Special Converting Shares Trust Deeds
"DLC Equalisation Principles"	the principles described in paragraph 6.1 of Part XI
"DLC Structure"	the arrangement whereby, *inter alia*, IGL and the Company agree to operate as a single corporate group with each company observing the DLC Structure Principles in accordance with the provisions of the Sharing Agreement
"DLC Structure Principles"	the principles which are essential to the implementation, management and operation of the DLC Structure, and which are described in paragraph 4 of Part XI
"Equalisation Fraction"	the Equalisation Ratio expressed as a fraction with the numerator being the number relating to the IGL ordinary shares and the denominator being the number relating to the Ordinary Shares
"Equalisation Ratio"	as described in paragraph 2.4 of Part XI
"Equalisation Share"	as described in paragraph 7.5 of Part XI
"Euro"	the official currency of the European Union
"Exchange Act"	United States Securities Exchange Act of 1934, as amended
"Exchange Control Authority" or "EXCON"	the South African Reserve Bank Exchange Control Department
"Final Offering Circular"	the final offering circular to be published on or about 22 July 2002
"Finance Bill"	the UK Finance Bill 2002 assuming it is enacted in the form ordered to be printed on 23 April 2002
"Fintique II Scheme"	the Fintique II Scheme described in paragraph 6.11 of Additional Information in Part XIII
"FSA"	the UK Financial Services Authority
"FSMA"	the United Kingdom Financial Services and Markets Act 2000
"Global Co-ordinators"	Goldman Sachs International, Investec Bank (UK) Limited, a subsidiary of Investec PLC trading as Investec and Schroder Salomon Smith Barney in their respective capacities as joint global co-ordinators in connection with the Global Offer
"Global GMF"	Investec's Global Group Management Forum
"Global Offer"	the issue of up to 10 million new Ordinary Shares by the Company and, if there is sufficient demand, the sale of up to 8 million existing Ordinary Shares by the Selling Shareholders
"Governmental Agency"	any government or representative of a government or any governmental, semi-governmental, supra-national, provincial, statutory, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency or entity or trade agency, and will include, without limitation, competition authorities, the UK Takeover Panel, the London Stock Exchange, the FSA (including the UK Listing Authority), South African Reserve Bank, the South African Financial Services Board, the JSE and the South African Securities Regulation Panel

"IGL"	Investec Group Limited (which has proposed a resolution to change its name to Investec Limited at the meeting of IGL Shareholders called for 12 July 2002)
"IGL Articles"	the articles of association of IGL adopted by a resolution of IGL Shareholders on 1 July 2002
"IGL Board"	the board of directors of IGL
"IGL Group"	IGL, its Subsidiaries and associated undertakings from time to time
"IGL Equivalent Number"	in relation to IGL Special Converting Shares, such number as equals the number of Ordinary Shares then in issue divided by the Equalisation Fraction then applicable
"IGL Memorandum and Articles"	the IGL Memorandum and IGL Articles
"IGL Memorandum"	the memorandum of association of IGL proposed to be adopted by special resolution of the IGL Shareholders on 12 July 2002
"IGL Shareholders"	holders of ordinary shares of IGL from time to time
"IGL Special Converting Shares"	as defined in paragraph 2.5 of Part XI
"IGL Special Converting Shares Trust Deed"	the declaration of trust entered into by the Company, IGL and SA Trust Co which sets out the parties' rights and obligations in relation to the IGL Special Converting Shares
"Indicative Offer Price"	the assumed Offer Price of an Ordinary Share based on the closing share price of R150.58 (£9.84) on the JSE on 4 July 2002, being the latest practicable date before the date of this document
"Insolvency Event"	in relation to any person (the "Insolvent Party"), any of the following events: (a) a provisional liquidator is appointed to the Insolvent Party; (b) except to reconstruct or amalgamate while solvent on terms approved by the other party, the Insolvent Party enters into a scheme of arrangement, or composition with, or assignment for the benefit of its creditors generally; (c) an administration order is made in respect of the Insolvent Party or a receiver is appointed in relation to the whole or substantially the whole of the property, assets or undertaking of the Insolvent Party; (d) the appointment of a curator to the Insolvent Party pursuant to Section 69(1)(a) of the Banks Act of South Africa (No. 94 of 1990); and (e) anything analogous or having a substantially similar effect to any of the events specified above happens under the requirements of Applicable Regulation
