

Summary of Results 



Corporate information and directorate

Investec Limited and Investec plc

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Registration Number

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Directorate

Executive Directors

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

Non-Executive Directors

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

Interim results - presentation of financial information

Introduction

During July 2002 Investec Group Limited (since renamed Investec Limited) which is headquartered in South Africa, implemented a Dual Listed Companies (DLC) structure and listed its offshore businesses on the London Stock Exchange. Further information is provided in Annexure 1 on pages 80 and 81.

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

Accordingly, the results for Investec plc set out on pages 37 to 41 presents the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling (i.e. "Investec's consolidated results").

All references in this document referring to Investec or the group relate to the combined DLC group comprising Investec Limited and Investec plc.

Investec had previously reported its consolidated results both in accordance with SA GAAP, denominated in Rands and UK GAAP, denominated in Pounds Sterling. In terms of the new JSE listing requirements the group is only required to report its consolidated results in accordance with UK GAAP denominated in Pounds Sterling. However, because SA GAAP, differs in certain respects from UK GAAP the group sets out a high-level reconciliation and summary of these principal differences on page 75.

Exchange rates

Investec's reporting currency is Pounds Sterling. Other foreign currency denominated values included in this document have been translated into Pounds Sterling, in the case of the profit and loss accounts, at the weighted average rate for the relevant period and, in the case of the balance sheets, at the relevant period end rate.

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

Currency per £1.00	30 Sept 2003		31 March 2003		30 Sept 2002	
	Period End	Average	Period End	Average	Period End	Average
South African Rand	11.93	12.25	12.51	15.04	16.49	15.67
US Dollar	1.67	1.61	1.57	1.55	1.56	1.47
Israeli Shekel	7.42	7.21	7.43	7.41	7.57	7.22
Australian Dollar	2.46	2.49	2.62	2.75	2.87	2.77

Source: Reuters and Oanda.com

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

Dividend declaration

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

Snapshot of results

UK GAAP ¹	30 Sept 2003	% Change	30 Sept 2002*	31 March 2003*
Profit and Loss Account and Selected Returns				
Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill (£'000) ²	47 093	7.4	43 867	88 684
Operating profit before amortisation of goodwill, exceptional items and taxation (£'000)	58 120	19.7	48 543	84 758
Operating profit: Southern Africa and Other (% of total)	52.2		73.2	80.9
Operating profit: Non-Southern Africa and Other (% of total)	47.8		26.8	19.1
Cost to income ratio (%)	75.0		78.1	79.8
Staff compensation to operating income ratio (%)	48.9		50.1	50.4
Return on average equity shareholders' funds (%)	13.3		11.9	12.4
Return on average tangible net asset value (%)	22.6		23.4	23.8
Annuity income as a percentage of operating income (%)	67.9		72.3	71.3
Net-interest income as a percentage of operating income (%)	17.2		24.1	25.8
Non-interest income as a percentage of operating income (%)	82.8		75.9	74.2
Effective tax rate (%) ²	21.9		16.9	6.3
Balance Sheet				
Total capital resources (£ million)	1 185	28.2	924	1 013
Total shareholders' funds (£ million)	843	14.2	738	697
Total assets (£ million)	15 757	(2.3)	16 125	14 959
Core loans and advances as a percentage of total assets (%)	29.3		20.0	26.8
Total assets under administration (£ million)	43 919	8.2	40 576	40 604

Snapshot of results

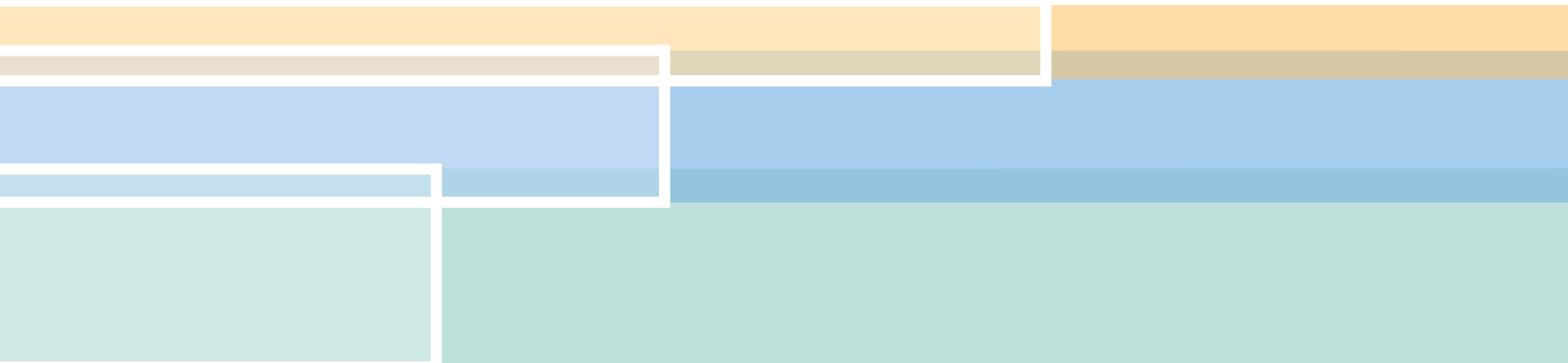
UK GAAP ¹	30 Sept 2003	% Change	30 Sept 2002*	31 March 2003*
Salient Financial Features and Key Statistics				
Earnings per share before exceptional items and amortisation of goodwill (pence) ³	49.2	3.4	47.6	97.6
Basic earnings per share (pence) ³	26.0	>100	3.2	(70.4)
Diluted earnings per share (pence) ³	26.0	>100	3.2	(70.4)
Dividends declared per share (pence)	28.0	7.7	26.0	54
Dividend cover (times)	1.8		1.8	1.8
Net tangible asset value per share (pence) ⁴	411.9			385.5
Weighted number of ordinary shares in issue (million)	95.8		92.2	90.9
Total number of shares in issue (million)	113.0		113.0	113.0
Number of employees in the group	4 460	(18.7)	5 488	4 874
Closing \$/£ exchange rate	1.67		1.56	1.57
Closing ZAR/£ exchange rate	11.93		16.49	12.51
Market capitalisation (£ million) ⁵	952	9.4	870	695

Notes:

- 1 Refer to definitions on page 83.
- 2 Extracting the tax effect on exceptional items of £3.5 million in 2002.
- 3 Refer to definitions and calculations on page 50 and 51.
- 4 Refer to calculation on page 67.
- 5 Refer to explanations on page 74.

* Restated for changes to accounting policies and disclosures.

Global Positioning and Review ▶

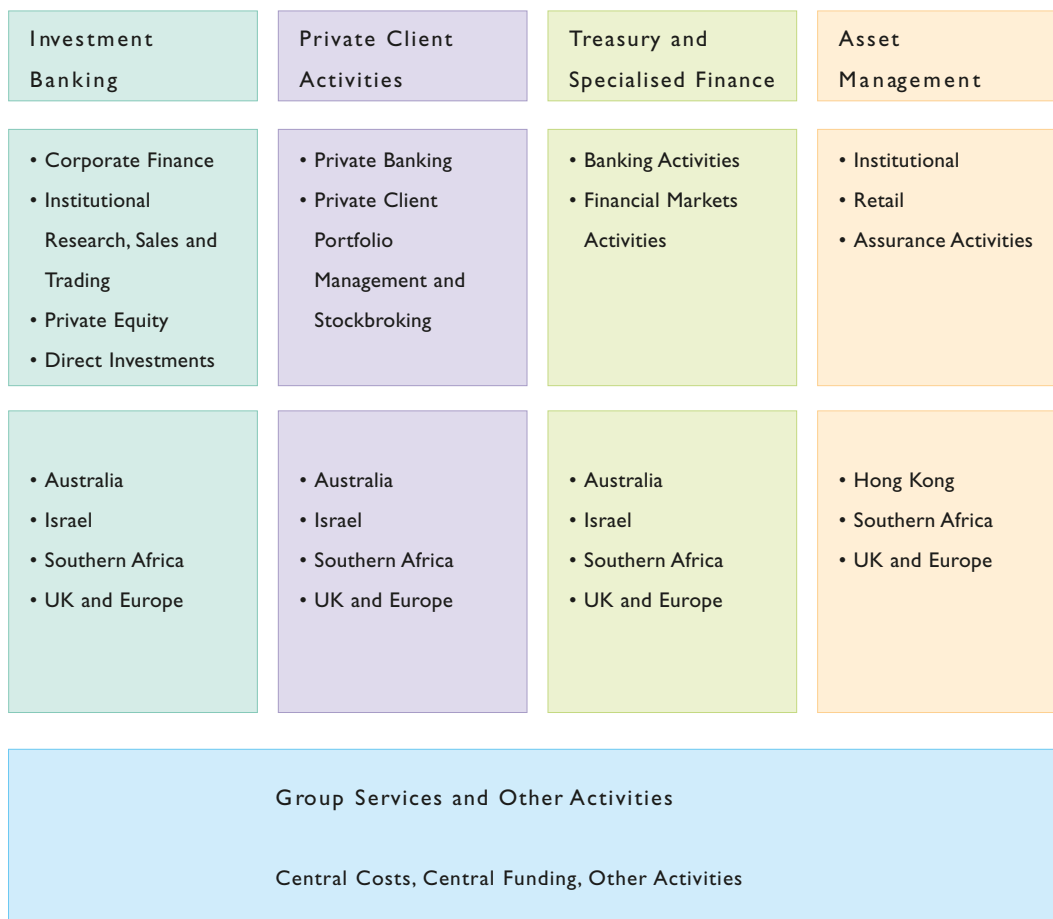


Group operating structure

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

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

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



Overview of the period

- After a period of intensive rationalisation and strategic realignment, the group has refocused its activities.
- Investec Bank Limited issued R1.5 billion (£127.5 million) non-cumulative, non-redeemable and non-participating preference shares.
- The proportion of Investec's operating profit before exceptional items and amortisation of goodwill shifted significantly towards Investec plc. The proportion earned in the group's Southern African operations reduced from 73.2% to 52.2%.
- Administrative expenses declined by 6.1% reflecting the successful rationalisation and restructuring of the group's operations in the last financial year, particularly in the UK and in the US.
- Operating profit before exceptional items and goodwill amortisation of the group's continuing operations increased from £54.8 million to £58.1 million. This was largely attributable to a turnaround in the performance of the UK operations, and was achieved despite a mixed performance by the South African businesses.
- Investec welcomed the introduction of the Financial Sector Charter in South Africa during the period under review and believes that the group is reasonably well-positioned to implement its principles of transformation and empowerment. Prior to the Charter's release, the group announced that Investec Limited had entered into an empowerment partnership with Pea Investment Group, Tiso Group and a broad-based Entrepreneurship Development Trust.

Geographic review

- The group's Southern African operations accounted for 52.2% (2002: 73.2%) of Investec's operating profit before exceptional items and amortisation of goodwill (as indicated in the table below).
- This reduction was largely as a result of the increase in the contribution from the UK operations and the closure and sale of the group's loss-making US businesses.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% Change
Southern Africa	30 362	35 540	(5 178)	(14.6%)
UK and Europe	21 104	13 586	7 518	55.3%
Australia	3 770	3 251	519	16.0%
Israel	2 041	2 625	(584)	(22.2%)
USA	843	(164)	1 007	>100%
Discontinued operations	-	(6 295)	6 295	(100%)
Total	58 120	48 543	9 577	19.7%

Geographic review

Southern Africa

- The Southern African operations posted an operating profit before exceptional items and amortisation of goodwill of £30.4 million, representing a decrease of 14.6%.
- The consistently strong performance from the Private Banking operation was supported by a solid performance from the Investment Banking division.
- This was negated by the weak performance of the Treasury and Specialised Finance division and a considerable decline in the earnings of the group's Assurance Activities and Central Funding division.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Southern Africa			
Net interest income	12 345	13 993	(11.8%)
Other income	100 328	87 973	14.0%
Admin expenses and depreciation	(76 935)	(60 610)	26.9%
Provision for bad and doubtful debts	(5 376)	(5 816)	(7.6%)
Operating profit before exceptional items and goodwill amortisation	30 362	35 540	(14.6%)
Operating loss from Traded Endowments included in the above:			
Net interest income	47	(520)	>100%
Other income	370	1 981	(81.3%)
Admin expenses, depreciation, provisions	(2 448)	(3 805)	(35.7%)
Operating loss before exceptional items and goodwill amortisation	(2 031)	(2 344)	13.4%
Cost to income ratio	68.3%	59.4%	
Number of people	2 636	2 978	(11.5%)

Geographic review

UK and Europe

- There was a noteworthy turnaround in the performance of the UK operations recording an operating profit before exceptional items and amortisation of goodwill of £21.1 million, an increase of 55.3%.
- The strong results from Private Banking were supported by a solid performance from Carr Sheppards Crosthwaite and the Treasury and Specialised Finance operations.
- This was further enhanced by the better performance from the Investment Banking activities which benefited from a reduced cost base and increased corporate activity.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
UK and Europe			
Net interest income	20 378	36 232	(43.8%)
Other income	94 814	74 884	26.6%
Admin expenses and depreciation	(95 091)	(96 990)	(2.0%)
Provision for bad and doubtful debts	1 003	(540)	>100%
Operating profit before exceptional items and goodwill amortisation	21 104	13 586	55.3%
Cost to income ratio	82.6%	87.3%	
Number of people	1 432	1 508	(5.0%)

Australia

- In Australia, the operating profit before exceptional items and amortisation of goodwill increased 16.0% to £3.8 million against a backdrop of a stronger stock market.
- The business experienced reasonable activity levels and good progress was made in its core areas of activities.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Australia			
Net interest income	5 076	3 507	44.7%
Other income	5 490	5 797	(5.3%)
Admin expenses and depreciation	(6 762)	(5 953)	13.6%
Provision for bad and doubtful debts	(34)	(100)	(66.0%)
Operating profit before exceptional items and goodwill amortisation	3 770	3 251	16.0%
Cost to income ratio	64.0%	64.0%	
Number of people	105	94	11.7%

Geographic review

Israel

- The economic environment in Israel remained difficult and negative inflation weakened performance, in nominal terms.
- Operating profit before exceptional items and amortisation of goodwill decreased by 22.2% to £2.0 million.
- Equity capital market activity picked up towards the end of the reporting period boosted by the performance of international markets. Investec Bank (Israel) continues to leverage off the presence of the group in the US, with the Israeli Desk in New York.
- Assets under management increased 32.3% to NIS13.1 billion (£1.8 billion) from NIS9.9 billion (£1.3 billion) at year-end.
- Furthermore, there was a marginal fall in expenses as a result of ongoing cost control.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Israel			
Net interest income	4 499	6 984	(35.6%)
Other income	5 873	4 877	20.4%
Admin expenses and depreciation	(7 849)	(8 087)	(2.9%)
Provision for bad and doubtful debts	(482)	(1 149)	(58.1%)
Operating profit before exceptional items and goodwill amortisation	2 041	2 625	(22.2%)
Cost to income ratio	75.7%	68.2%	
Number of people	219	220	(0.5%)

US

- The heavily reduced ongoing operations in the US, consisting of several fixed income trading operations and an Israeli sponsored Nasdaq equities trading desk, supporting Investec Israel's clients, posted a modest operating profit before exceptional items and amortisation of goodwill of £0.8 million.
- The fundamental restructuring of the US business was completed and, with the exception of runoff related activities, all other businesses in Investec Ernst and Investec Inc. ceased operating as of 31 May 2003.
- The headcount at the end of the period was 68 personnel, all based in New York.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
US			
Net interest income	955	(990)	>100%
Other income	1 884	2 001	(5.8%)
Admin expenses and depreciation	(1 996)	(1 175)	69.9%
Provision for bad and doubtful debts	-	-	-
Operating profit before exceptional items and goodwill amortisation - continuing operations	843	(164)	>100%
Cost to income ratio	70.3%	>100%	
Number of people	68	688	(90.1%)
Operating loss before exceptional items and goodwill amortisation - discontinued operations	-	(6 295)	>100%

Divisional review

Investment Banking

- The Investment Banking division - comprising the Corporate Finance, Institutional Research, Sales and Trading, Direct Investments and Private Equity - recorded an improved performance with operating profit before exceptional items and amortisation of goodwill of £20.1 million compared to a marginal profit for the same period last year.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Investment Banking			
Net interest income	(730)	2 988	>(100%)
Other income	42 034	23 100	82.0%
Admin expenses and depreciation	(21 227)	(25 398)	(16.4%)
Provision for bad and doubtful debts	–	(589)	>100%
Operating profit before exceptional items and goodwill amortisation	20 077	101	>100%
Cost to income ratio	51.4%	97.4%	
Corporate Finance	5 150	1 052	>100%
Institutional Research, Sales and Trading	1 147	(852)	>100%
Direct Investments	11 888	(100)	>100%
Private Equity	1 892	1	>100%
Operating profit before exceptional items and goodwill amortisation	20 077	101	>100%
Southern Africa	15 884	1 517	>100%
UK and Europe	1 516	(4 576)	>100%
Australia	1 591	1 786	(10.9%)
Israel	1 086	1 374	(21.0%)
Operating profit before exceptional items and goodwill amortisation	20 077	101	>100%

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

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Corporate Finance and Institutional Research, Sales and Trading	6 297	200	6 097	>100%

Variance explained as follows:

Net interest income	869	3 948	(3 079)	(78.0%)
Net fees and commissions receivable	23 350	19 028	4 322	22.7%
Dealing profits	2 185	2 195	(10)	(0.5%)
Other operating income and dividends	61	(18)	79	>100%
Admin expenses and depreciation	(20 168)	(24 364)	4 196	(17.2%)
Provision for bad and doubtful debts	–	(589)	589	(100%)

Divisional review

The variance in operating profit over the period can be explained as follows:

- Net interest income has decreased largely as a result of the decline in the return on inflation-linked instruments in the division's Israeli business.
- The corporate finance operations in South Africa, the UK and Australia have continued to perform well. The solid growth in net fees and commissions receivable is largely attributable to the significant turnaround in the group's UK operations which have benefited from an increase in commissions on market making stocks and have witnessed a strong increase in advisory fees received.
- Dealing profits largely relate to the market making activities of the UK operations.
- The reduction in expenses reflects the restructuring of the division's UK operations which took place towards the end of the 2003 financial year-end.

