

**27 November 2003**

**Investec plc (incorporating the results of Investec Limited)  
Unaudited consolidated financial results in UK GAAP Pounds Sterling for the six months ended 30 September 2003**

**Investec announces interim results for the six months ended 30 September 2003**

Investec, the international specialist banking group, announces today its interim results for the six months ended 30 September 2003.

**Financial highlights**

- Operating profit of £58.1 million (2002: £48.5 million)\*
  - Operating profit: Southern Africa of £30.4million, 52.2% of overall (2002: £35.5 million, 73.2%)\*
  - Operating profit: UK & Europe, Australia, Israel and the US of £27.7 million, 47.8% of overall (2002: £13.0 million, 26.8%)\*
- Profit before tax of £62.9 million (2002: £53.0 million)\*
- Profit after tax of £50.2 million (2002: £44.8 million)\*
- Earnings per share of 49.2p (2002: 47.6p)\*
- Total dividends per share of 28p (2002: 26p)

**Business highlights**

- A significant turnaround in the performance of the UK operations: operating profit before exceptional items and amortisation of goodwill increased 55.3% to £21.1 million (2002: £13.6 million)
- Particularly robust performances from Investment Banking and Private Client Activities:
- Investment banking operating profit before exceptional items and amortisation of goodwill increased significantly to £20.1 million (2002: £0.1 million)
- Private Client Activities increased operating profit before exceptional items and amortisation of goodwill 52.3% to £25.1 million (2002: 16.5 million)
- 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 Peu Investment Group, Tiso Group and a broad-based Entrepreneurship Development Trust.

*\*before exceptional items and amortisation of goodwill, totalling -£22.2 million (2002:-£40.9 million)*

**Stephen Koseff, Chief Executive of Investec, said:**

“Investec’s strong niche focus and clear strategy of specialisation has supported the group through a challenging period. While proceeding with caution, we are encouraged by the economic environment and market sentiment and will continue to focus on building core businesses across all the regions in which we operate.”

**Bernard Kantor, Managing Director of Investec, said:**

“We have achieved solid growth during the first half reflecting the benefits of improved financial markets and the successful rationalisation and restructuring of the group’s operations. All of our four key businesses areas achieved good growth particularly in the UK where the investment bank benefited from a reduced cost base and increased corporate activity.”

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A webcast of the presentation will be available at 9am (UK time) via [www.investec.com](http://www.investec.com)

**Overall performance**

After a period of intensive rationalisation and strategic realignment, the group (comprising Investec Limited and Investec plc) has refocused its activities resulting in an increase in basic earnings per share (EPS) before exceptional items and goodwill amortisation of 3.4% from 47.6 pence to 49.2 pence.

**Salient features of the six month period were:**

- 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 United Kingdom (UK) and in the United States (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 (SA) 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 Peu Investment Group, Tiso Group and a broad-based Entrepreneurship Development Trust.
- Dividends of 28 pence per share equating to a dividend cover of 1.8 based on the combined group’s EPS before exceptional items and goodwill amortisation, as determined in UK GAAP are proposed.

## **Presentation of financial information**

### **Investec Limited and Investec plc**

In July 2002, Investec Group Limited (now Investec Limited), which is headquartered in South Africa, implemented a Dual Listed Companies (DLC) structure, and listed its principal non-Southern African businesses on the London Stock Exchange. For further information, see Investec's web site **[www.investec.com/investorrelations](http://www.investec.com/investorrelations)**.

Under the contractual arrangements of the DLC structure, Investec Limited and Investec plc effectively form a single economic enterprise 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 interim results for Investec plc present the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling. In the commentary below, all references to Investec or the group relate to the combined DLC group comprising Investec Limited and Investec plc.

Investec previously reported its consolidated results in accordance with SA GAAP, denominated in Rands and UK GAAP, denominated in Pounds Sterling. In terms of the new JSE Securities Exchange South Africa (JSE) listing requirements the group is now 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 the principal differences.

The financial information contained in the "Commentary" section was prepared in accordance with UK GAAP. Rand values included in the "Commentary" section were 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. Reuters quotes the average Rand/Pounds Sterling exchange rate at 12.2 and 15.7 for the six months ended 30 September 2003 and 30 September 2002, respectively. This represents some 22.3% appreciation of the Rand during the period under review.

This Rand appreciation had a positive effect on the results expressed in Pounds Sterling of those Investec businesses that generate revenues and profits in Rands. Where the impact of Rand appreciation is key to understanding the performance of the group's businesses, this is noted in the "Commentary" section.

### **Dividend declaration**

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

### **Commentary**

Unless the context indicates otherwise, all comparatives included in the "Commentary" section relate to the corresponding period in the previous year.