"Institutional Offer"	the offering of Ordinary Shares to certain institutional investors as described in "the Global Offer" in Part VIII
"Intermediaries"	member firms of the London Stock Exchange, who are independent of each of the Managers
"Intermediaries Application Form"	the application form to be used by Intermediaries
"Intermediaries Offer"	the offer of Ordinary Shares to Intermediaries described in "The Global Offer" in Part VIII
"Investec" or "Group"	Investec PLC and IGL and where the context requires their subsidiaries and subsidiary undertakings and their associated undertakings or any of them, as the case may be
"Investec Holdings"	Investec Holdings Limited

"Investec PLC Articles" or "Articles"	the articles of association of the Company adopted by special resolution of the Investec PLC Shareholders on 5 July 2002
"Investec PLC Employee Share Plans"	the Investec PLC Share Option Plan 2002 (including schedules for the Approved Share Option Plan 2002 and the Discounted Option Plan 2002), the Investec PLC Sharesave Option Plan 2002, the Investec PLC Share Purchase Plan 2002, the Investec PLC Share Participation Plan and the Investec PLC Share Appreciation Option Plan 2002
"Investec PLC Employee Trusts"	the Investec PLC Jersey Trust Number 1, the Investec PLC Jersey Trust Number 2, the Investec PLC Guernsey Trust Number 1 and the Investec PLC Guernsey Trust Number 2
"Investec PLC Equivalent Number"	in relation to Investec PLC Special Converting Shares, such number as equals the number of IGL ordinary shares then in issue multiplied by the Equalisation Fraction then applicable
"Investec PLC Group"	the Company and its subsidiary undertakings from time to time
"Investec PLC Memorandum"	the memorandum of association of the Company adopted by special resolution of the Investec PLC Shareholders on 5 July 2002
"Investec PLC Memorandum and Articles"	the Investec PLC Memorandum and the Investec PLC Articles
"Investec PLC Shareholders"	holders of Ordinary Shares from time to time
"Investec PLC Special Converting Shares"	the special converting shares in the capital of the Company to be issued to UK Trust Co, having the rights set out in the Articles
"Investec PLC Special Converting Shares Trust Deed"	the declaration of trust entered into by the Company, IGL and UK Trust Co which sets out the parties' rights and obligations in relation to the Investec PLC Special Converting Shares
"Investec PLC Special Voting Share"	as defined in paragraph 2.5 of Part XI
"Joint Electorate Actions"	as described in paragraph 2.5 of Part XI
"JSE"	the JSE Securities Exchange South Africa
"JSE Listing Rules"	the Listing Rules of the JSE
"LIFFE"	the London International Financial Futures Exchange
"Listing Rules"	the Listing Rules made by the UK Listing Authority under Section 74(4) of FSMA
"Liquidation Event"	in relation to any person (the "Insolvent Party"), an order is made or an effective resolution is passed for winding-up of the Insolvent Party or a liquidator is appointed to the Insolvent Party
"London Stock Exchange"	London Stock Exchange Plc
"Managers"	Salomon Brothers U.K. Equity Limited, Goldman Sachs International and Investec Bank (UK) Limited, a subsidiary of Investec PLC trading as Investec
"Matching Action"	in relation to an Action in respect of Investec PLC Shareholders or IGL Shareholders (the "Initial Action"), an Action in respect of the Shareholders in the other company in relation to which the Boards of Investec PLC and IGL resolve that it has as far as is practicable an economic effect on the Shareholders of such other company equivalent, but not necessarily identical, to the economic effect of the Initial Action on the Shareholders of the company undertaking the Initial Action
"Matching Dividend"	as described in paragraph 7.2 of Part XI

"Offer Price"	the price at which each Ordinary Share is to be issued or sold in the Global Offer
"Office for Banks"	the Banks Supervisory Department of the South African Reserve Bank
"Official List"	the official list maintained by the UK Listing Authority for the purpose of Part VI of FSMA