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

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Direct Investments and Private Equity	13 780	(99)	13 879	>100%

Variance explained as follows:

Net interest income	(1 599)	(960)	(639)	(66.6%)
Net fees and commissions receivable	604	137	467	>100%
Dealing profits	9 109	679	8 430	>100%
Other operating income and dividends	6 725	1 079	5 646	>100%
Admin expenses and depreciation	(1 059)	(1 034)	(25)	2.4%
Provision for bad and doubtful debts	–	–	–	–

The variance in operating profit over the period can be explained as follows:

- Net interest income reflects the division's funding costs on its investments. The division had benefited in the prior period from an increase in cash balances following the sale of investments in the 2002 financial year-end.
- Net fees and commissions receivable reflect private equity management fees earned.
- Dealing profits represent the cumulative mark to market adjustments on the division's direct investment and private equity portfolios (including AMB, PG Bison, Bidvest, AAV).
- Other operating income includes income earned from dividends received and the sale of investments. The largest components of the profit reported in this period include: approximately £700 000 in dividends received; £2.5 million profit generated on the sale of 18 million Growthpoint units; approximately £2.5 million realised profit on the sale of other investments net of impairments (including Brait, McCarthy Retail, I-Fusion).

Divisional review

Investment Banking - key developments for the six month period

South Africa

Investec Corporate Finance

- Continued its strong performance.
- Steady level of activity despite the difficult market conditions.
- Focused on restructurings, black economic empowerment transactions, de-listings and a number of high profile investment banking deals.
- No clients were lost during the period and several new significant mandates were gained.

Investec Securities

- The low volumes on the SA equity stock market continued to negatively impact the agency business.
- The Structured Equity Desk did not perform as well as it did in the previous period due to fewer opportunities in the market.
- The recent league table success has not been accompanied by any commensurate increase in revenue because of the continuing lack of market volumes.
- Black Economic Empowerment (BEE) is now an important weighting in allocation and Investec Securities is regarded as the only BEE firm with a value proposition.

Private Equity and Direct Investments

- Current market conditions are beneficial for private equity due to low PE ratio's and lower interest rates with opportunities arising from fund realisations and potential delistings.
- The larger assets within the portfolio are performing well.
- The values of the Private Equity and Direct Investments portfolio's were bolstered by improved equity market levels.

UK and Europe

Investec Investment Banking and Securities

- Good progress with the division returning to profitability, largely due to:
 - The reduced in cost base as a result of the rationalisation in the 2003 financial year.
 - Improved stock market conditions created a more favourable investment banking environment.

Corporate Finance

- Level of corporate activity picked up significantly with a number of public-to-private deals concluded during the period.
- First fund-raising deal completed since August 2002.
- Continued to build the quality and size of the corporate client list with the addition of 8 new clients versus the loss of only 3 clients during the period.

Securities

- Secondary commissions benefited from the higher equity market levels.
- Increasing proportion of revenue from Small and Mid-Cap stocks while commissions from Large Cap stocks also increased.
- Rankings of Investec in the UK Small Mid-Cap Survey (2003) were encouraging:
 - Ranked 1st for "Most improved product and service".
 - Ranked 3rd for "Aggregated research team".
 - Individual analysts received Top-3 rankings in five of the sectors covered and Top-5 in nine sectors.

Divisional review

Australia

Investec Wentworth

- Stronger stock market in Australia with the return of activity in the IPO market.
- Corporate advisory benefited from the upturn in merger and acquisition (M&A) activity with a strong deal pipeline.
- Advised on 11 deals valued at A\$2.4 billion for the period.

US and Israel

- Investment banking activities in the US ceased at the end of May 2003.
- The Israeli desk in New York continues to suffer from higher overhead levels due to the restructuring of Investec Ernst and lower activity levels than in the previous year.

Investment Banking statistics

	30 Sept 2003	30 Sept 2002
South Africa		
Number of corporate finance deals	23	28
Number of sponsor broker deals	31	26
Value of Private Equity portfolio (R millions)	152	62
UK and Europe		
Number of M&A deals	7	5
Value of deals (£ millions)	760	300
Number of fund raising transactions	5	6
Value of fund raising transactions (£ millions)	41	69
Value of Private Equity portfolio (£ millions)	23	26
Australia		
Number of M&A deals	11	11
Value of deals (A\$ billions)	2.4	2.0

Divisional review

Private Client Activities

- The Private Client Activities division, comprising both the Private Banking and Private Client Portfolio Management and Stockbroking divisions, reported a period of strong growth in operating profit before exceptional items and amortisation of goodwill of 52.3% to £25.1 million.
- The group's Private Banking operations performed particularly well.
- Mixed performances from the Private Client Portfolio Management and Stockbroking division:
 - Carr Sheppards Crosthwaite in the UK benefited from improved net inflows largely in higher yielding discretionary mandates.
 - Investec Securities in South Africa was impacted by subdued market volumes in the South African market.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Private Client Activities			
Net interest income	39 215	33 224	18.0%
Other income	57 312	48 137	19.1%
Admin expenses and depreciation	(67 025)	(61 058)	9.8%
Provision for bad and doubtful debts	(4 426)	(3 840)	15.3%
Operating profit before exceptional items and goodwill amortisation	25 076	16 463	52.3%
Cost to income ratio	69.4%	75.0%	
Private Banking	21 772	14 072	54.7%
Private Client Portfolio Management and Stockbroking	3 304	2 391	38.2%
Operating profit before exceptional items and goodwill amortisation	25 076	16 463	52.3%
Southern Africa	9 149	5 290	72.9%
UK and Europe	14 328	9 393	52.5%
Australia	1 229	656	87.3%
Israel	370	1 124	(67.1%)
	25 076	16 463	52.3%

Private Banking

- Private Banking achieved an operating profit before exceptional items and amortisation of goodwill of £21.8 million, increasing 54.7% on the previous year.
- Solid growth in total advances and non-interest income, in South Africa, the UK and Australia.
- Private client lending book growth since 31 March 2003:
 - South Africa grew by 15.1% in Rand terms to R19.8 billion (£1.7 billion).
 - UK grew by 13.7% in Pounds Sterling terms to £1 052 million.
 - Australia grew by 27.3% in Australian Dollar terms to A\$537 million (£219.2 million).

Divisional review

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

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Private Banking	21 772	14 072	7 700	54.7%

Variance explained as follows:

Net interest income	36 876	30 470	6 406	21.0%
Net fees and commissions receivable	29 536	23 505	6 031	25.7%
Dealing profits	1 456	666	790	>100%
Other operating income and dividends	852	555	297	53.5%
Admin expenses and depreciation	(42 522)	(37 284)	(5 238)	14.0%
Provision for bad and doubtful debts	(4 426)	(3 840)	(586)	15.3%

The variance in operating profit over the period can be explained as follows:

- The solid increase in net interest income in South Africa, the UK and Australia has been driven by a healthy growth in advances since 31 March 2003 of 15.1%, 13.7% and 27.3% respectively.
- The significant growth in net fees and commissions receivable is attributable to increased lending turnover in all operations. Furthermore, the division continued to benefit from its diverse nature of activities, with structured lending fees, advisory fees and transactional banking fees experiencing strong growth over the period.
- Other operating income and dealing profits were positively influenced by the sale of and increase in value of certain investments, respectively, held by the division, which have arisen out of the provision of investment banking services to private clients. The activities of the "Private Client Investment Banking" division are positioned well below the radar screen of the traditional corporate finance and private equity houses, and focus on the active wealthy entrepreneur. Furthermore, the division is well equipped to offer small to medium size businesses the service of partnering their personal and business requirements by providing advisory services and asset acquisition. As a result, the division took certain equity positions in the businesses of these private clients. The equity exposures are within the group's risk parameters and are monitored regularly.
- The increase in administration expenses and depreciation is largely attributable to the South African operations which experienced a 17% increase in costs in Rand terms largely as a result of an increase in incentive based remuneration in line with strong growth in profitability.

Private Banking - key developments for the six month period

South Africa

- Impressive performance despite the decline in interest rates.
- Particularly good performance from the Private Client Investment Banking portfolio which has benefited from the sale of certain investments held by the division and the increase in value of others.
- Developments during the period include:
 - o Established a specialist advisory team to focus on advice for high net worth individuals applying for amnesty in excess of \$1 million.
 - o Launched the new branding campaign.
 - o Ranked 1st for the fourth consecutive year in the *PriceWaterhouseCoopers SA Banking Survey (2003)*.

UK and Europe

- Strong performance across all of the Private Banking businesses.
- The property lending business continued its good performance against a backdrop of a somewhat less buoyant property market with a well-spread loan book.
- The property book is well-secured and the group believes that loan to value ratios of between 65% to 70% are conservative. Stress testing a fall of 30% in property values could result in a naked exposure of approximately £12 million.
- Completed the relocation of the call center of the division's banking deposits business to South Africa.

Australia

- The division performed particularly well as it continues to leverage off the Wentworth brand and client base.
- Strong growth from the Structured Property Finance unit.
- Developments during the period included focusing on establishing a Private Client Investment Banking unit.

Private Client Portfolio Management and Stockbroking

- Private Client Portfolio Management and Stockbroking recorded a credible performance, with operating profit before exceptional items and amortisation of goodwill of £3.3 million, increasing 38.2% on the previous year.

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

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Private Client Portfolio Management and Stockbroking	3 304	2 391	913	38.2%

Variance explained as follows:

Net interest income	2 339	2 754	(415)	(15.1%)
Net fees and commissions receivable	25 250	23 407	1 843	7.9%
Dealing profits	154	9	145	>100%
Other operating income and dividends	64	(5)	69	>100%
Admin expenses and depreciation	(24 503)	(23 774)	(729)	3.1%
Provision for bad and doubtful debts	-	-	-	-

Divisional review

The variance in operating profit over the period can be explained as follows:

- The business remains susceptible to equity market conditions, although market confidence is improving.

South Africa

- Performance impacted by subdued market volumes on the South African stock market.
- Increased total funds under management by 26.2% to R32.3 billion (£2.8 billion) from R25.6 billion (£2.0 billion) at year-end.
- Developments during the period included a campaign to increase the awareness of Investec Securities Online with the overall objective to move clients onto the electronic platform and away from paper based certificates which should provide further cost savings.

UK

- Performance enhanced by net new business added over the past year.
- Funds under management increased 19.2% to £5.6 billion from £4.7 billion at 31 March 2003, with £520 million being attributable to market movement.
- Net new inflows of £327 million were generated including:
 - The Public Guardianship Office account for £192 million; and
 - The remainder comprising a combination of private client and gross funds including two charities of approximately £8 million each.

Treasury and Specialised Finance

- The Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of £15.4 million, an increase of 4.1%.
- Commendable performance from the UK operation, with operating profit before exceptional items and amortisation of goodwill of £8.9 million, considerably up from the loss of £3.6 million in the previous year.
- Poor performance from the South African operation which posted an operating profit before exceptional items and amortisation of goodwill of £5.2 million, substantially down from £18.6 million in the previous year.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Treasury and Specialised Finance			
Net interest income	18 037	21 194	(14.9%)
Other income	32 041	28 049	14.2%
Admin expenses and depreciation	(33 702)	(32 094)	5.0%
Provision for bad and doubtful debts	(998)	(2 373)	(57.9%)
Operating profit before exceptional items and goodwill amortisation	15 378	14 776	4.1%
Cost to income ratio	67.3%	65.2%	
Banking Activities	14 673	8 290	77.0%
Financial Markets Activities	705	6 486	(89.1%)
Operating profit before exceptional items and goodwill amortisation	15 378	14 776	4.1%
Southern Africa	5 239	18 644	(71.9%)
UK and Europe	8 909	(3 586)	>100%
Australia	65	(376)	>100%
Israel	1 165	94	>100%
Operating profit before exceptional items and goodwill amortisation	15 378	14 776	4.1%

Divisional review

Banking Activities

- The operating profit before exceptional items and amortisation of goodwill of the Banking Activities increased 77.0% to £14.7 million from £8.3 million for the same period last year.

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

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Banking Activities	14 673	8 290	6 383	77.0%

Variance explained as follows:

Net interest income	16 817	19 276	(2 459)	(12.8%)
Net fees and commissions receivable	13 014	8 989	4 025	44.8%
Dealing profits	3 911	(653)	4 564	>100%
Other operating income and dividends	1 099	18	1 081	>100%
Admin expenses and depreciation	(19 896)	(17 543)	(2 353)	13.4%
Provision for bad and doubtful debts	(272)	(1 797)	1 525	(84.9%)

The variance in operating profit over the period can be explained as follows:

- Net interest income in the UK operations has benefited from the growth in the division's banking businesses, albeit off a low base. On the other hand, net interest income in South Africa has decreased largely as a result of the declining rate environment in which this division has experienced a margin squeeze resulting from the group's assets repricing quicker than its liabilities.
- The solid increase in net fees and commissions receivable is attributable to the rapid growth and successful performance of the relatively new banking and advisory teams in the UK (acquired Project Finance team in December 2001 and Structured Finance team in July 2002). Following the restructuring of the Treasury and Specialised Finance businesses in the UK, the group has made a concerted effort to grow the banking and advisory businesses.
- Dealing profits largely relate to income earned by the Financial Products team. In South Africa, the division benefited from certain credit linked note transactions concluded and in the UK it was successful following the commencement of its trading book strategy. Administrative expenses have increased in the UK due to the growth in the banking businesses.

Banking Activities - key developments for the six month period

Treasury

- The performance of the treasury desk was negatively affected by the rate positioning of its assets.
- Asset creation opportunities in the UK were limited.

Financial Products

- Commendable performance from the South African business with reasonable activity in all areas including debt origination, financial engineering and preference share structuring.
- The UK operations performed well due to good fee income earned from credit restructuring and a healthy performance on the credit default swap trading book.

Divisional review

Structured and Asset Finance

- In South Africa, the general slow down in corporate activity continued, however, the lower interest rate environment has created an appetite for credit and the increase in BEE transactions has and will continue to have a positive effect on advances.
- Strong performance from the structured finance division in the UK closing its largest deal to date during the period.

Project and Resource Finance

- The strong Rand, certain low commodity prices and uncertainty surrounding the mining royalties legislation impacted negatively on mining investment decisions in South Africa.
- Nevertheless, BEE and project finance opportunities continue to present good deal flow.
- The project finance division in the UK focused on building a strong deal pipeline and has become well established in the market.

Financial Markets Activities

- The trading activities posted an operating profit before exceptional items and amortisation of goodwill of £0.7 million, down substantially from the £6.5 million for the same period last year.

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

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Financial Markets Activities	705	6 486	(5 781)	(89.1%)

Variance explained as follows:

Net interest income	1 220	1 918	(698)	(36.4%)
Net fees and commissions receivable	2 128	674	1 454	>100%
Dealing profits	11 329	19 000	(7 671)	(40.4%)
Other operating income and dividends	560	21	539	>100%
Admin expenses and depreciation	(13 806)	(14 551)	745	(5.1%)
Provision for bad and doubtful debts	(726)	(576)	(150)	26.0%

Divisional review

The variance in operating profit over the period can be explained as follows:

- Net interest income has declined largely as a result of the closure of the money markets and repo business in the UK.
- The poor trading performance of the South African Treasury and Specialised Finance division was principally as a result of the currency trading desk underestimating the strength of the Rand versus the Dollar and the incorrect positioning of its book for the sharp increase in US interest rates that occurred during the period. Furthermore, the interest rate desk was incorrectly positioned as a result of the incorrect inflation statistics and the emergency MPC meeting held.
- The decline in expenses is largely as a result a decrease in incentive based remuneration given declining profitability in the South African operations.

Trading Activities - key developments for the six month period

Interest Rates

- In South Africa, volumes continue to be depressed leading to volatile markets where large transactions have the ability to move rates significantly for a long period of time.
- In the UK, asset creation and hedging opportunities were limited.

Foreign Exchange

- The forex division in South Africa posted a disappointing performance as a result of the significant trading losses incurred.
- Consequently, the amount of proprietary risk taking has been significantly reduced as the forex desk re-aligns its trading risk limits with the group's risk appetite for volatile earnings and focuses on execution and client flow business.
- In the UK, the strategy of the forex desk was revisited and the desk now focuses on servicing mid-tier banks and the group's private clients.

Equities Derivatives

- Although volumes continue to be depressed in the South African market, there has been a surge in client interest and towards the end of the period there was a noticeable pickup in equities derivative business.
- The UK business continues to perform well largely due to the good performance of the convertible bond trading and other structured trades.

Commodities

- Poor performance as a result of volatile and mostly illiquid market conditions.
- The division has significantly curtailed its trading activities limiting trading to levels required to facilitate client business.

Divisional review

Asset Management

- The Asset Management division delivered operating profit before exceptional items and amortisation of goodwill of £10.9 million, which represented growth of 14.7% in Pounds Sterling terms.
- Assets under management increased by 11.8% in Pounds Sterling terms to £18.8 billion and by 3.3% in Rand terms to R217.4 billion since the year-end.
- The key features of the first six months of the year were the resilience of the South African business and the major strides that were made in penetrating the UK institutional and retail funds markets.

Review of the six months

- Optimise resources and focus between major business units.
- Aggressive promotion of specialist products.
- Continued drive for more focus (geographically and product wise).
- Satisfactory investment performance.
- South Africa:
 - Strong specialist and retail fund performance across the board.
 - Weakness in domestic balanced performance.
- UK:
 - Strong track records remain in tact and highly saleable.
 - Weakness is the outsourced European fund.
- In process of changing a “fixed cost culture” to a “variable cost culture”.
- Combining the need to outsource more of our administration with the low cost advantages of South Africa – Project Rainbow.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Asset Management			
Net interest income	1 701	2 343	(27.4%)
Other income	47 397	40 663	16.6%
Admin expenses and depreciation	(38 235)	(33 492)	14.2%
Provision for bad and doubtful debts	–	(40)	>100%
Operating profit before exceptional items and goodwill amortisation	10 863	9 474	14.7%
Cost to income ratio	77.9%	77.9%	
Southern Africa	10 537	8 046	31.0%
UK and Other International	215	1 334	(83.9%)
Israel	111	94	18.1%
Operating profit before exceptional items and goodwill amortisation	10 863	9 474	14.7%

Divisional review

The variance in operating profit over the period can be explained as follows:

South Africa

- Operating profit of the South African operations in Rands before group residual charges (approximately R137 million) was in line with the previous period. The results reflected above have thus been positively influenced by the appreciation of the Rand against Pounds Sterling.
- The South African Institutional business was negatively impacted by outflows amounting to R2.5 billion arising from the restructure of the Fedsure portfolio, although this was offset to some extent by positive net inflows from third party clients of R1.4 billion. The average market impact was relatively neutral in respect of these results and overall operating profit before group residual charges declined by around 9% in Rand terms.
- The South African Personal Investments business reported a solid growth in revenue in the prior period as a result of sales focused initiatives undertaken during that time. During this period however, the division experienced tough market conditions, which started to improve during late May 2003. The division enjoyed net retail inflows of approximately R1.3 billion, although these have lagged the prior period (R2.4 billion). Various cost savings initiatives contributed to operating profit before group residual charges increasing by around 30% in Rand terms.