### **Business Unit Review**

## **Investment Banking**

The group's Investment Banking division took advantage of the better market conditions to record an improved operating profit before exceptional items and amortisation of goodwill, increasing from a marginal profit to £20.1 million.

In SA, the Investment Banking division benefited from an upliftment in values of its direct investment and private equity portfolios. Investec Corporate Finance enjoyed a steady level of activity focusing on restructurings, black economic empowerment transactions, de-listings and a number of high profile investment banking deals. The low volumes on the JSE Securities Exchange South Africa continued to have a negative impact on the agency business of Investec Securities.

Improved stock market conditions and a reduced cost base in the Investment Banking division in the UK enabled the division to achieve a major turnaround in performance. The level of corporate activity increased and the division concluded a number of public-to-private deals during the period. Secondary commissions also benefited from the higher equity market levels. Furthermore, the rankings of Investec in the UK Small Mid-Cap Survey (2003) were encouraging, with a number one ranking for the "Most improved product and service".

In Australia, Investec Wentworth benefited from the return of activity in the IPO market and the upturn in merger and acquisition (M&A) activity. The corporate advisory business advised on 11 deals valued at A\$2.4 billion for the six months to September 2003.

## **Private Client Activities**

The group's Private Client Activities, comprising the Private Banking and Private Client Portfolio Management and Stockbroking divisions, reported strong growth in operating profit before exceptional items and amortisation of goodwill of 52.3% to £25.1 million from £16.5 million. The group's Private Banking operations performed particularly well. The performance of Carr Sheppards Crosthwaite in the UK benefited from improved net inflows, largely in higher yielding discretionary mandates, while the performance of Investec Securities in SA was impacted by subdued market volumes in the SA market.

### **▪ Private Banking**

The Private Banking division increased operating profit before exceptional items and amortisation of goodwill by 54.7%, to £21.8 million. This performance was driven by a solid growth in total advances and non-interest income in SA, the UK and Australia. During the period under review, the group's private client lending book in SA grew by 15.1% to R19.8 billion (£1.7 billion), and the private client lending book in the UK grew by 13.7% to £1 052 million.

Investec Private Bank in SA increased operating profit despite the decline in interest rates. A notable contribution was made by the relatively new private client investment banking portfolio, which benefited from the sale of certain investments held by the division and an increase in the value of others.

In the UK, strong performances were recorded across all of the Private Banking businesses. The property lending business continued its sound performance against the backdrop of a somewhat less buoyant market with a well-spread loan book. Despite a strong bias in the overall lending book towards commercial and residential property exposures, the book is well-secured and the group believes that loan to value ratios are conservative.

The Private Client Group in Australia continued to grow its Structured Property Finance unit strongly. During the period a new initiative was undertaken to establish a Private Client Investment Banking business to target those clients that fall below the radar of the investment banks.

#### ▪ **Private Client Portfolio Management and Stockbroking**

Private Client Portfolio Management and Stockbroking recorded a creditable performance, earning operating profit before exceptional items and amortisation of goodwill of £3.3 million, increasing by 38.2%.

Depressed stock market volumes in SA restricted the performance of Investec Securities, although total funds under management increased by 26.2% to R32.3 billion (£2.8 billion) from R25.6 billion (£2.0 billion) at year-end. Investec Securities continues to focus on reducing costs and during the period a campaign was launched to increase the awareness of Investec Securities Online, which should provide further cost savings.

In the UK, despite the difficult operating environment, Carr Sheppards Crosthwaite performed well with total funds under management increasing by 19.1% to £5.6 billion from £4.7 billion at 31 March 2003. Net new inflows of £327 million were generated including the Public Guardianship Office account for £192 million with the remainder comprising a combination of private client and gross funds, including two charities of approximately £8 million each.

#### **Treasury and Specialised Finance**

The group's Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of £15.4 million, an increase of 4.1% from £14.8 million. The strong performance from the UK operation was largely offset by the negative performance from the SA operation.

The SA Treasury and Specialised Finance division disappointed with operating profit before exceptional items and amortisation of goodwill declining from £18.6 million to £5.2 million. Banking Activities suffered as a result of the general slow down in corporate activity, while the treasury desk was negatively impacted by the rate positioning of its assets. Furthermore, difficult trading conditions and losses on the currency and interest rate desks negatively affected the overall performance of the division.

The UK Treasury and Specialised Finance division, on the other hand, achieved a considerable turnaround with operating profit before exceptional items and amortisation of goodwill increasing to £8.9 million from a loss of £3.6 million. This was largely due to the extensive restructuring of the division in the previous financial year. The division benefited from a renewed focus on higher margin, less capital intensive transactions and customer flows, in addition to the growth and pleasing performance of its Banking Activities.