"operating profit before goodwill amortisation"	income attributable to shareholders of Investec before taxation, exceptional items and goodwill amortisation
"Ordinary Shares"	ordinary shares of £0.001 each in the Company
"Over-Allotment Option"	the option granted by the Company and/or the Selling Shareholders to Schroder Salomon Smith Barney, on behalf of the Managers, to require the Company and/or the Selling Shareholders (as the case may be) to make available at the Offer Price additional Ordinary Shares of up to 15 per cent. of the aggregate number of Ordinary Shares available in the Global Offer (before any exercise of the Over-Allotment Option), set out in the Underwriting Agreement and described in "The Global Offer" in Part VIII
"PLC operations"	IGL's operations outside continental Southern Africa, excluding GDM Finance (UK) Limited, The Global Investec Bond Limited, Investec Private Equity Management (Ireland) Limited, Investec Investment Management Ireland Limited, Nesa Ventures Inc., Investec International Holdings (Gibraltar) Limited, Investec Bank (Mauritius) Limited, Investec Finance Services (Indian Ocean) Limited, Vulcan Leasing Limited, Mineco Limited, Oreco Leasing Limited, Laroc Aviation Limited, Churchill Finance Services Two Limited, Churchill Finance Services Three Limited, Marvel Resources Limited, Investec International BV, Investec (Hong Kong) (Pty) Limited, Fedsure Investments (UK) Limited and its subsidiaries (which includes Policy Portfolio Limited and Beale Dobie & Co. Limited which comprise Investec's traded endowments business)
"pounds", "pounds sterling" or "£"	the official currency of the United Kingdom
"present value of in-force business"	the discounted value of the future profits on the business currently in force at the date of valuation. The profits are discounted using the risk discount rate. The future profits are derived by projecting forward the blocks of business allowing for expenses of running the business, mortality and morbidity, terminations and investment return. No allowance is made for future new business
"QIB"	qualified institutional buyer within the meaning of Rule 144A under the Securities Act
"Rand" or "R"	the official currency of South Africa
"Receiving agent" and "Registrar"	Computershare Investor Services PLC
"Regulation S"	Regulation S under the Securities Act
"Reorganisation"	the Reorganisation of the Group as described in "Additional Information – Reorganisation" in Part XIII
"Restricted Jurisdiction"	any jurisdiction in respect of which the Board or the IGL Board (as the case may be) consider, in its absolute discretion, that the requirements of Applicable Regulation would mean that a transfer of Special Converting Shares to the Shareholders entitled to such shares who are resident in that jurisdiction would be impracticable or unlawful
"Rule 144A"	Rule 144A under the Securities Act
"SA DAN Share"	as described in paragraph 7.4 of Part XI

"SA DAN Share Trust Deed"	the declaration of trust entered into by the Company, IGL and SA Trust Co which sets out the parties' rights and obligations in relation to the SA DAN Share
"SA DAS Share"	as described in paragraph 7.4 of Part XI
"SA DAS Share Trust Deed"	the declaration of trust entered into by the Company, IGL and SA Trust Co which sets out the parties' rights and obligations in relation to the SA DAS Share
"SA GAAP"	generally accepted accounting principles in South Africa
"SA Trust Co"	the South African company established for the purpose of holding the SA DAN Share, the SA DAS Share and the IGL Special Converting Shares
"Schroder Salomon Smith Barney"	Salomon Brothers International Limited in its capacity as sponsor and joint financial adviser and Salomon Brothers U.K. Equity Limited in its capacity as bookrunner, joint global co-ordinator, stabilisation manager and underwriter. "Schroder" is a trademark of Schroder Holdings plc and used under licence by Salomon Brothers International Limited and Salomon Brothers U.K. Equity Limited
"SEC"	the United States Securities and Exchange Commission
"Securities Act"	the United States Securities Act of 1933, as amended
"Selling Shareholders"	Fintique Three (BVI) Limited and/or Investec Employee Benefits Limited (as the case may be)
"Share"	an Ordinary Share or an IGL ordinary share
"Shareholder" or "Shareholders"	*an Investec PLC Shareholder or an IGL Shareholder or both (as the case may be)*
"Sharing Agreement"	the DLC Structure Sharing Agreement entered into between the Company and IGL