UK and Other International Operations

- Cost controls have remained tight although revenue has been negatively impacted by a number of factors, including: market levels are lower compared to the prior period which has particularly impacted the equity funds; the business has experienced institutional outflows, a reduction in initial fees and investment trust fees received (due to the closure of two trusts during the year). Although the institutional business has decisively broken into the UK pensions market, large money fund redemptions resulted in net institutional outflows of approximately £110 million for the period. Net retail fund sales, both in the UK and offshore (including Asia) increased by 93% to £205 million for the period.

Divisional review

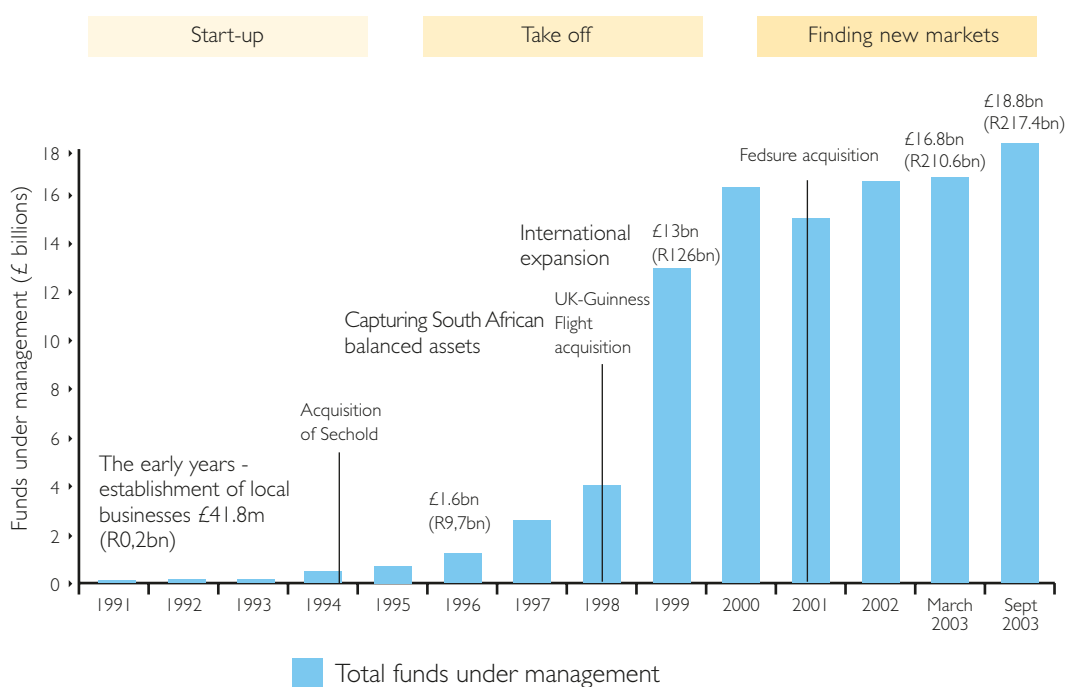
Key developments for the six month period

Market positioning

- An international specialist firm, focused on performance and client needs.

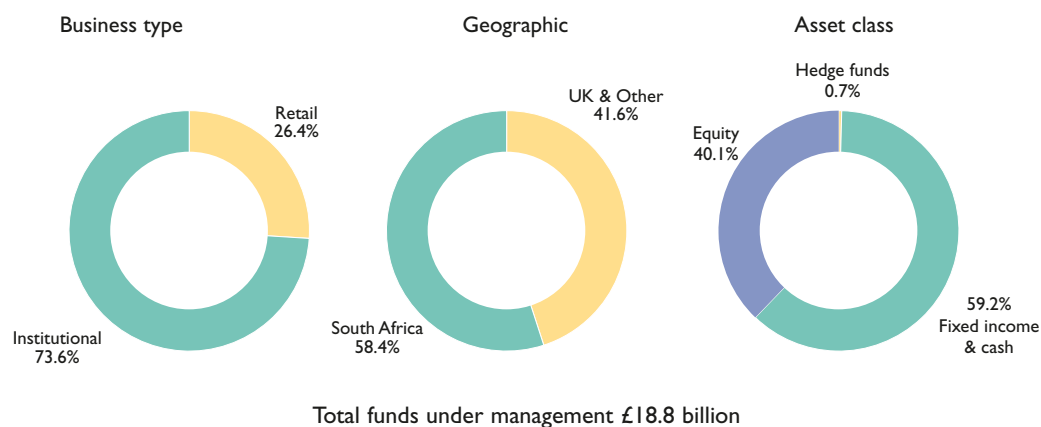
Area	Position^
South Africa Institutional segregated	Market leader
Retail funds and portfolio products	Market leader
UK Public sector fixed income	Market leader
Retail funds	Entrant to successful contender
Institutional (pension)	Entrant to recognised competitor

Funds under management



Divisional review

Funds under management



Movements in funds under management

	Total	Institutional	Retail	South Africa	UK & Other
£ million					
FUM 31 March 2003	16 828	12 478	4 350	9 303	7 525
FUM 30 September 2003	18 815	13 853	4 962	10 996	7 819
R million					
FUM 31 March 2003	210 560	156 125	54 435	116 401	94 159
FUM 30 September 2003	217 426	160 090	57 336	127 073	90 353
% of Total FUM		73.6%	26.4%	58.4%	41.6%

Divisional review

Sales (Gross inflows)

Clients	£ millions	Products	£ millions
Institutional	968	Fixed Interest and Cash	1 872
Retail	1 561	Equity	464
	<u>2 529</u>	Balanced	193
			<u>2 529</u>

South Africa

- Once again proves resilience.
- Empowerment deal solidifies Investec's market position.

South African Institutional Investments

- Establishing strong positioning in specialist products (e.g. fixed income, aggressive equities) well on track.
- Appointed to manage significant new mandates:
 - R1.3 billion of South African equity mandates won outside South Africa.
 - Major funds selecting multi-specialist platform.
- Gross new inflows of R4.4 billion, net outflows of R1.1 billion (including Fedsure outflow of R2.5 billion).
- Improvement in balanced fund performance.
- Well diversified product set underpins business resilience.

South African Personal Investments

- Successful expansion of absolute return range of unit trusts.
- Gross unit trust inflows of R10.5 billion and net inflows of R1.1 billion (including money market).
- Stronger relative to competitors than two years ago.
- Excellent investment performance of house product (Plexus survey).

Divisional review

Investec in the South African unit trust industry

	30 Sept 2001	30 Sept 2002	30 Sept 2003
Investec Asset Management funds under management (R millions)	13 945	20 781	20 881
Total industry size (R millions)	140 410	177 952	203 965
Market share (%)	10%	12%	10%
Size ranking in industry	5th out of 30	2nd out of 29	4th out of 29
Industry gross sales (R millions)	111 729	142 657	162 702
Investec Asset Management % of gross industry sales	11%	11%	13%

All figures include Money Funds but exclude Fund of Funds

Source: Association of Unit Trusts

Industry sales for the twelve month periods

Investec in the South African portfolio product industry

	30 Sept 2001	30 Sept 2002	30 Sept 2003
Investec Asset Management funds under management (R millions)	15 773	21 356	16 849
Total industry size (R millions)	63 948	78 888	80 638
Market share (%)	25%	27%	21%
Industry gross sales (R millions)	18 487	21 771	23 163
Investec Asset Management % of gross industry sales	16%	26%	15.1%

Source: Linked Investments Service Providers Association

Industry sales for the twelve month periods

Divisional review

UK

- Short-listed for Financial News awards:
 - UK Asset Management Firm of the Year.
 - European Specialist Firm of the Year (named runner-up).
- Runner-up for Investment Week's fund management group of the year.

UK Institutional

- Continued strong performance across the product range.
- Three year global equity record in place and being recognised in the market.
- Appointed to manage significant new segregated mandates:
 - Gross segregated inflows year to date £180 million, committed £210 million.
- Continued progress with top investment consultants.
- Net outflows of £110 million mask strong sales performance. This is due to movements on large money market accounts which have been regained during October.

UK Retail (including European Sales)

- Onshore funds under management increased from £666 million to £877 million (as at 30 September 2003).
- Net sales of £159 million (onshore £96 million, UK offshore sales \$104 million).
- Growing access to major distributors, but opportunities in the UK for new "multi-tie" relationships still to be exploited.
- Strong onshore and offshore sales:
 - Intermediary gross sales market share for HI 1.8% (an increase of 23% from prior year HI 1.5%).
 - Intermediary net sales market share for HI 2.8% (an increase of 15% from prior year HI 2.4%).

Investec in the UK retail fund industry

	30 Sept 2001	30 Sept 2002	30 Sept 2003
Investec Asset Management funds under management (£ millions)	540	588	877
Total industry size (£ millions)	212 916	182 245	223 515
Size ranking in industry	68th out of 138	61st out of 130	54th out of 129
Industry net retail sales (£ millions)	14 872	10 303	7 323
Investec Asset Management % of net industry sales	1.7%	1.7%	2.7%
Industry gross retail sales (£ millions)	30 672	29 152	26 311
Investec Asset Management % of gross industry sales	1.1%	1.0%	1.3%

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

Divisional review

Investec in the UK retail fund industry

	Quartile Rank			
	One year	Two years	Three years	Five years
Global Equity Funds				
IAF Global Equity Fund	1st	1st	1st	2nd
GSF Global Equity Fund	1st	1st	1st	2nd
GSF Global Strategic Value	1st	1st	1st	1st
Global Free Enterprise	1st	1st	1st	1st
International Equity	2nd	1st	1st	1st
UK Equity Funds				
GSF UK Equity Fund	3rd	1st	1st	2nd
UK Blue Chip Fund	3rd	1st	1st	2nd
UK Smaller Companies Fund	2nd	1st	1st	1st
UK Opportunities Fund	4th	2nd	2nd	1st
UK Value Fund	1st	1st	1st	1st
Balanced Funds				
IAF Global Balanced Fund	4th	2nd	2nd	1st
GSF Global Balanced Fund	4th	2nd	2nd	1st
UK Cautious Managed Fund	1st	1st	1st	1st
Global Bond Funds				
IAF Global Bond Fund	2nd	1st	1st	2nd
GSF Global Bond Fund	2nd	1st	1st	3rd
SF Global Bond Fund	2nd	1st	1st	2nd
Sterling Bond Funds				
GSF Sterling Bond Fund	2nd	2nd	2nd	1st
IAF Sterling High Yield Bond Fund	2nd	2nd	2nd	2nd

Note: periods to 31 October 2003

Source: *Standard & Poors Micropal*

Assurance Activities

- The group's South African life assurance activities, conducted by Investec Employee Benefits (IEB) reported operating profit before exceptional items and amortisation of goodwill of £2.2 million - a decline of 88.0%.
- In the comparative period IEB had generated substantial non-recurring operational earnings from the restructuring of its businesses and investment portfolios.

Divisional review

Long-term assurance business attributable to the shareholder

UK GAAP £'000	30 Sept 2003	30 Sept 2002	31 March 2003
Investec Employee Benefits Limited			
The embedded value comprises:			
Net tangible assets of life company including surplus	313 693	199 442	273 072
Reallocated to investments in associated undertakings	(54 879)	(34 573)	(50 824)
Elimination of intercompany balances	(78 681)	(78 926)	(120 833)
Value of in-force business	8 567	12 029	7 113
	188 700	97 972	108 528
Movements in embedded value			
At beginning of period	108 528	67 116	67 116
Profit after tax per profit and loss account	2 699	18 830	27 779
Return on shareholders' funds	6 769	6 291	15 551
Exchange adjustments	10 750	(5 302)	(1 316)
Gain on revaluation of investment properties	4 327	4 528	14 949
Reclassification of shareholder assets	55 627	6 509	(15 551)
At end of period	188 700	97 972	108 528
Income from long-term assurance business comprises			
Premium income	129 039	174 390	306 110
Investment income	115 085	34 627	13 920
Total income	244 124	209 017	320 030
Operating expenses	(10 671)	(11 126)	(21 003)
Policyholder's benefits paid	(183 193)	(237 885)	(419 310)
Decrease in technical provisions	17 841	303 918	457 680
Re-insurance premium expense	(58 813)	(224 730)	(277 387)
Operating profit	9 288	39 194	60 010
Tax charged to technical account	(7 454)	(5 113)	(8 296)
Surplus attributable to shareholders	1 834	34 081	51 714
Value of in-force business	865	(15 251)	(23 935)
Income from long-term assurance business	2 699	18 830	27 779

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

Re-insurance premium expense of £59 million for the six months ended 30 September 2003 (2002: £225 million) (March 2003: £277 million) relates to the reinsurance of certain policyholder liabilities with a third party. This is offset by an equivalent decrease in related technical provisions.

Divisional review

Long-term assurance business attributable to the shareholder

UK GAAP	30 Sept 2003	30 Sept 2002	31 March 2003
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 economic assumptions are derived by adding appropriate long-term risk/equity margins to the benchmark gilt i.e. R153. The principal economic assumptions (relating to the South African economy) which have been used for the periods under review are as follows:			
Risk-adjusted discount rate (%)	12.4	15.0	13.4
Return on equities (gross of tax) (%)	11.4	14.0	12.4
Return on fixed interest securities (gross of tax) (%)	9.4	12.0	10.4
Return on property investments (gross of tax) (%)	10.4	13.0	11.4
Return on cash held (gross of tax) (%)	7.4	9.0	7.4
Inflation rate (%)	6.4	9.0	6.4
Balance sheet	£'000	£'000	£'000
The assets of the long-term assurance fund attributable to the shareholder are detailed below:			
Investments	268 172	*	176 858
Intercompany loans due	78 681	*	120 833
Other assets	46 739	*	64 176
Assets of long-term assurance fund attributable to shareholder	393 592	*	361 867
Current liabilities	(79 899)	*	(88 795)
Net asset value	313 693	*	273 072
Investments shown above comprise:-			
Fixed interest securities	82 647	*	14 034
Stocks, shares and unit trusts	41 247	*	14 259
Investment properties	68 369	*	51 468
Associate	54 879	*	50 824
Deposits	21 030	*	46 273
	268 172	*	176 858
Qualifying capital (net of inadmissible assets) (£ millions)	321.31	188.95	276.50
Statutory capital adequacy requirement (CAR) (£ millions)	11.25	34.52	23.60
CAR cover (times)	28.56	5.47	11.72

* No comparative information is available.

Divisional review

Group Services and Other Activities

Other Activities

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

UK GAAP £'000	30 Sept 2003	30 Sept 2002	% change
Group Services and Other Activities			
Net interest income (excluding interest on sub debt and debentures)	7 327	14 443	(49.3%)
Interest on sub-debt and debentures	(22 297)	(14 466)	(54.1%)
Net fees and commissions receivable	6 844	5 618	21.8%
Dealing profits	5 626	5 110	10.1%
Return on shareholders' funds in the long-term assurance business	6 769	6 291	(7.6%)
Other operating income and dividends	7 667	(266)	>100%
Admin expenses and depreciation	(27 943)	(20 273)	37.8%
Provision for bad and doubtful debts	535	(763)	>100%
Operating loss before exceptional items and goodwill amortisation	(15 472)	(4 306)	>(100%)
International Trade Finance	1 096	623	75.9%
Property Worldwide	3 973	2 675	48.5%
US continuing businesses	162	904	(82.1%)
UK Traded Endowments	(2 031)	(2 344)	13.4%
	3 200	1 858	72.2%
Central Funding	(6 887)	2 267	>(100%)
Central Costs	(11 785)	(8 431)	39.8%
Operating loss before exceptional items and goodwill amortisation	(15 472)	(4 306)	>(100%)
Southern Africa	(12 645)	(16 287)	22.4%
UK and Europe	(3 864)	11 021	>(100%)
Australia	885	1 185	(25.3%)
Israel	(691)	(61)	>(100%)
USA	843	(164)	>100%
Operating loss before exceptional items and goodwill amortisation	(15 472)	(4 306)	>(100%)

Divisional review

The variance in operating profit over the period can be explained as follows:

- The decline in net interest income was largely attributable to the weaker performance of the Central Funding division, which experienced a significant decline in net interest income as a consequence of the margin squeeze that has occurred following the decline in interest rates in South Africa and the UK. This was further exacerbated by the investment of surplus capital in non-interest earning investments.
- Interest on subordinated debt increased significantly as a result of the raising of subordinated debt of £44.4 million towards the end of the 2003 financial year.
- The strong growth in net fees and commissions receivable was largely as a result of the significant increase in the SA Property division's total assets under management of 29.9% to R11.3 billion (£978 million) since the year-end.
- The increase in other operating income is as a result of approximately £3 million profit earned in respect of the share buy-back undertaken by Insinger in which the group held approximately 8%. The remainder of the income earned is principally attributable to the recovery in market values in investments held by the group.
- The increase in expenses is as a result of:
 - The appreciation of the Rand against Pounds Sterling accounts for approximately £2.5 million of the variance.
 - The UK operations have incurred additional costs of £1 million in relation to the implementation of the DLC structure in July 2002, and £1.5 million in respect of accrual of expenditure to be incurred in the second half of the year.
 - The Property division in South Africa experienced a 30% increase in costs in Rand terms largely as a result of an increase in headcount required to deal with the increased business activity and expanded portfolios. This accounts for approximately £1.8 million of the variance.

Key developments for the six month period

Property Division

- The property division in South Africa continues to perform well with total assets under management increasing by 29.9% to R11.3 billion (£978 million).
- Developments during the period include:
 - The Primegro and Growthpoint merger,
 - Growthpoint (which is managed by Investec) is now well-positioned to become a point of reference for investors seeking South African property market exposure.
- In the UK, the combination of low interest rates and the under performance of other asset classes continue to make investment in commercial property more attractive.
- Direct involvement in the property aspects of mezzanine finance deals continues to increase as the UK property division builds commercial property lending.

Reichmans Capital

- Reichmans Capital produced commendable results with strong growth in the division's book.
- Good performances from all three areas of business, particularly Trade Finance, which benefited from the stabilizing currency and falling interest rates.

Divisional review

Traded Endowments

- The negative publicity surrounding endowment policies in the UK market continues and the narrowly based IFA intermediary network remains price sensitive.
- Nevertheless, there was a notable turnaround in the retail market for traded endowment policies towards the end of the period and the number of IFAs through whom policies were sold during the period increased significantly broadening the division's distribution channel.
- The division remains under strategic review.

Central Funding

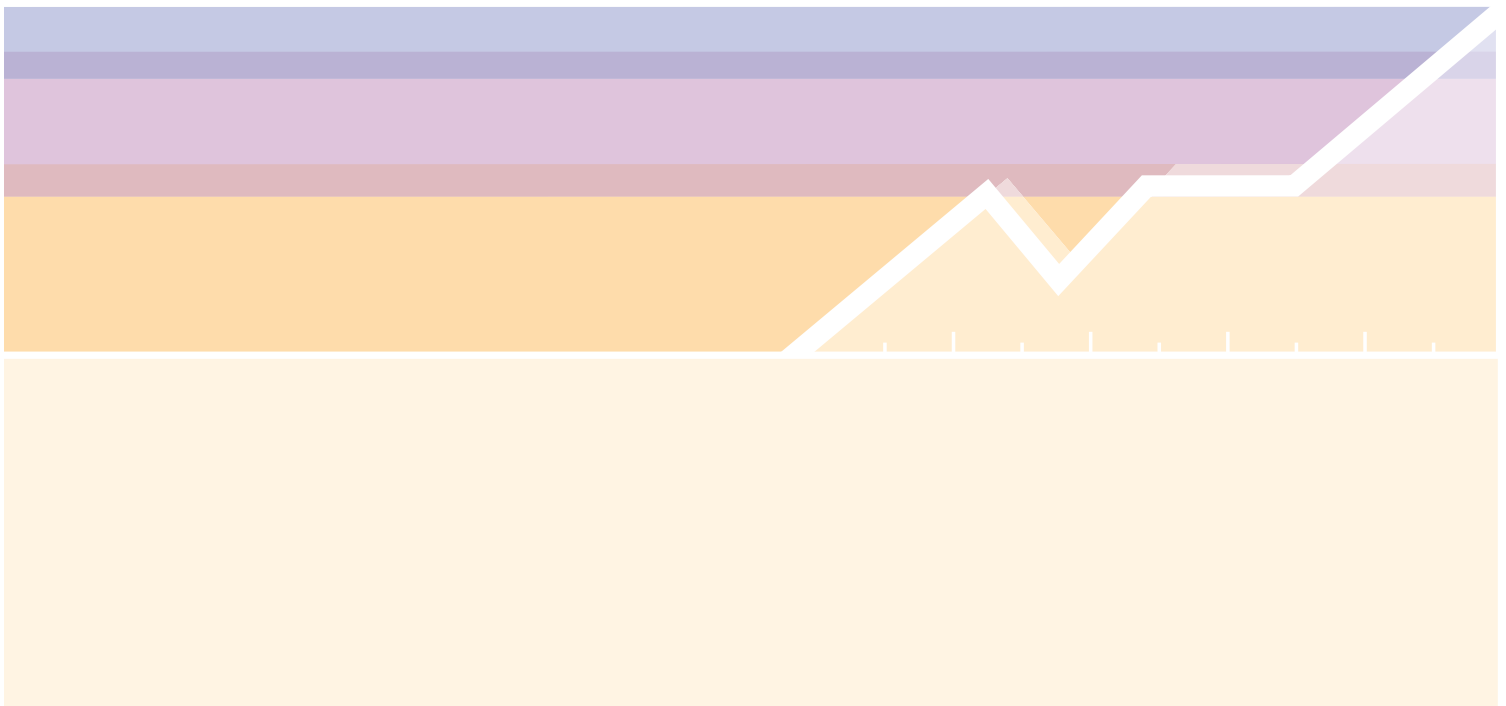
- Investec has a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained.
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements it faces at the relevant point in time.
- The funds raised are applied towards the making of acquisitions, the funding of central services and debt obligations, and the purchase of corporate assets and investments not allocated to the four operating divisions.
- The performance of the Central Funding division is described above.

Central Costs

- The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the group.
- There are certain costs that are strategic in nature which have not been allocated amounting to £11.8 million (2002: £8.4 million).
 - o South Africa: £5.9 million (2002: £4.5 million)
 - o UK: £4.5 million (2002: £2.5 million)
 - o Other countries: £1.4 million (2002: £1.4 million)

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

Consolidated financial results in UK GAAP Pounds Sterling
for the six months ended 30 September 2003



Accounting policies and disclosures

Share options

In June 2002, Investec issued 6 736 260 options to staff at a strike price of R164.50 per share and 770 612 options at a strike price of R170 per share. These options have vesting periods varying between six months and five years. In December 2002, Investec issued 1 951 431 options to staff at a strike price of R111.32 and 1 209 524 options at a strike price of £7.93. In June 2003 Investec issued 64 091 options at a strike price of R101.39, 91 423 options at a strike price of R101.76 and 671 936 options at a strike price of £7.76. The Rand options vest in tranches over five years and the Pound options vest in tranches over nine years.

Future accounting standards are likely to require that options are valued at the date of issue and expensed over the period that employees become entitled to them. Had Investec applied this treatment to the options issued during the current period, reported earnings would have decreased by £2.9 million (R35 million) in respect of the June 2002 options, £705 000 (R9 million) for the December options, and £90 614 (R1 million) in respect of the June 2003 options.

These charges were calculated using a Black-Scholes model with an average implied volatility for the Investec share price of 54%, independently projected dividends, and a risk free rate appropriate to the period of the option. The fair value of the options granted was adjusted to take into account the expected future staff turnover rates and the vesting periods, as will be required by proposed future accounting standards.

Restatements

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

In the prior year income on shareholders' assets were reflected as part of interest margin. In the current year this has been changed to reflect the return on shareholders' funds as a separate line in the consolidated profit and loss account.

Consolidated profit and loss accounts

UK GAAP £'000	6 months to 30 Sept 2003			6 months to 30 Sept 2002*			Year to 31 March 2003*		
	Before goodwill & exceptional items	Unaudited Goodwill & exceptional items	Total	Before goodwill & exceptional items	Unaudited Goodwill & exceptional items	Total	Before goodwill & exceptional items	Audited Goodwill & exceptional items	Total
Interest receivable- interest income arising from debt securities	54 170	–	54 170	65 072	–	65 072	171 066	–	171 066
Interest receivable- other interest income	285 736	–	285 736	327 537	–	327 537	682 254	–	682 254
Interest payable	(296 653)	–	(296 653)	(330 930)	–	(330 930)	(737 405)	–	(737 405)
Net interest income	43 253	–	43 253	61 679	–	61 679	115 915	–	115 915
Dividend income	3 511	–	3 511	2 903	–	2 903	3 597	–	3 597
Fees and commissions receivable	157 128	–	157 128	145 094	–	145 094	331 375	–	331 375
- annuity	131 148	–	131 148	124 394	–	124 394	286 782	–	286 782
- deal	25 980	–	25 980	20 700	–	20 700	44 593	–	44 593
Fees and commission payable	(10 251)	–	(10 251)	(6 982)	–	(6 982)	(54 768)	–	(54 768)
Dealing profits	34 975	–	34 975	30 230	–	30 230	45 231	–	45 231
Income from long-term assurance business	2 699	–	2 699	18 830	–	18 830	27 779	–	27 779
Return on shareholders' funds in the long-term assurance business	6 769	–	6 769	6 291	–	6 291	15 551	–	15 551
Other operating income	13 558	–	13 558	(1 615)	–	(1 615)	25 269	–	25 269
Other income	208 389	–	208 389	194 751	–	194 751	394 034	–	394 034
Total operating income	251 642	–	251 642	256 430	–	256 430	509 949	–	509 949
Administrative expenses	(181 954)	–	(181 954)	(193 726)	–	(193 726)	(392 466)	–	(392 466)
Depreciation and amortisation	(6 679)	(29 780)	(36 459)	(6 556)	(31 409)	(37 965)	(14 417)	(122 302)	(136 719)
- tangible fixed assets	(6 679)	–	(6 679)	(6 556)	–	(6 556)	(14 417)	–	(14 417)
- amortisation and impairment of goodwill	–	(29 780)	(29 780)	–	(31 409)	(31 409)	–	(122 302)	(122 302)
Provision for bad and doubtful debts	(4 889)	–	(4 889)	(7 605)	–	(7 605)	(18 308)	–	(18 308)
Operating profit/(loss) before exceptional items	58 120	(29 780)	28 340	48 543	(31 409)	17 134	84 758	(122 302)	(37 544)
Operating profit/(loss) from continuing operations	58 120	(29 780)	28 340	54 838	(31 409)	23 429	101 427	(116 599)	(15 172)
Operating loss from discontinued operations	–	–	–	(6 295)	–	(6 295)	(16 669)	(5 703)	(22 372)

* Restated for changes to accounting policies and disclosures.

Consolidated profit and loss accounts

UK GAAP £'000	6 months to 30 Sept 2003			6 months to 30 Sept 2002*			Year to 31 March 2003*		
	Before goodwill & exceptional items	Unaudited Goodwill & exceptional items	Total	Before goodwill & exceptional items	Unaudited Goodwill & exceptional items	Total	Before goodwill & exceptional items	Audited Goodwill & exceptional items	Total
Operating profit/(loss) before exceptional items	58 120	(29 780)	28 340	48 543	(31 409)	17 134	84 758	(122 302)	(37 544)
Share of income of associated companies	4 791	(1 008)	3 783	4 451	(780)	3 671	11 350	(1 644)	9 706
Exceptional items	–	8 571	8 571	–	(5 159)	(5 159)	–	(28 757)	(28 757)
Provision for losses on termination and disposal of group operations – discontinued	–	(5 103)	(5 103)	–	(5 159)	(5 159)	–	(9 437)	(9 437)
Impairment of goodwill on discontinued operations	–	–	–	–	–	–	–	(19 047)	(19 047)
Profit on disposal of group operations–continuing	–	13 674	13 674	–	–	–	–	5 800	5 800
Fundamental reorganisation and restructuring costs–continuing	–	–	–	–	–	–	–	(6 073)	(6 073)
Profit/(loss) on ordinary activities before taxation	62 911	(22 217)	40 694	52 994	(37 348)	15 646	96 108	(152 703)	(56 595)
Tax on profit on ordinary activities	(12 727)	–	(12 727)	(8 204)	(3 523)	(11 727)	(5 357)	–	(5 357)
Tax on profit on ordinary continuing activities	(12 727)	–	(12 727)	(8 204)	–	(8 204)	858	–	858
Tax on loss on ordinary discontinued activities	–	–	–	–	–	–	(6 215)	–	(6 215)
Tax on provision for losses on termination and disposal of group operations–discontinued	–	–	–	–	(3 523)	(3 523)	–	–	–
Profit/(loss) on ordinary activities after taxation	50 184	(22 217)	27 967	44 790	(40 871)	3 919	90 751	(152 703)	(61 952)
Minority interests–equity	(1 235)	–	(1 235)	(492)	–	(492)	(1 646)	–	(1 646)
Profit/(loss) attributable to shareholders	48 949	(22 217)	26 732	44 298	(40 871)	3 427	89 105	(152 703)	(63 598)
Dividends–including non–equity	(29 819)	–	(29 819)	(27 349)	–	(27 349)	(53 428)	–	(53 428)
Retained profit/(loss) for the year	19 130	(22 217)	(3 087)	16 949	(40 871)	(23 922)	35 677	(152 703)	(117 026)

* Restated for changes to accounting policies and disclosures.

Consolidated profit and loss accounts

UK GAAP £'000	Continuing operations			Discontinuing operations	
	6 months to 30 Sept 2003	Unaudited 6 months to 30 Sept 2002*	% change	6 months to 30 Sept 2003	Unaudited 6 months to 30 Sept 2002*
Net interest income	43 253	59 726	(27.6%)	–	1 953
Dividend income	3 511	2 903	20.9%	–	–
Net fees and commissions receivable	146 877	121 564	20.8%	–	16 548
Dealing profits	34 975	27 397	27.7%	–	2 833
Income from long-term assurance business	2 699	18 830	(85.7%)	–	–
Return on shareholders' funds in the long-term assurance business	6 769	6 291	7.6%	–	–
Other operating income	13 558	(1 453)	>(100%)	–	(162)
Other income	208 389	175 532	18.7%	–	19 219
Total operating income	251 642	235 258	7.0%	–	21 172
Administrative expenses	(181 954)	(166 946)	9.0%	–	(26 780)
Depreciation	(6 679)	(5 869)	13.8%	–	(687)
Provision for bad and doubtful debts	(4 889)	(7 605)	(35.7%)	–	–
Operating profit/(loss) before goodwill and exceptional items	58 120	54 838	6.0%	–	(6 295)
Share of income of associated companies before goodwill	4 791	4 451	7.6%	–	–
Profit/(loss) on ordinary activities before taxation, goodwill and exceptional items	62 911	59 289	6.1%	–	(6 295)

Consolidated statements of recognised gains and losses

UK GAAP £'000	6 months to 30 Sept 2003 Unaudited	6 months to 30 Sept 2002* Unaudited	Year to 31 March 2003* Audited
Profit/(loss) for the period attributable to shareholders	26 732	3 427	(63 598)
Currency translation differences on foreign currency net investments	20 515	(12 724)	(13 870)
Unrealised surplus on revaluation of investment properties	2 033	3 212	18 265
Total recognised gains and losses for the period	49 280	(6 085)	(59 203)

* Restated for changes to accounting policies and disclosures.

Consolidated balance sheets

UK GAAP £'000	30 Sept 2003 Unaudited	30 Sept 2002* Unaudited	31 March 2003* Audited
Assets			
Cash and balances at central banks	348 391	221 487	348 343
Treasury bills and other eligible bills	311 422	487 019	243 019
Loans and advances to banks	1 523 294	2 755 770	2 758 797
Loans and advances to customers	5 858 259	5 079 600	4 898 226
Debt securities	1 902 519	3 797 015	1 931 265
Equity shares	263 895	136 995	138 888
Interests in associated undertakings	66 099	43 051	62 422
Other participating interests	8 890	8 750	8 750
Intangible fixed assets	280 286	338 198	299 773
Tangible fixed assets	174 297	178 383	205 982
Own shares	88 233	70 004	82 922
Other assets	1 765 340	761 098	1 211 441
Prepayments and deferred income	120 297	126 718	124 390
Long-term assurance business attributable to the shareholder	188 700	97 972	108 528
	12 899 922	14 102 060	12 422 746
Long-term assurance assets attributable to policyholders	2 857 111	2 022 945	2 536 319
	15 757 033	16 125 005	14 959 065
Liabilities			
Deposits by banks	1 402 002	3 518 586	2 129 292
Customer accounts	6 907 589	7 089 082	6 354 867
Debt securities in issue	960 697	669 047	1 089 756
Other liabilities	2 212 605	1 703 446	1 580 881
Accruals and deferred income	232 061	197 541	255 281
	11 714 954	13 177 702	11 410 077
Long-term assurance liabilities attributable to policyholders	2 857 111	2 022 945	2 536 319
	14 572 065	15 200 647	13 946 396
Capital Resources			
Subordinated liabilities (including convertible debt)	300 271	153 803	276 897
Minority interests – equity	41 987	32 580	38 804
Called up share capital	158	123	158
Share premium account	994 098	917 233	994 108
Shares to be issued	2 996	41 148	2 428
Perpetual preference shares	126 778	–	–
Revaluation reserves	31 193	14 148	29 160
Other reserves	(153 367)	(179 703)	(173 877)
Profit and loss account	(159 146)	(54 974)	(155 009)
Shareholders' funds	842 710	737 975	696 968
- equity	715 932	737 975	696 968
- non-equity	126 778	–	–
	1 184 968	924 358	1 012 669
	15 757 033	16 125 005	14 959 065

* Restated for changes to accounting policies and disclosures.