"Significant Bank"	in relation to IGL, a bank registered under the Banks Act of South Africa (No. 94 of 1990) and, in relation to Investec PLC, an entity authorised by the FSA to accept deposits
"South Africa" or "SA"	the Republic of South Africa
"South African Companies Act"	the South African Companies Act, No. 61 of 1973, as amended
"South African Securities Regulation Panel"	the Securities Regulation Panel of South Africa established under the provisions of section 440B of the South African Companies Act
"South African Securities Regulation Code on Take-overs and Mergers"	the code compiled by and the rules made by the South African Securities Regulation Panel under Sections 440C(1), (3) and 440C(4) of the South African Companies Act
"Southern Africa"	includes South Africa, Botswana, Namibia and Mauritius
"Special Converting Shares"	as described in paragraph 2.7 of Part XI
"Special Converting Shares Trust Deeds"	the IGL Special Converting Shares Trust Deed and the Investec PLC Special Converting Shares Trust Deed
"Sponsor"	Schroder Salomon Smith Barney in its capacity as sponsor
"Sponsorship Agreement"	the sponsorship agreement relating to Admission dated 8 July 2002 between the Sponsor, the Company and IGL
"STRATE"	Share TRAnsactions Totally Electronic, a computer based system, and procedures, which enables title to a security to be evidenced and transferred without a written instrument pursuant to the STRATE Regulations

"STRATE Regulations"	all regulations relating to uncertificated securities including those contained in the South African Companies Act and the Custody and Administration of Securities Act, No. 85 of 1992, as amended
"Subsidiary"	in relation to: (a) IGL, a "subsidiary" as that term is defined in section 1(3) of the South African Companies Act; and (b) Investec PLC, a "subsidiary" as that term is defined in section 736 of the Companies Act.
"Trust Company" or "Trust Companies"	SA Trust Co or UK Trust Co or both (as the context may require)
"Trust Corporation"	the independent trustee that holds all the issued shares in the Trust Companies who will initially be Mourant Holdings Limited
"UK City Code"	the UK City Code on Takeovers and Mergers
"UK DAN Share"	as described in paragraph 7.4 of Part XI
"UK DAN Share Trust Deed"	the declaration of trust entered into by the Company, IGL and UK Trust Co which sets out the parties' rights and obligations in relation to the UK DAN Share
"UK DAS Share"	as described in paragraph 7.4 of Part XI
"UK DAS Share Trust Deed"	the declaration of trust entered into by the Company, IGL and UK Trust Co which sets out the parties' rights and obligations in relation to the UK DAS Share
"UK GAAP"	generally accepted accounting principles in the United Kingdom
"UK Listing Authority" or "UKLA"	the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000
"UK-SA Tax Treaty"	the United Kingdom – South African (Inheritance and Gift) Tax Treaty concluded on 31 July 1978
"UK Takeover Panel"	the Panel on Takeovers and Mergers
"UK Trust Co"	the UK company established for the purpose of holding the Investec PLC Special Voting Share, the UK DAN Share, the UK DAS Share and the Investec PLC Special Converting Shares
"UK-US Estate Tax Treaty"	the United Kingdom – United States (Inheritance and Gift) Tax Treaty concluded on 19 October 1978
"Unadjusted Action"	as described in paragraph 6.3 of Part XI
"Unbundling"	the distribution by a company to its shareholders of shares it holds in another company by way of a dividend in specie and/or capital reduction in accordance with South African Income Tax Act No. 113 of 1993, as amended
"Underwriting Agreement"	the underwriting agreement related to the Global Offer to be entered into between the Company, IGL, the Selling Shareholders and the Managers, details of which are set out in "Additional Information" in Part XIII
"United Kingdom" or "UK"	United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions and the District of Columbia
"Units"	units in the Fintique II unit trust and Fintique III unit trust, details of which are set out in "Additional Information" in Part XIII
"US dollars"	the official currency of the United States
"US GAAP"	generally accepted accounting principles in the United States

"Voting Agreement"	the agreement made between IGL, SA Trust Co, the Company and UK Trust Co which sets out the parties' rights and obligations in relation to the Investec PLC Special Voting Share and the voting rights attached to the IGL Special Converting Shares