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

UK GAAP £'000	6 months to 30 Sept 2003 Unaudited	6 months to 30 Sept 2002* Unaudited	Year to 31 March 2003* Audited
Balance at the beginning of the period	696 968	734 302	734 302
Foreign currency adjustments	20 515	(12 724)	(13 870)
Loss for the period	(3 087)	(23 922)	(117 026)
Reduction in shareholding of associate	(1 055)	-	-
Issue of perpetual preference shares	127 465	-	-
Share issues/to be issued	568	69 768	112 588
Cancellation of shares	-	(5 189)	(5 079)
Conversions from debentures	-	-	1
Issue expenses	(697)	(27 472)	(32 213)
Revaluation of investment properties	2 033	3 212	18 265
Balance at end of the period	842 710	737 975	696 968

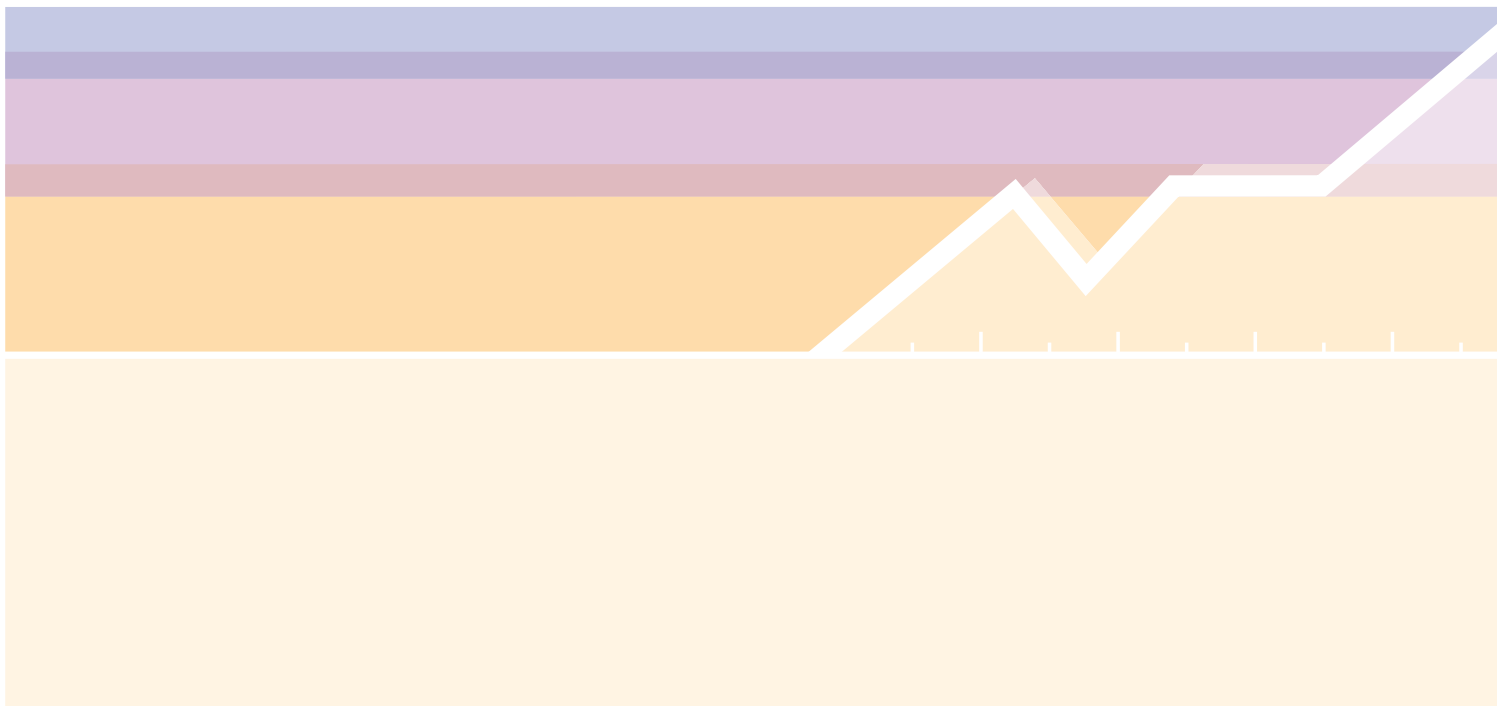
Consolidated cash flow statements

UK GAAP £'000	6 months to 30 Sept 2003 Unaudited	6 months to 30 Sept 2002* Unaudited	Year to 31 March 2003* Audited
Net cash (outflow)/inflow from operating activities	(58 293)	523 338	79 262
Net cash outflow from return on investments and servicing of finance	(22 333)	(16 912)	(23 225)
Taxation	(4 973)	(25 341)	(21 151)
Net cash inflow/(outflow) from capital expenditure and financial investment	25 006	(594 473)	(136 590)
Net cash (outflow)/inflow from acquisitions and disposals	(1 055)	5 324	(9 629)
Ordinary share dividends paid	(26 298)	(26 433)	(54 335)
Net cash inflow from financing	127 806	6 025	34 395
Increase/(decrease) in cash	39 860	(128 472)	(131 273)
Cash and demand bank balances at beginning of the period	1 033 902	2 062 888	1 165 175
Cash and demand bank balances at end of the period	1 073 762	1 934 416	1 033 902

* Restated for changes to accounting policies and disclosures.

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

Additional information



Profit and loss account variance analysis

The following overview will highlight the main reasons for the variances in the major category line items on the face of the profit and loss account.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Net interest income	43 253	61 679	(18 426)	(29.9%)

Variance explained as follows:

Investment Banking	(730)	2 988	(3 718)	>(100%)
Private Banking	36 876	30 470	6 406	21.0%
Private Client Portfolio Mangement and Stockbroking	2 339	2 754	(415)	(15.1%)
Treasury and Specialised Finance	18 037	21 194	(3 157)	(14.9%)
Asset Management	1 701	2 343	(642)	(27.4%)
Group Services and Other Activities	(14 970)	(23)	(14 947)	>(100%)
Discontinued Operations	-	1 953	(1 953)	(100%)

Significant variances over the period can be explained as follows:

- The solid increase in net interest income in the South African, the UK and Australian Private Banking operations has been driven by a healthy growth in advances since 31 March 2003 of 15.1%, 13.7% and 27.3% respectively.
- The decrease in net interest income in the Treasury and Specialised Finance division is largely attributable to the declining rate environment in South Africa, in which this division has experienced a margin squeeze resulting from the group's assets repricing quicker than its liabilities. Net interest income in the UK Treasury and Specialised Finance operations declined by around £1.6 million as a result of the closure of the money markets and repo business during the 2003 financial year-end.
- Net interest income in the Investment Banking division has decreased largely as a result of the decline in the return on inflation-linked instruments in the division's Israeli business. Furthermore, the decline reflects an increase in the division's funding costs of its investments. The division had benefited in the prior period from an increase in cash balances following the sale of investments in the 2002 financial year-end.
- The decline in net interest income in Group Services and Other Activities was largely attributable to the weaker performance of the Central Funding division, which experienced a substantial decline in net interest income as a consequence of the margin squeeze that has occurred following the decline in interest rates in South Africa and the UK. This was further exacerbated by the investment of surplus capital in non-interest earning investments. Furthermore, the interest on subordinated debt increased significantly as a result of the raising of subordinated debt of £44.4 million towards the end of the 2003 financial year (as reflected on page 33).

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Net fees and commissions receivable	146 877	138 112	8 765	6.3%

Variance explained as follows:

Investment Banking	23 954	19 165	4 789	25.0%
Private Banking	29 536	23 505	6 031	25.7%
Private Client Portfolio Management and Stockbroking	25 250	23 407	1 843	7.9%
Treasury and Specialised Finance	15 142	9 663	5 479	56.7%
Asset Management	46 151	40 206	5 945	14.8%
Group Services and Other Activities	6 844	5 618	1 226	21.8%
Discontinued Operations	–	16 548	(16 548)	(100%)

Significant variances over the period can be explained as follows:

- The solid growth in net fees and commissions receivable in the Private Banking division is attributable to increased lending turnover in all operations. Furthermore, the division continued to benefit from its diverse nature of activities, with structured lending fees, advisory fees and transactional banking fees experiencing strong growth over the period.
- The Private Client Portfolio Management and Stockbroking businesses remain susceptible to equity market conditions, although market confidence is improving. Carr Sheppards Crosthwaite in the UK, continued to benefit from net inflows of £327 million (period to September 2002: £225 million) largely in higher yielding discretionary mandates. Investec Securities Limited in South Africa, has also benefited from an increase in funds under management, although market volumes on the JSE remain low.
- The substantial increase in net fees and commissions receivable in the Treasury and Specialised Finance division is attributable to the rapid growth and successful performance of the relatively new banking and advisory teams in the UK (acquired Project Finance team in December 2001 and Structured Finance team in July 2002). Following the restructuring of the Treasury and Specialised Finance businesses in the UK, the group has made a concerted effort to grow the banking and advisory businesses.
- The corporate finance operations in South Africa, UK and Australia have continued to perform well. The solid growth in net fees and commissions receivable in the Investment Banking division is largely attributable to the turnaround in the group's UK operations which have benefited from an increase in commissions on market making stocks and have witnessed a strong increase in advisory fees received.
- The Asset Management division actually experienced a reduction in net fees and commissions receivable in Rand terms, due to net institutional outflows of funds in respect the restructuring of the Fedsure portfolio and a reduction in net new business flows received by the South African Personal Investments division. The increase in net fees and commissions receivable (as reflected above) is thus largely as a result of the appreciation of the Rand against Pounds Sterling.
- Group Services and Other Activities enjoyed a strong growth in net fees and commissions receivable largely as a result of the significant increase in the SA Property division's total assets under management of 29.9% to R11.3 billion (£978 million) since the year-end.

Profit and loss account variance analysis

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Dealing profits (trading income)	34 975	30 230	4 745	15.7%

Variance explained as follows:

Investment Banking	11 294	2 874	8 420	>100%
Private Banking	1 456	666	790	>100%
Private Client Portfolio Management and Stockbroking	154	9	145	>100%
Treasury and Specialised Finance	15 240	18 347	(3 107)	(16.9%)
Asset Management	1 205	391	814	>100%
Group Services and Other Activities	5 626	5 110	516	10.1%
Discontinued Operations	–	2 833	(2 833)	(100%)

Significant variances over the period can be explained as follows:

- The poor trading performance of the South African Treasury and Specialised Finance division was principally as a result of the currency trading desk underestimating the strength of the Rand versus the Dollar and the incorrect positioning of its book for the sharp increase in US interest rates that occurred during the period. Furthermore, the interest rate desk was incorrectly positioned as a result of the incorrect inflation statistics and the emergency MPC meeting held.
- Dealing profits in the Investment Banking division represent the cumulative mark to market adjustments on the division's direct investment and private equity portfolios (including AMB, PG Bison, Bidvest, AAV) as well as the market making activities of its UK operations.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Income from long-term assurance business	2 699	18 830	(16 131)	(85.7%)

Refer to overview on lines of business.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Return on shareholders' funds in the long-term assurance business	6 769	6 291	478	7.6%

- The group generated a return of £6.8 million on shareholders' funds of R1.8 billion (approximately £150 million), in the long-term assurance business.

Profit and loss account variance analysis

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Other operating income	13 558	(1 615)	15 173	>100%
<i>Variance explained as follows:</i>				
Investment Banking	6 061	(904)	6 965	>100%
Private Banking	852	555	297	53.5%
Private Client Portfolio Mangement and Stockbroking	64	(5)	69	>100%
Treasury and Specialised Finance	(1 136)	4	(1 140)	>(100%)
Asset Management	41	-	41	
Group Services and Other Activities	7 676	(1 103)	8 779	>(100%)
Discontinued Operations	-	(162)	162	100%

Significant variances over the period can be explained as follows:

- Other operating income in the Investment Banking division includes income earned on the sale of investments. The largest components of the profit reported in this period include: £2.5 million profit generated on the sale of 18 million Growthpoint units; approximately £2.5 million realised profit on the sale of other investments net of impairments (including Brait, McCarthy Retail, I-Fusion).
- The increase in other operating income in the Group Services and Other Activities division is as a result of approximately £3 million profit earned in respect of the share buy-back undertaken by Insinger in which the group held approximately 8%. The remainder of the income earned is principally attributable to the recovery in market values in investments held by the group.

Profit and loss account variance analysis

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Administrative expenses	(181 954)	(193 726)	11 772	(6.1%)

Variance explained as follows:

Investment Banking	(20 964)	(24 908)	3 944	(15.8%)
Private Banking	(41 166)	(36 118)	(5 048)	14.0%
Private Client Portfolio Mangement and Stockbroking	(23 938)	(23 116)	(822)	3.6%
Treasury and Specialised Finance	(33 058)	(31 624)	(1 434)	4.5%
Asset Management	(38 202)	(33 760)	(4 442)	13.2%
Group Services and Other Activities	(24 626)	(17 420)	(7 206)	41.4%
Discontinued Operations	-	(26 780)	26 780	100%

Significant variances over the period can be explained as follows:

- The increase in expenses in the Private Banking division is attributable to the South African operations which experienced a 17% increase in costs in Rand terms largely as a result of an increase in incentive based remuneration in line with strong growth in profitability.
- Treasury and Specialised Finance have experienced an increase in expenses as a result of the appreciation of the Rand against Pounds Sterling. Total costs in the South African operations declined by around 18% in Rand terms largely as a result a decrease in incentive based remuneration given declining profitability. The decline in personnel expenses was around R25 million.
- The decrease in expenses in the Investment Banking division reflects the significant restructuring undertaken in the UK operations towards the end of the 2003 financial year-end.
- Asset Management and Assurance Activities have experienced an increase in expenses largely as a result of the appreciation of the Rand against Pounds Sterling.
- The increase in expenses in Group Services and Other Activities is as a result of:
 - o The appreciation of the Rand against Pounds Sterling accounts for approximately £2.5 million of the variance.
 - o The UK operations have incurred additional costs of £1 million largely in relation to the implementation of the DLC structure in July 2002 and £1.5 million in respect of accrual of expenditure to be incurred in the second half of the year.
 - o The Property division in South Africa experienced a 30% increase in costs in Rand terms largely as a result of an increase in headcount required to deal with the increased business activity and expanded portfolios. This accounts for approximately £1.8 million of the variance.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Provision for bad and doubtful debts	(4 889)	(7 605)	2 716	(35.7%)

Variance explained as follows:

Investment Banking	–	(589)	589	100%
Private Banking	(4 426)	(3 840)	(586)	15.3%
Private Client Portfolio Mangement and Stockbroking	–	–	–	–
Treasury and Specialised Finance	(998)	(2 373)	1 375	(57.9%)
Asset Management	–	(40)	40	100%
Group Services and Other Activities	535	(763)	1 298	>100%
Discontinued Operations	–	–	–	–

- Overall requirements for provisions declined although general provisions as a percentage of net loans and advances remained stable at 1.2%.
- The provision charge was reduced by a net bad debt recovered of approximately £1 million.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Goodwill amortisation and impairments	(29 780)	(31 409)	1 629	(5.2%)

Variance explained as follows:

Investment Banking	(3 665)	(2 306)	(1 359)	58.9%
Private Banking	(2 547)	(2 553)	6	(0.2%)
Private Client Portfolio Mangement and Stockbroking	(2 183)	(1 921)	(262)	13.6%
Treasury and Specialised Finance	(1 240)	(1 787)	547	(30.6%)
Asset Management	(10 837)	(17 695)	(6 858)	(38.8%)
Group Services and Other Activities	(9 308)	(5 147)	(4 161)	80.8%
Discontinued Operations	–	–	–	–

- The charge for goodwill amortisation and impairment decreased by 5.2% from £31.4 million to £29.8 million, largely as a result of the closure of the majority of the group's US operations in the prior year.
- Included in the current period is an amount of £6.3 million relating to an impairment of the Traded Endowments business acquired through Fedsure.

Profit and loss account variance analysis

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Exceptional items	8 571	(5 159)	13 730	>100%

Variance explained as follows:

Provision for losses on termination and disposal of group operations - discontinued	(5 103)	(5 159)	(56)	(1.1%)
Profits on disposal of group operations - continuing	13 674	–	(13 674)	–

- The group has made a final exceptional charge for losses on termination of its operations in the US amounting to £5.1 million including future run-off costs. To the extent that any costs are incurred in future periods in excess of this charge they will be treated as non-exceptional operating expenses.
- The £13.7 million profit on disposal of group operations represents the sale of the companies, 100 Grayston Drive Property (Pty) Limited and Block E Power Station Properties (Pty) Limited at market value.

UK GAAP £'000	30 Sept 2003	30 Sept 2002	Variance	% change
Taxation	(12 727)	(11 727)	(1 000)	8.5%

Variance explained as follows:

Southern Africa	(5 593)	(7 967)	2 374	(29.8%)
UK and Europe	(4 555)	(3 036)	(1 519)	50.0%
Australia	(1 103)	(991)	(112)	(11.3%)
Israel	(1 426)	(336)	(1 090)	>100%
USA	(50)	4 126	(4 176)	>(100%)
Discontinued Operations	–	(3 523)	3 523	100%

- The effective tax rate in South Africa has declined from 22.4% in 2002 to 18.4% in 2003 largely as a result of losses carried forward.
- The effective tax rates in the UK and Europe and Australia have remained largely in line with that of the prior year: UK and Europe (21.6% (2002: 22.3%)); Australia (29.3% (2002: 30.5%)).
- The effective tax rate in Israel has risen significantly from 12.8% in 2002 to 69.4% because taxation is paid on inflation-adjusted earnings, which have been larger than nominal earnings in this period due to the fall in the inflation rate.
- Taxation in the US has declined as a result of the sale and closure of the majority of the operations in the region.

Dividends and earnings per share

UK GAAP	6 months to 30 Sept 2003	6 months to 30 Sept 2002*
Ordinary dividends - pence per share		
Interim	28.0	26.0
	<hr/>	<hr/>
Ordinary dividends	£'000	£'000
Interim	27 963	26 918
	<hr/>	<hr/>
Preference dividends		
Dividends	1 856	431
Total dividends	29 819	27 349
	<hr/>	<hr/>
Earnings per share - pence per share		
Basic earnings per share (pence per share) are calculated by dividing the profit attributable to the ordinary shareholders in Investec by the weighted average number of ordinary shares in issue during the period.	26.0	3.2
	<hr/>	<hr/>
	£'000	£'000
Group profit attributable to the shareholders per profit and loss account	26 732	3 427
Preference dividends	(1 856)	(431)
Group profit attributable to ordinary shareholders	24 876	2 996
	<hr/>	<hr/>
Diluted earnings per share - pence per share		
Group profit attributable to ordinary shareholders	24 876	2 996
	<hr/>	<hr/>
Diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of Investec, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares (being share options outstanding not yet exercised) during the period.	26.0	3.2
	<hr/>	<hr/>
Weighted average number of shares in issue during the period	103 533 273	96 538 905
Weighted average number of own shares	(7 741 471)	(4 290 905)
	<hr/>	<hr/>
	95 791 802	92 248 000
	<hr/>	<hr/>
Weighted average number of shares resulting from exercise of options	–	2 070
Adjusted weighted number of shares potentially in issue	95 791 802	92 250 070
	<hr/>	<hr/>

* Restated for changes to accounting policies and disclosures.

Earnings per share

UK GAAP	6 months to 30 Sept 2003	6 months to 30 Sept 2002*
EPS excluding goodwill amortisation and exceptional items - pence per share		
Basic earnings per share excluding goodwill and exceptional items (pence per share) are calculated by dividing the profit before deducting goodwill amortisation and impairment and exceptional items attributable to the ordinary shareholders in Investec by the weighted average number of ordinary shares in issue during the period.	49.2	47.6
	£'000	£'000
Group profit attributable to ordinary shareholders	26 732	3 427
Amortisation and impairment of goodwill	29 780	31 409
Profit on termination and disposal of group operations	(13 674)	-
Provision for losses on termination and disposal of group operations (net of deferred tax)	5 103	8 682
Amortisation of goodwill of associates	1 008	780
Preference dividends	(1 856)	(431)
Earnings attributable to ordinary shareholders excluding goodwill and exceptional items	47 093	43 867

* Restated for changes to accounting policies and disclosures.

Reconciliation of the number of shares in issue for EPS purposes

UK GAAP	Transaction date	Actual (mn)	Weighted for EPS (mn)	Notes
As at 31 March 2002		92.2	92.2	Per 2002 Annual Report page 147.
Compulsorily convertible debentures	18 June 2002	9.5	–	Per circular to members dated 20 June 2002 refer to para 4.2 page 21. These shares are not included for EPS purposes as they do not rank for dividends.
Convertible preference shares	15 July 2002	2	2	Per circular to members dated 20 June 2002 refer to para 4.1.1 page 18.
Transfer of shares to the staff share scheme	18 July 2002	5.3	5.3	Per circular to members dated 20 June 2002 refer to para 4.3 page 21.
New issue in terms of global offering	29 July 2002	4	4	
Total number of shares in issue at 31 March 2003		113	103.5	
Less: weighted average number of own shares	various	8	(7.7)	
Number of shares in issue for EPS purposes as at 30 September 2003			95.8	

An analysis of operating income

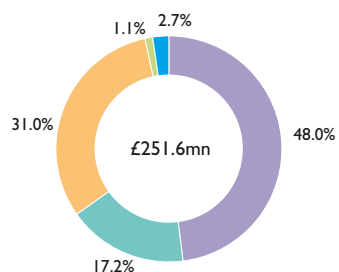
UK GAAP £'000	6 months to 30 Sept 2003	6 months to 30 Sept 2002*	% change
Net interest income	43 253	61 679	(29.9%)
Dividend income	3 511	2 903	20.9%
Fees and commissions receivable	146 877	138 112	6.3%
- annuity (net of fees payable)	120 897	117 412	3.0%
- deal	25 980	20 700	25.5%
Dealing profits	34 975	30 230	15.7%
Income from long-term assurance business	2 699	18 830	(85.7%)
Return on shareholders' funds in the long-term assurance business	6 769	6 291	7.6%
Other operating income	13 558	(1 615)	>100%
Operating income	251 642	256 430	(1.9%)

* Restated for changes to accounting policies and disclosures.

Quality of earnings

UK GAAP

30 Sept 2003

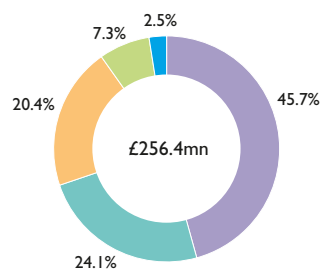


Annuity income/total income: 67.9%

Annuity income

- Net annuity fees and commissions
- Net interest income
- Return on shareholders' funds in the long-term assurance business

30 Sept 2002



Annuity income/total income: 72.3%

Other income

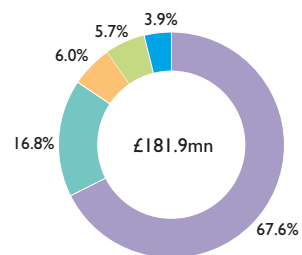
- Dealing profits, dividend income, other operating income, deal fees and commissions
- Income from long-term assurance business

An analysis of administrative expenses

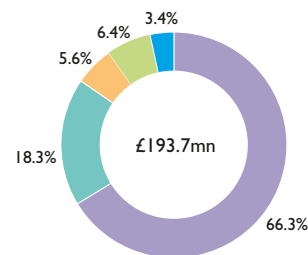
UK GAAP £'000	6 months to 30 Sept 2003	6 months to 30 Sept 2002	% change
Staff costs (including directors' remuneration)	123 035	128 485	(4.2%)
Business expenses	30 485	35 367	(13.8%)
Equipment (excluding depreciation)	10 399	12 334	(15.7%)
Premises (excluding depreciation)	10 898	10 889	0.1%
Marketing expenses	7 137	6 651	7.3%
Administrative expenses	181 954	193 726	(6.1%)

UK GAAP

30 Sept 2003



30 Sept 2002



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

Segmental geographical analysis - profit and loss account, post allocation of central costs

For the six months ended 30 September 2003

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Profit and Loss Account Salient Information							
Net interest income	12 345	20 378	5 076	4 499	955	-	43 253
Other income							
Dividend income	3 348	142	12	9	-	-	3 511
Net fees and commissions receivable	57 221	78 966	5 559	4 115	1 016	-	146 877
Dealing profits	20 457	12 652	(81)	1 079	868	-	34 975
Income from long-term assurance business	2 699	-	-	-	-	-	2 699
Return on shareholders' funds in the long-term assurance business	6 769	-	-	-	-	-	6 769
Other operating income	9 834	3 054	-	670	-	-	13 558
Total operating income	112 673	115 192	10 566	10 372	2 839	-	251 642
Administrative expenses	(73 746)	(92 292)	(6 652)	(7 348)	(1 916)	-	(181 954)
Depreciation - tangible fixed assets	(3 189)	(2 799)	(110)	(501)	(80)	-	(6 679)
Provision for bad and doubtful debts	(5 376)	1 003	(34)	(482)	-	-	(4 889)
Operating profit before exceptional items and amortisation of goodwill	30 362	21 104	3 770	2 041	843	-	58 120
Share of income/(loss) of associated companies	3 710	-	-	(5)	78	-	3 783
Profit on ordinary activities before taxation	34 072	21 104	3 770	2 036	921	-	61 903
Taxation	(5 593)	(4 555)	(1 103)	(1 426)	(50)	-	(12 727)
Minority interests - equity	(1 118)	-	-	(117)	-	-	(1 235)
Profit on ordinary activities after taxation	27 361	16 549	2 667	493	871	-	47 941
Amortisation and impairment of goodwill	(17 067)	(9 887)	(2 826)	-	-	-	(29 780)
Other exceptional items	13 674	-	-	-	(5 103)	-	8 571
Selected Returns and Key Statistics							
Net intercompany interest (£'000)	7 284	(7 252)	(130)	-	98	-	-
Cost to income ratio (%)	68.3	82.6	64.0	75.7	70.3	-	75.0
Staff compensation to operating income ratio (%)	43.2	55.4	50.4	41.3	30.1	-	48.9
Effective tax rate (%)	18.4	21.6	29.3	69.4	-	-	21.9

Segmental geographical analysis - profit and loss account, post allocation of central costs

For the six months ended 30 September 2002*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Profit and Loss Account Salient information							
Net interest income	13 993	36 232	3 507	6 984	(990)	1 953	61 679
Other income							
Dividend income	2 666	237	–	–	–	–	2 903
Net fees and commissions receivable	42 161	68 338	5 797	4 266	1 002	16 548	138 112
Dealing profits	19 260	6 527	–	611	999	2 833	30 230
Income from long-term assurance business	18 830	–	–	–	–	–	18 830
Return on shareholders' funds in the long-term assurance business	6 291	–	–	–	–	–	6 291
Other operating income	(1 235)	(218)	–	–	–	(162)	(1 615)
Total operating income	101 966	111 116	9 304	11 861	1 011	21 172	256 430
Administrative expenses	(58 199)	(94 346)	(5 855)	(7 415)	(1 131)	(26 780)	(193 726)
Depreciation - tangible fixed assets	(2 411)	(2 644)	(98)	(672)	(44)	(687)	(6 556)
Provision for bad and doubtful debts	(5 816)	(540)	(100)	(1 149)	–	–	(7 605)
Operating profit/(loss) before exceptional items and amortisation of goodwill	35 540	13 586	3 251	2 625	(164)	(6 295)	48 543
Share of income/(loss) of associated companies	3 619	–	–	(26)	78	–	3 671
Profit/(loss) on ordinary activities before taxation	39 159	13 586	3 251	2 599	(86)	(6 295)	52 214
Taxation	(7 967)	(3 036)	(991)	(336)	4 126	(3 523)	(11 727)
Minority interests - equity	–	–	–	(492)	–	–	(492)
Profit/(loss) on ordinary activities after taxation	31 192	10 550	2 260	1 771	4 040	(9 818)	39 995
Amortisation and impairment of goodwill	(16 527)	(9 763)	(2 597)	(33)	(2 489)	–	(31 409)
Other exceptional items	–	–	–	–	5 838	(10 997)	(5 159)
Selected Returns and Key Statistics							
Net intercompany interest (£'000)	2 569	(1 109)	(601)	–	181	(1 040)	–
Cost to income ratio (%)	59.4	87.3	64.0	68.2	>100	>100	78.1
Staff compensation to operating income ratio (%)	38.5	57.4	48.9	38.1	–	–	50.1
Effective tax rate (%)	22.4	22.3	30.5	12.8	–	–	16.9

* Restated for changes to accounting policies and disclosures.

Segmental geographical analysis - profit and loss account, post allocation of central costs

For the six months ended 30 September 2003

UK GAAP £'000	PC*	TSF*	IB*	AM*	GSO*	Disc Ops*	Total group
Net interest income	39 215	18 037	(730)	1 701	(14 970)	–	43 253
Other income							
Dividend income	–	2 795	725	–	(9)	–	3 511
Net fees and commissions receivable	54 786	15 142	23 954	46 151	6 844	–	146 877
Dealing profits	1 610	15 240	11 294	1 205	5 626	–	34 975
Income from long-term assurance business	–	–	–	2 699	–	–	2 699
Return on shareholders' funds in the long-term assurance business	–	–	–	–	6 769	–	6 769
Other operating income	916	(1 136)	6 061	41	7 676	–	13 558
Total operating income	96 527	50 078	41 304	51 797	11 936	–	251 642
Administrative expenses	(65 104)	(33 058)	(20 964)	(38 202)	(24 626)	–	(181 954)
Depreciation - tangible fixed assets	(1 921)	(644)	(263)	(534)	(3 317)	–	(6 679)
Provision for bad and doubtful debts	(4 426)	(998)	–	–	535	–	(4 889)
Operating profit/(loss) before exceptional items and amortisation of goodwill	25 076	15 378	20 077	13 061	(15 472)	–	58 120
Share of income/(loss) of associated companies	–	–	–	4 064	(281)	–	3 783
Profit on ordinary activities before taxation	25 076	15 378	20 077	17 125	(15 753)	–	61 903
Amortisation and impairment of goodwill	(4 730)	(1 240)	(3 665)	(10 837)	(9 308)	–	(29 780)
Other exceptional items	–	–	–	748	7 823	–	8 571
Cost to income ratio (%)	69.4	67.3	51.4	77.9 ¹	>100	–	75.0
Staff compensation to operating income ratio (%)	43.0	37.0	31.0	47.4 ¹	>100	–	48.9

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

¹ Excluding earnings from long-term assurance activities.

Segmental geographical analysis - profit and loss account, post allocation of central costs

For the six months ended 30 September 2002**

UK GAAP £'000	PC*	TSF*	IB*	AM*	GSO*	Disc Ops*	Total group
Net interest income	33 224	21 194	2 988	2 343	(23)	1 953	61 679
Other income							
Dividend income	–	35	1 965	66	837	–	2 903
Net fees and commissions receivable	46 912	9 663	19 165	40 206	5 618	16 548	138 112
Dealing profits	675	18 347	2 874	391	5 110	2833	30 230
Income from long-term assurance business	–	–	–	18 830	–	–	18 830
Return on shareholders' funds in the long-term assurance business	–	–	–	–	6 291	–	6 291
Other operating income	550	4	(904)	–	(1 103)	(162)	(1 615)
Total operating income	81 361	49 243	26 088	61 836	16 730	21 172	256 430
Administrative expenses	(59 234)	(31 624)	(24 908)	(33 760)	(17 420)	(26 780)	(193 726)
Depreciation - tangible fixed assets	(1 824)	(470)	(490)	(232)	(2 853)	(687)	(6 556)
Provision for bad and doubtful debts	(3 840)	(2 373)	(589)	(40)	(763)	–	(7 605)
Operating profit/(loss) before exceptional items and amortisation of goodwill	16 463	14 776	101	27 804	(4 306)	(6 295)	48 543
Share of (loss)/income of associated companies	(11)	(1)	–	3 619	64	–	3 671
Profit/(loss) on ordinary activities before taxation	16 452	14 775	101	31 423	(4 242)	(6 295)	52 214
Amortisation and impairment of goodwill	(4 474)	(1 787)	(2 306)	(17 695)	(5 147)	–	(31 409)
Other exceptional items	–	–	–	–	–	5 159	(5 159)
Cost to income ratio (%)	75.0	65.2	97.4	77.9 ¹	>100	–	78.1
Staff compensation to operating income ratio (%)	46.2	36.2	60.4	48.9 ¹	>100	–	50.4

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

** Restated for changes to accounting policies and disclosures.

¹ Excluding earnings from long-term assurance activities.

Segmental geographic and business analysis of operating profit before taxation, exceptional items and amortisation of goodwill – post allocation of central costs

For the six months ended 30 September 2003

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	9 149	14 328	1 229	370	–	–	25 076
Treasury and Specialised Finance	5 239	8 909	65	1 165	–	–	15 378
Investment Banking	15 884	1 516	1 591	1 086	–	–	20 077
Asset Management	10 537	215	–	111	–	–	10 863
Assurance Activities	2 198	–	–	–	–	–	2 198
Group Services and Other Activities	(12 645)	(3 864)	885	(691)	843	–	(15 472)
Discontinued Operations	–	–	–	–	–	–	–
Total group	30 362	21 104	3 770	2 041	843	–	58 120

For the six months ended 30 September 2002*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	5 290	9 393	656	1 124	–	–	16 463
Treasury and Specialised Finance	18 644	(3 586)	(376)	94	–	–	14 776
Investment Banking	1 517	(4 576)	1 786	1 374	–	–	101
Asset Management	8 046	1 334	–	94	–	–	9 474
Assurance Activities	18 330	–	–	–	–	–	18 330
Group Services and Other Activities	(16 287)	11 021	1 185	(61)	(164)	–	(4 306)
Discontinued Operations	–	–	–	–	–	(6 295)	(6 295)
Total group	35 540	13 586	3 251	2 625	(164)	(6 295)	48 543

* Restated for changes to accounting policies and disclosures.

Segmental geographic and business analysis of operating profit before taxation, exceptional items and amortisation of goodwill – pre allocation of central costs

For the six months ended 30 September 2003

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	10 649	15 965	1 285	1 219	–	–	29 118
Treasury and Specialised Finance	7 873	9 929	91	1 739	–	–	19 632
Investment Banking	16 425	2 543	1 512	1 815	–	–	22 295
Asset Management	11 330	420	–	218	–	–	11 968
Assurance Activities	2 699	–	–	–	–	–	2 699
Group Services and Other Activities	(18 614)	(7 887)	911	(2 906)	904	–	(27 592)
Discontinued Operations	–	–	–	–	–	–	–
Total group	30 362	20 970	3 799	2 085	904	–	58 120

For the six months ended 30 September 2002*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	6 151	11 578	1 041	1 124	–	–	19 894
Treasury and Specialised Finance	21 000	(2 187)	(308)	94	–	–	18 599
Investment Banking	1 980	(3 267)	1 876	1 374	–	–	1 963
Asset Management	8 748	1 445	–	94	–	–	10 287
Assurance Activities	18 830	–	–	–	–	–	18 830
Group Services and Other Activities	(21 169)	5 942	668	(42)	(164)	–	(14 765)
Discontinued Operations	–	–	–	–	–	(6 265)	(6 265)
Total group	35 540	13 511	3 277	2 644	(164)	(6 265)	48 543

* Restated for changes to accounting policies and disclosures.

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

UK GAAP £'000	30 September 2003			30 September 2002*		
	Post residual charges	Residual charges	Pre residual charges	Post residual charges	Residual charges	Pre residual charges
Private Client Activities						
Private Banking	21 772	(3 199)	24 971	14 072	(2 487)	16 559
Private Client Portfolio Management and Stockbroking	3 304	(843)	4 147	2 391	(944)	3 335
	25 076	(4 042)	29 118	16 463	(3 431)	19 894
Treasury and Specialised Finance						
Financial Market Activities	705	(2 260)	2 965	6 486	(1 247)	7 733
Banking Activities	14 673	(1 994)	16 667	8 290	(2 576)	10 866
	15 378	(4 254)	19 632	14 776	(3 823)	18 599
Investment Banking						
Corporate Finance	5 150	(448)	5 598	1 052	(801)	1 853
Institutional Research and Sales and Trading	1 147	(1 649)	2 796	(852)	(818)	(34)
Direct Investments	11 888	(53)	11 941	(100)	(111)	11
Private Equity	1 892	(68)	1 960	1	(132)	133
	20 077	(2 218)	22 295	101	(1 862)	1 963
Asset Management	10 863	(1 105)	11 968	9 474	(813)	10 287
Assurance Activities	2 198	(501)	2 699	18 330	(500)	18 830
Group Services and Other Activities						
International Trade Finance	1 096	(100)	1 196	623	(71)	694
Property Worldwide	3 973	(379)	4 352	2 675	(277)	2 952
US continuing operations	162	(60)	222	904	–	904
UK Traded Endowments	(2 031)	(38)	(1 993)	(2 344)	–	(2 344)
	3 200	(577)	3 777	1 858	(348)	2 206
Central Funding	(6 887)	1 585	(8 472)	2 267	543	1 724
Central Costs	(11 785)	11 112	(22 897)	(8 431)	10 264	(18 695)
	(15 472)	12 120	(27 592)	(4 306)	10 459	(14 765)
Discontinued Operations	–	–	–	(6 295)	(30)	(6 265)
Total group	58 120	–	58 120	48 543	–	48 543

* Restated for changes to accounting policies and disclosures.

Segmental geographic analysis - balance sheet

As at 30 September 2003

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Cash and balances at central banks	86 924	10 253	1 982	249 172	60	348 391
Treasury bills and other eligible bills	218 810	–	92 612	–	–	311 422
Loans and advances to banks	274 939	1 064 227	42 725	135 636	5 767	1 523 294
Loans and advances to customers	3 344 690	2 105 398	220 082	180 567	7 522	5 858 259
- Core advances	2 743 603	1 463 929	220 082	180 567	7 522	4 615 703
- Cash and cash equivalents	601 087	641 469	–	–	–	1 242 556
Debt securities	921 585	830 380	–	136 432	14 122	1 902 519
Equity shares	126 577	133 343	1 950	–	2 025	263 895
Interests in associated undertakings	62 470	2 777	–	334	518	66 099
Participating interests	–	8 890	–	–	–	8 890
Intangible fixed assets	111 137	154 866	14 283	–	–	280 286
Tangible fixed assets	138 808	18 584	1 210	14 834	861	174 297
Own shares	88 233	–	–	–	–	88 233
Other assets	882 886	947 901	2 224	46 864	5 762	1 885 637
Long-term assurance assets	3 045 811	–	–	–	–	3 045 811
Total assets	9 302 870	5 276 619	377 068	763 839	36 637	15 757 033

As at 30 September 2002*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Cash and balances at central banks	86 924	10 253	1 982	249 172	60	348 391
Cash and balances at central banks	58 190	12 889	1 861	140 183	8 364	221 487
Treasury bills and other eligible bills	232 165	204 558	50 296	–	–	487 019
Loans and advances to banks	131 570	2 494 635	5 075	124 384	106	2 755 770
Loans and advances to customers	1 930 367	2 385 997	132 669	231 136	399 431	5 079 600
- Core advances	1 574 155	1 144 124	132 669	231 136	79 511	3 161 595
- Cash and cash equivalents	356 212	1 241 873	–	–	319 920	1 918 005
Debt securities	560 607	3 021 779	–	198 105	16 524	3 797 015
Equity shares	81 830	44 861	2 213	3 418	4 673	136 995
Interests in associated undertakings	40 967	1 180	–	404	500	43 051
Participating interests	–	8 750	–	–	–	8 750
Intangible fixed assets	129 767	179 032	17 409	–	11 990	338 198
Tangible fixed assets	127 773	21 332	7 800	15 087	6 391	178 383
Own shares	70 004	–	–	–	–	70 004
Other assets	401 286	400 201	3 656	24 380	58 293	887 816
Long-term assurance assets	2 120 917	–	–	–	–	2 120 917
Total assets	5 885 443	8 775 214	220 979	737 097	506 272	16 125 005

* Restated for changes to accounting policies and disclosures.

Goodwill analysis - balance sheet information

UK GAAP £ millions	30 Sept 2003
South Africa	111
Private Client Activities	2
Asset Management	89
Group Services and Other Activities	20
UK and Europe	155
Investment Banking	8
Private Client Activities	30
Treasury and Specialised Finance	13
Asset Management	98
Group Services and Other Activities	6
Australia	14
Investment Banking	14
Total group	280

Segmental analysis – geographical and business analysis

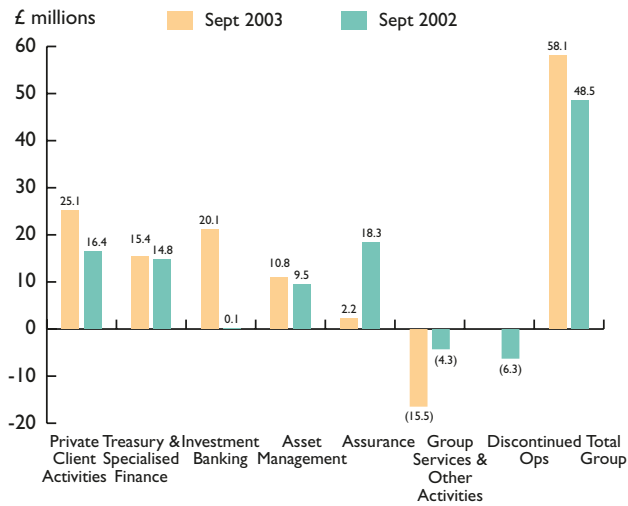
Operating profit before taxation, exceptional items and amortisation of goodwill by geography

UK GAAP



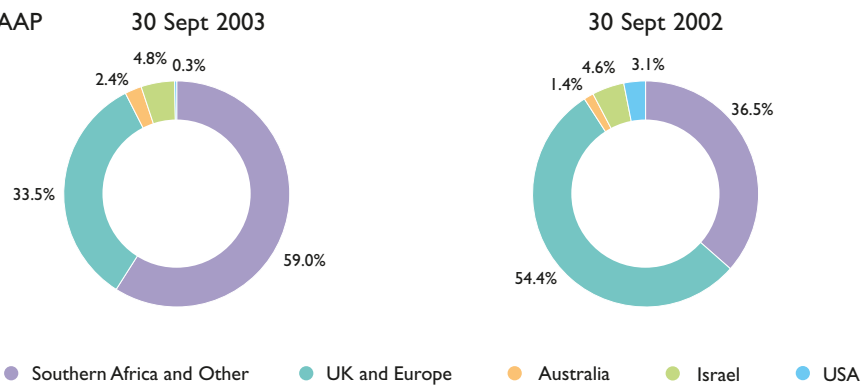
Operating profit before taxation, exceptional items and amortisation of goodwill by business

UK GAAP



Assets by geography

UK GAAP



Asset quality

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

Asset quality, specific and general provisions

UK GAAP £ millions	30 Sept 2003	31 March 2003	30 Sept 2002
Total loans and advances to customers (gross of provisions)	5 939	4 981	5 147
Less : Cash equivalent debtors	(1 243)	(975)	(1 918)
Core loans and advances to customers	4 696	4 006	3 229
Managed book	(104)	(107)	(69)
Net loans and advances to customers	4 592	3 899	3 160
Consolidated profit and loss provision charge	(5)	(18)	(8)
Specific provisions	28	31	28
General provisions	53	52	39
Total provisions	81	83	67
Gross non-performing loans	50	61	30
Less: Security	(19)	(36)	(11)
Net non-performing loans	31	25	19

Adequacy of provisions

Specific provisions as a % of core loans and advances to customers	0.60%	0.77%	0.87%
General provisions as a % of net loans and advances to customers	1.15%	1.33%	1.23%
Total provisions as a % of core loans and advances to customers	1.72%	2.07%	2.07%
Total provisions as a % of gross non-performing loans	162.00%	136.74%	223.33%
Total provisions as a % of net non-performing loans	261.29%	337.40%	352.63%
Gross non-performing loans as a % of core loans and advances to customers	1.06%	1.52%	0.93%
Consolidated profit and loss provision charge as a % of average core loans and advances to customers	0.11%	0.51%	0.25%

Assets under administration

UK GAAP £ millions	Southern Africa & Other	UK, Australia, Israel & USA	Total group
As at 30 Sept 2003			
Retail	2 545	2 329	4 874
Institutional	6 975	5 567	12 542
Private clients	2 814	6 063	8 877
- Private clients-discretionary	441	3 362	3 803
- Private clients-non-discretionary	2 373	2 701	5 074
Properties managed for third parties	712	14	726
Acceptances on behalf of clients	–	2	2
Scrip lending	–	1 141	1 141
Total third party assets	13 046	15 116	28 162
On balance sheet assets	9 303	6 454	15 757
Total assets under administration	22 349	21 570	43 919
As at 30 Sept 2002			
Retail	1 825	1 931	3 756
Institutional	5 081	6 099	12 067
Private clients	1 734	6 977	8 711
- Private clients-discretionary	352	3 653	4 005
- Private clients-non-discretionary	1 382	3 324	4 706
Other (including wills and estates)	–	33	33
Properties managed for third parties	242	13	255
Acceptances on behalf of clients	–	2	2
Scrip lending	–	514	514
Total third party assets	8 882	15 569	24 451
On balance sheet assets	5 885	10 240	16 125
Total assets under administration	14 767	25 809	40 576
As at 31 March 2003			
Retail	2 224	1 994	4 218
Institutional	5 877	5 630	11 507
Private clients	2 066	6 306	8 372
- Private clients-discretionary	364	2 681	3 045
- Private clients-non-discretionary	1 702	3 625	5 327
Properties managed for third parties	423	14	437
Acceptances on behalf of clients	–	2	2
Scrip lending	–	1 109	1 109
Total third party assets	10 590	15 055	25 645
On balance sheet assets	8 213	6 746	14 959
Total assets under administration	18 803	21 801	40 604

Net asset value per share

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

UK GAAP £'000	30 Sept 2003	31 March 2003	Notes
A Equity shareholders' funds	715 932	696 968	Per the balance sheet
B Convertible debt included in subordinated liabilities	41 647	48 830	Debt component of CCD's (included in equity under SA GAAP) relating to unsecured, Class "A", Class "A" Series 11, Class "B" and Class "C" subordinated CCD's. Refer to a more detailed explanation of the difference between SA GAAP and UK GAAP on page 76.
C CCD's issued by Investec Limited included in in subordinated liabilities	3 742	4 189	These CCD's (approximately 1.9 million shares) relate to the group's staff share schemes but have largely remained unallocated.
D Less: Intangible fixed assets	280 286	299 773	Per the balance sheet
Tangible net asset value	481 035	450 214	
Number of shares in issue (including non-equity shares)	113.0	113.0	Refer to page 52 and the 2002 Annual Report page 149.
CCD's	3.6	3.6	Refer to the group 2002 Annual report page 198, relates to B above.
CCD's	0.2	0.2	Allocated in terms of C above
Number of shares in issue to this calculation (millions)	116.8	116.8	
Tangible NAV per share (pence)	411.9	385.5	

ROE by country and business

Return on capital by segment

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

£'000	6 months to 30 Sept 2003	Year to 31 March 2003	Average
Calculation of average shareholders' funds			
Average shareholders' funds (including minorities) per balance sheet	757 919	735 772	746 846
Add : Average convertible debt included in subordinated liabilities	41 647	48 830	45 239
Average other capital which is excluded under UK GAAP	32 832	26 133	29 483
Average final dividend declaration	28 989	28 989	28 989
Adjusted average shareholders' funds	861 387	839 724	850 557
Average goodwill per balance sheet	(280 286)	(299 773)	(290 030)
Adjusted average tangible shareholders' funds	581 101	539 951	560 527
Operating profit before goodwill and exceptional items	58 120	84 758	
Share of associated companies before goodwill	3 783	11 350	
Revised operating profit	61 903	96 108	
Tax on ordinary activities	(12 727)	(5 357)	
Revised operating profit after tax	49 176	90 751	
Pre-tax return on average adjusted shareholders' funds	14.6%	11.3%	
Pre-tax return on average adjusted tangible shareholders' funds	22.1%	18.8%	
Post-tax return on average adjusted shareholders' funds	11.6%	10.6%	
Post-tax return on average adjusted tangible shareholders' funds	17.5%	17.8%	

ROE by business

For the six months ended 30 September 2003

£'000	PB*	PCSB*	TSF*	IB*	AM*	ASU*	GSO*	Disc Ops*	Total
Total operating profit**	21 772	3 304	15 378	20 077	10 863	2 198	(11 689)	–	61 903
Notional return on regulatory capital	11 278	344	13 621	1 554	882	930	(28 609)	–	–
Cost of subordinated debt	(7 195)	(258)	(7 322)	(912)	(525)	(411)	16 623	–	–
Adjusted earnings/(losses)	25 855	3 390	21 677	20 719	11 220	2 717	(23 675)	–	61 903
Adjusted average shareholders' funds	224 073	21 024	221 977	49 250	193 022	27 342	113 869	–	850 557
Adjusted average tangible shareholders' funds	208 934	7 510	212 411	26 464	15 277	12 055	77 876	–	560 527
Adjusted tangible shareholders' funds as at 30 Sept 2003	220 140	7 442	232 614	28 522	14 497	7 534	70 352	–	581 101
Adjusted tangible shareholders' funds as at 31 March 2003	197 727	7 577	192 207	24 406	16 057	16 575	83 176	2 226	539 951
Return on adjusted average shareholders' funds	23.1%	32.3%	19.5%	84.1%	11.6%	19.9%	(41.6%)	–	14.6%
Return on adjusted average tangible shareholders' funds	24.7%	90.3%	20.4%	>100%	>100%	45.1%	(60.8%)	–	22.1%

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

**Includes share of income of associated companies.

£'000	6 months to 30 Sept 2003
Explanation of the GSO category	
Adjusted losses of GSO	(23 675)
Unrealised surplus on revaluation of investment properties	4 327
Revised earnings	(19 348)
Analysed as follows :	
Central costs remaining in the centre	(11 785)
Traded Endowments	(2 031)
Property Worldwide	3 973
International Trade Finance	1 096
US continuing businesses	162
Short-term Insurance Activities	748
Liquidation Activities	499
Cash utilised in central capital	(12 010)
	(19 348)

ROE by country

For the six months ended 30 September 2003

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Total operating profit	30 362	21 104	3 770	2 041	843	–	58 120
Share of income of associated companies	3 710	–	–	(5)	78	–	3 783
Tax on profit on ordinary activities	(5 593)	(4 555)	(1 103)	(1 426)	(50)	–	(12 727)
Profit on ordinary activities after taxation	28 479	16 549	2 667	610	871	–	49 176
Adjusted average shareholders' funds	311 731	446 107	43 355	46 498	2 866	–	850 557
Adjusted average tangible shareholders' funds	212 410	268 525	29 295	47 902	2 395	–	560 527
Adjusted tangible shareholders' funds as at 30 Sept 2003	222 795	278 628	32 406	44 707	2 565	–	581 101
Adjusted tangible shareholders' funds as at 31 March 2003	202 024	258 421	26 184	51 096	–	2 226	539 951
Pre-tax return on average tangible shareholders' funds	32.1%	15.7%	25.7%	8.5%	76.9%	–	22.1%
Pre-tax return on average shareholders' investment	21.9%	9.5%	17.4%	8.8%	64.3%	–	14.6%
Post-tax return on average tangible shareholders' funds	26.8%	12.3%	18.2%	2.5%	72.7%	–	17.5%
Post-tax return on average shareholders' investment	18.3%	7.4%	12.3%	2.6%	60.8%	–	11.6%

Number of employees

As at	Sept 2003	March 2003	March 2002	March 2001
Private Banking				
South Africa and Other	652	628	571	542
UK and Europe	348	329	293	319
Australia	39	55	43	74
USA	–	–	–	–
Israel	57	73	51	97
Total	1 096	1 085	958	1 032
Private Client Stockbroking and Portfolio Management				
South Africa and Other	125	144	148	164
UK and Europe	352	400	415	402
Australia	–	–	–	–
USA	–	–	292	430
Israel	–	–	–	–
Total	477	544	855	996
Private Client Activities Total				
South Africa and Other	777	772	719	706
UK and Europe	700	729	708	721
Australia	39	55	43	74
USA	–	–	292	430
Israel	57	73	51	97
Total	1 573	1 629	1 813	2 028
Treasury and Specialised Finance				
South Africa and Other	279	265	271	300
UK and Europe	136	156	166	128
Australia	10	10	11	–
USA	35	33	7	–
Israel	34	25	48	13
Total	494	489	503	441
Investment Banking				
South Africa and Other	97	105	116	147
UK and Europe	115	101	156	140
Australia	20	16	30	–
USA	–	68	111	3
Israel	41	46	49	54
Total	273	336	462	344

Number of employees

As at	Sept 2003	March 2003	March 2002	March 2001
Asset Management				
South Africa and Other	502	490	512	413
UK and Europe	273	267	245	252
Australia	–	–	–	–
USA	–	–	6	5
Israel	10	14	–	–
Total	785	771	763	670
Assurance Activities				
	185	490	576	
Group Services and Other Activities				
South Africa and Other	796	813	815	678
UK and Europe	208	218	235	176
Australia	36	22	–	–
USA	33	30	272	421
Israel	77	76	90	78
Total	1 150	1 159	1 412	1 353
Total number of employees				
	4 460	4 874	5 529	4 836
By Geography				
South Africa and Other	2 636	2 935	3 009	2 244
UK and Europe	1 432	1 471	1 510	1 417
Australia	105	103	84	74
USA	68	131	688	859
Israel	219	234	238	242
Total number of employees	4 460	4 874	5 529	4 836

Shareholder analysis as at 30 September 2003

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

Investec plc - 74.6 million shares in issue

Beneficial owner	No. of shares	% holding
1 Public Investment Commissioner (SA)	8 220 430	10.34
2 Fintique III (BVI)*	7 388 741	9.90
3 Old Mutual Life Assurance (SA)	3 730 077	5.08
4 Spurwing Investments Ltd (CI)	3 220 000	4.31
5 Investec Staff Share Scheme (SA)	3 086 961	4.17
6 Legal and General Pooled Index Fund (UK)	1 726 541	2.40
7 Citigroup Global Markets UK Equity (UK)	1 606 555	2.26
8 Sanlam (SA)	1 431 789	1.99
9 Liberty Life (SA)	1 323 769	1.69
10 Momentum Life Assurance (SA)	1 319 430	1.78
Cumulative total	33 054 293	43.92

The top 10 beneficial shareholders account for 43.9% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Investec Limited - 38.4 million shares in issue

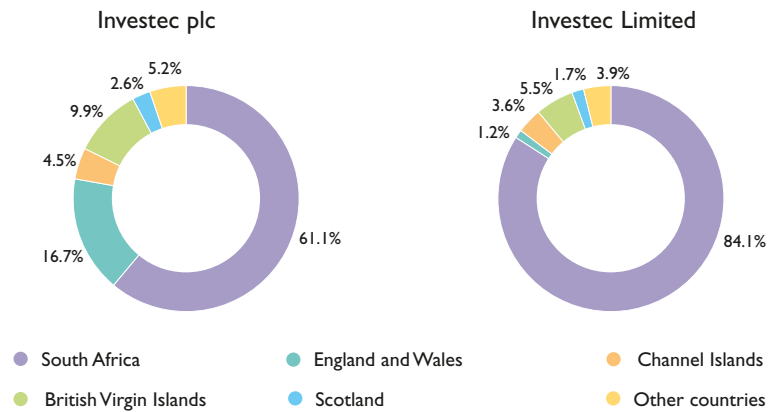
Beneficial owner	No. of shares	% holding
1 Public Investment Commissioner (SA)	5 390 850	14.04
2 Old Mutual Life Assurance (SA)	3 273 557	8.52
3 Fintique III (BVI)*	2 111 259	5.50
4 Investec Employee Benefits (SA)	1 693 146	4.41
5 Sanlam (SA)	1 188 414	3.09
6 Spurwing Investments Ltd (CI)	915 000	2.38
7 Momentum Life Assurance (SA)	761 195	1.98
8 RMB Sec Collateral / Inv (SA)	674 247	1.76
9 Investment Solutions (SA)	651 716	1.70
10 Liberty Life (SA)	578 502	1.51
Cumulative total	17 237 886	44.89

The top 10 beneficial shareholders account for 44.9% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

*A small group of senior and executive management, including certain Investec Limited/ Investec plc directors, who have or can have a significant impact on the business, have been granted participation in leveraged equity plans known as Fintique II and Fintique III. In terms of these plans, participants acquired units that entitled them to the risks and, on maturity of the plans in 2004 and 2008, future benefits of ownership of the underlying Investec shares. Participants in the schemes bear the risk of a potential liability on maturity of the schemes.

Shareholder analysis

Geographic holding by beneficial owner as at 30 September 2003



Note: The percentage holding in the British Virgin Islands represents the holding of Fintique III as discussed above.

Share statistics

Investec Limited ordinary shares in issue

For the six months ended 30 September	2003
Closing market price per share (cents)	
- period end	9 800
- highest	10 900
- lowest	7 750
Number of ordinary shares in issue (million)	38.4
Market capitalisation (R' million)*	11 074
Monthly average volume of shares traded on JSE Securities Exchange South Africa (million)	2.36

* The JSE Securities Exchange of South Africa have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 113.0 million shares in issue

Investec plc ordinary shares in issue

For the six months ended 30 September	2003
Closing market price per share (pence)	
- period end	842.5
- highest	920.5
- lowest	612.5
Number of ordinary shares in issue (million)	74.6
Market capitalisation (£' million)**	629
Monthly average volume of shares traded on London Stock Exchange (million)	1.56
Monthly average volume of shares traded on JSE Securities Exchange South Africa (million)	3.29

** The London Stock Exchange only include the shares in issue for Investec plc i.e. 74.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

Capital adequacy statement

Investec plc and Investec Limited are well capitalised and capital adequacy ratios exceed the minimum regulatory requirements. The capital adequacy ratio applying South African Reserve Bank rules to Investec Limited's capital base is 14.4% (March 2003: 12.2%). The capital adequacy ratio applying Financial Services Authority rules to Investec plc's capital base is 14.5% (March 2003: 14.2%).

	Investec Limited Rmillion	Investec plc £million
Net qualifying capital	6 667	387
Risk-weighted assets	46 147	2 666
Capital adequacy ratio	14.4%	14.5%

Reconciliation of principal differences between UK GAAP and SA GAAP

The results as presented on pages 37 to 41 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 make estimates and assumptions that affect the reported results and disclosures. Actual results could be different from those estimates. The significant differences between SA GAAP and UK GAAP, applicable to Investec's accounts during the period under review are summarised below.

£'000	Notes	30 Sept 2003	30 Sept 2002	31 March 2003
Earnings before goodwill amortisation and exceptional items under UK GAAP		47 093	43 867	88 684
UK GAAP adjustments				
Acquisition accounting	1	2 636	1 638	4 300
Employee share option plans	2	(1 555)	5 021	7 615
AC 133 adjustments*	3	8 193	–	–
Debenture interest reflected below the line	4	4 745	3 411	5 113
Interest rate swaps	5	(1 590)	(1 228)	(2 581)
Embedded value earnings	6	(865)	15 251	23 935
Other		(762)	(180)	2 568
Earnings before goodwill amortisation and exceptional items under SA GAAP	7	57 895	43 867	129 634

Reconciliation of principal differences between UK GAAP and SA GAAP

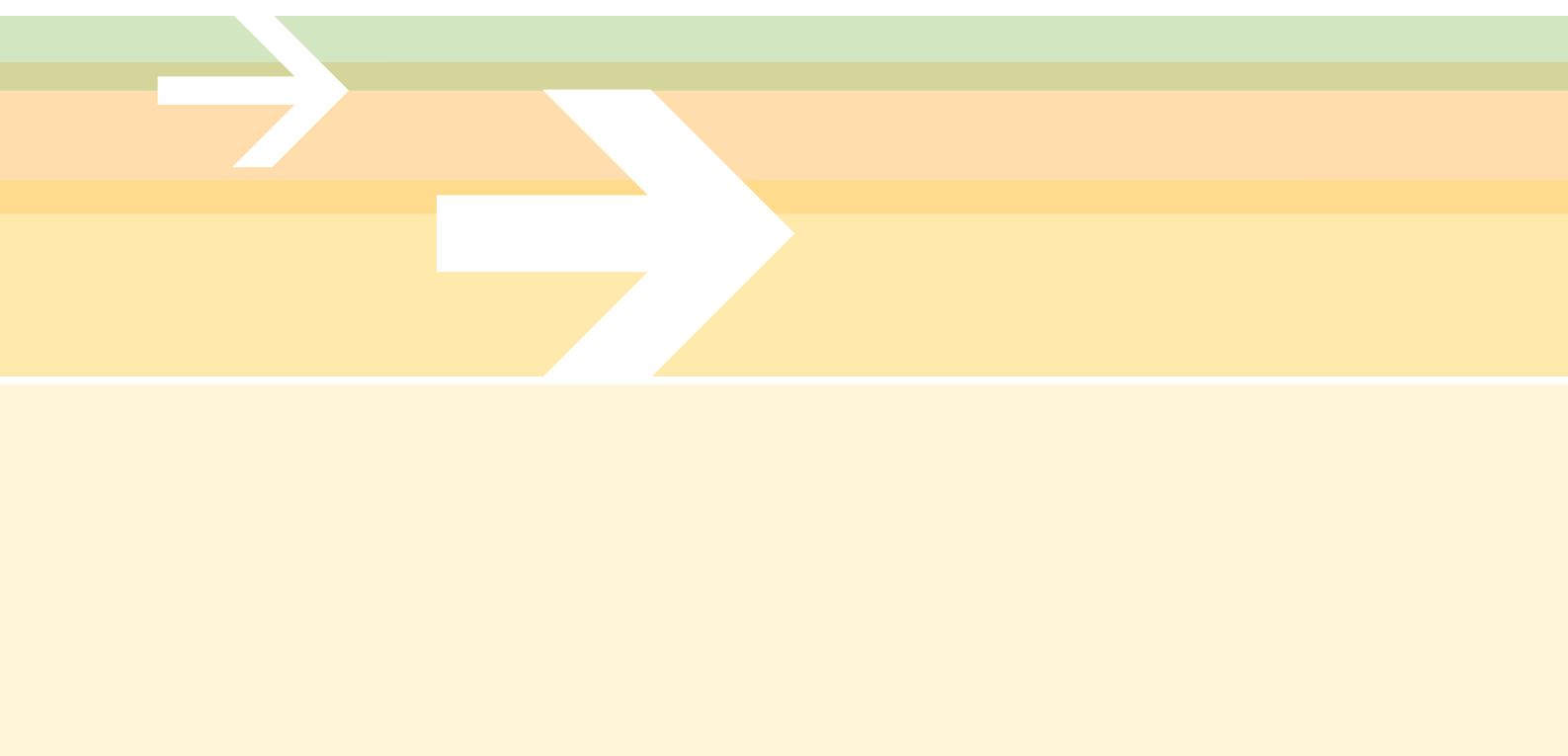
Notes

- ¹ Under SA GAAP, certain acquisitions incorporated a sign-on guarantee to select members of staff which were treated as goodwill and amortised over the period over which these guarantees remained in force. For UK GAAP, they are treated as prepayments and expensed to personnel costs (within administrative expenses) over a similar period.
- ² Investec has set up a number of staff share scheme trusts (SSS). The assets and liabilities of these schemes are effectively off balance sheet under SA GAAP with loans advanced to the schemes included under "advances" and interest income generated there from recognised in the income statement. UK GAAP requires Investec, as a sponsoring company of the SSS, to consolidate the financial position of the SSS with the result that the balance sheet and the profit and loss of the SSS are added to those of the group and intercompany items eliminated.

To the extent that the shares within these schemes vest with employees the interest earned on loans to the staff members becomes external and hence are recognised as income.
- ³ AC 133 is a South African accounting statement on recognition and measurement of financial instruments and is based on the international accounting standard IAS 39. The adoption of AC 133 under SA GAAP has resulted in a further difference between SA and UK GAAP.
- ⁴ Investec has issued Compulsory Convertible Debentures, which under SA GAAP have been classified as shareholders' equity. UK GAAP requires capital instruments (other than shares) should be classified as liabilities if they contain an obligation or contingent obligation to transfer an economic benefit. At the time that they were issued, certain of these instruments were split into their debt and equity components. Under UK GAAP, the debt component has been recorded as a liability on the balance sheet and the equity component accounted for as "shares to be issued" within shareholders funds. Accordingly, the interest payable on the debt portion has been split between interest and repayments of the principal. This has the effect of reducing the interest charge on convertible debt under UK GAAP compared to SA GAAP.
- ⁵ Differences arising in the accrual of certain income items eg. Income on certain trading related interest swaps was recognised upfront under SA GAAP but is phased in over a period of time under UK GAAP.
- ⁶ 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.
- ⁷ The exchange rate used in the above reconciliation was based on the actual rates ruling on the date of the transactions.

Annexure I 

A brief overview of Investec and its dual listed companies structure



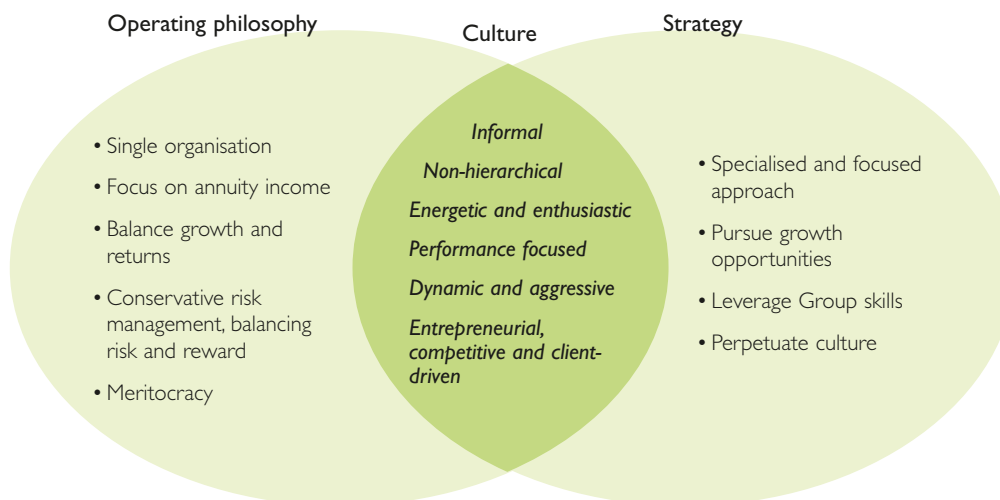
Investec in perspective

Profile

- Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base.
- The group focuses on four core areas of activity: Investment Banking, Private Client Activities, Treasury and Specialised Finance, and Asset Management.
- Approximately 4 400 employees in offices in 11 countries around the world.
- Global positioning:
 - Ranked 393 in *The Banker's* Top 1 000 Banks Survey (July 2003).
 - Ranked the ninth most global bank by *The Banker* (February 2003).
- Material employee ownership, with approximately 20% of the group's shares effectively held by management and staff.

Mission statement

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



History - three stages of genesis

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

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

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

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

Investec in perspective

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

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

In November 2001, Investec received permission from the South African Minister of Finance and the South African Reserve Bank to establish a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg. This structure was implemented in July 2002 (further information is provided on pages 80 and 81).

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

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

Implementation of a Dual Listed Companies Structure

Introduction

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

In November 2001, Investec received permission from the South African Minister of Finance and the South African Reserve Bank (SARB) to establish a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg. This structure was implemented in July 2002 and represented a significant milestone in the history of the group.

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

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

Implementation of a Dual Listed Companies Structure

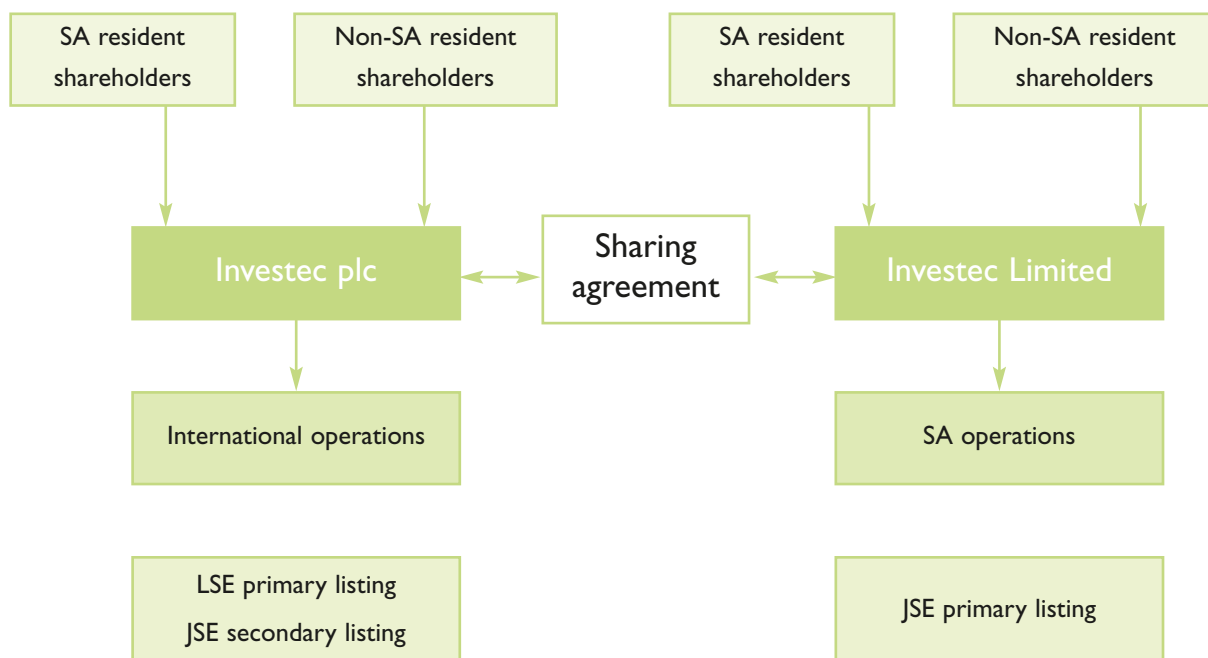
A circular regarding the establishment of a DLC structure was issued on 20 June 2002. In summary, some of the salient features of the DLC structure include:

- The Investec Holdings (Inhold) pyramid structure, which had been in place since Investec Group Limited (IGL) listed on the JSE Securities Exchange South Africa (JSE) in 1988, was not considered appropriate under the changed circumstances, and Inhold unbundled its entire shareholding in IGL to Inhold members. At the record date, Inhold members received 86.04 IGL ordinary shares for every 100 Inhold ordinary shares held. With effect from 19 July 2002 Inhold ordinary shares were suspended on the JSE and the delisting of Inhold from the JSE took place on 26 July 2002.
- In terms of the DLC structure, IGL has retained all its businesses in continental Southern Africa and Mauritius and its primary listing on the JSE. Furthermore, as at 31 March 2003 the UK Traded Endowments business was still owned by Investec Limited.
- IGL has been renamed Investec Limited.
- IGL's other businesses were placed into a UK company, Investec plc, and were unbundled from IGL after the close of business on 19 July 2002. The mechanics of the IGL unbundling were arranged in such a way that for every 100 ordinary shares held by an IGL shareholder, he/she received 37 IGL (Investec Limited) and 63 Investec plc shares i.e. 100 instruments.
- Investec plc was listed on the London Stock Exchange on 22 July 2002 and has a secondary listing on the JSE.
- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms. The agreements are designed to ensure, insofar as possible, that the economic and therefore, market value, of a share in one company will be the same as the economic and market value of a share in the other.
- The companies have the same Boards of Directors and management - the implementation of the DLC structure did not in any way change the way in which Investec manages its business.
- Investec continues to operate as if it were a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec Limited and Investec plc were a single company:
 - Equivalent dividends on a per share basis.
 - Joint electorate and class right voting.

Implementation of a Dual Listed Companies Structure

- Creditors are however ring-fenced to either Investec Limited or Investec plc as there are no cross guarantees between the companies.
- Regulation of the DLC structure:
 - The SARB is the lead regulator of the group.
 - The UK Financial Services Authority is the regulator of Investec plc while the SARB is the regulator of Investec Limited.
 - The Memorandum of Understanding between the two regulators sets out that the role of the lead regulator would change if 70% or more of the on and off balance sheet assets are held by Investec plc.

A simplified illustration of the DLC structure



Further information on the group's DLC structure can be found in the circular mentioned above as well as in the preliminary offering circular issued July 2002. A copy of these circulars can be found on the group's website www.investec.com/investorrelations.

Annexure 2 

Definitions



Definitions UK GAAP

Term	Definition
Annuity income as a percentage of operating income	Net interest income and annuity commissions receivable net commissions payable expressed as a percentage of operating income.
Assets under administration	Includes third party assets under administration and on-balance sheet assets.
Cost to income ratio	Administrative expenses and depreciation divided by operating income.
Dividend cover	Earnings per ordinary share pre exceptional items and amortisation of goodwill divided by dividends per ordinary share.
Earnings pre exceptional items and goodwill amortisation	As per calculation on page 51.
Market capitalisation	Number of shares in issue, multiplied by the closing share price of Investec plc on the London Stock Exchange.
Net interest income	Interest receivable less interest payable.
Non-performing loans (NPL)	An exposure is classified as an NPL when there is prospect of non-recovery of interest or it is deemed imprudent to bring interest to account.
Number of shares in issue on a fully converted basis	Based on the number of shares in issue assuming conversion of all debentures and convertible preference shares.
Operating income	All income less interest payable and fees and commission payable.
Operating profit	Operating income less administrative expenses, provisions for bad and doubtful debts and depreciation of tangible fixed assets.
Operating profit: Southern Africa & Other	Operating profit earned in South Africa, Mauritius and Botswana.
Operating profit: Non-Southern Africa & Other	Operating profit earned in UK and Europe, USA, Israel and Australia.
Return on average shareholders' funds	Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average shareholders' funds.
Return on average tangible shareholders' funds	Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average tangible shareholders' funds i.e. excluding goodwill.
Total core loans and advances	Loans and advances to customers less cash and short-term funds included therein.
Total capital resources	Includes shareholders' funds, subordinated liabilities and minority interests.
Weighted number of shares in issue	The number of ordinary shares in issue at the beginning of the year; increased by shares issued during the year; weighted on a time basis for the period during which they have participated in the income of the group.