#### **Asset Management**

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

Investec Asset Management recorded strong growth and continued expansion of the market share of its UK retail funds. The UK retail business grew assets under management for the reporting period by 31.1%, with net inflows of £96 million. This contributed to it achieving an annualised market share of 2.7% of net industry sales, up from 0.4% three years ago. The UK institutional business continued to penetrate the market through its acceptance by major consultants and multi-managers. The strong performance across the product range was key to these successes. The offshore fund range took net inflows of £219 million due to the sales effort from the Asia and UK-based teams. Flows from SA slowed as a result of the strength of the Rand.

In SA, Investec Asset Management is developing a strong franchise in specialist products, such as, fixed income and specialist equity products. The performance of the balanced funds, although improved, remains a cause for special attention. The SA institutional business was appointed to manage important new mandates during the reporting period, including two substantial SA equity mandates won outside SA. The SA Personal Investments business attracted domestic net new retail flows of R1.3 billion (£110 million) during the reporting period. In addition, a range of absolute return unit trusts was launched, complementing the successful institutional range.

### **Assurance Activities**

The group's SA 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.

### **Group Services and Other Activities**

Group Services and Other Activities posted an operating loss of £15.5 million compared to the prior period loss of £4.3 million. This was largely attributable to the weaker performance of the Central Funding division, which experienced a decline in net interest income as a consequence of the margin squeeze that occurred following the lowering of interest rates in South Africa and the UK. This was further exacerbated by the investment of some of the surplus capital in non-interest earning investments. This negative variance was almost completely offset by a solid increase in other operating income, with the division benefiting from an increased return on a number of investments held. Central costs, expressed in Pounds Sterling, were negatively affected by the average appreciation of the Rand. The group's Property Activities in SA continued to perform well, with total assets under management increasing by 29.9% to R11.3 billion (£978 million) since the year-end. The Traded Endowments business has continued to make a loss as a result of its traditional client base losing confidence in the product, with the business remaining under strategic review.

### **Geographic Performance**

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. 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. Highlights of the developments and the performance of the regions in which the group operates, follow.

## **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 from the Treasury and Specialised Finance division and a considerable decline in the earnings of the group's Assurance Activities and Central Funding division, explained elsewhere in this report.

## **UK**

The UK operations recorded an operating profit before exceptional items and amortisation of goodwill of £21.1 million, an increase of 55.3% over the previous period. The strong results from the Private Banking and Treasury and Specialised Finance divisions were supported by a solid performance from Carr Sheppards Crosthwaite. Furthermore, the Investment Banking activities benefited from a reduced cost base and increased corporate activity.

## **Australia**

The Australian operating profit before exceptional items and amortisation of goodwill increased by 16.0% to £3.8 million against a backdrop of a stronger stock market. The business experienced sound activity levels and good progress was made in all its core areas of activities.

## **US**

The heavily reduced ongoing operations in the US, consisting of several fixed income trading operations and a small 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, all based in New York.

## **Israel**

The economic environment in Israel remained difficult and negative inflation weakened performance reported 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 by 32.3% to NIS13.1 billion (£1.8 billion) from NIS9.9 billion at year-end. Furthermore, there was a marginal fall in expenses as a result of ongoing cost control.

## **Financial statements analysis**

### **Operating income**

Operating income of £251.6 million declined by 1.9%. Operating income for continuing operations increased by 7.0%. The movements in total operating income for continuing operations are analysed further below.

Net interest income of £43.3 million decreased by 27.6% largely as a result of the declining interest rate environment in SA, which had a negative impact on the group's SA Treasury and Specialised Finance activities and Central Funding division which experienced a severe margin squeeze as the group's assets repriced quicker than its liabilities. Furthermore, net interest income was adversely affected by the closure of the money markets and repo business in the UK in the prior period. The group, however, continued to achieve sound growth in its Private Banking lending portfolios.

Net fees and commissions increased by 20.8% to £146.9 million. This was largely attributable to increased lending turnover in the Private Banking businesses, the growth and strong performance of the UK Treasury and Specialised Finance Banking and Advisory Activities, and the turnaround in the group's Corporate Finance operations in the UK. Furthermore, the appreciation of the Rand against Pounds Sterling had a positive impact on this growth, particularly in the Asset Management division.

Dealing profits (trading income) increased by 27.7% to £35.0 million as a result of the strong performance of the UK trading activities and improved equity market levels, which bolstered the values of the group's Investment Banking and Private Equity portfolios. This was partially offset by the poor trading performance of the South African Treasury and Specialised Finance division.

The performance of the group's long-term assurance activities is discussed under "Business Unit Review".

The substantial growth in other operating income is mainly as a result of realised profits on the sale of certain of the group's Investment Banking investments, as well as an increased return on investments held by the Central Funding division.

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.

Overall, annuity income as a percentage of total operating income declined from 72.3% to 67.9%.

### **Administrative expenses**

Total administrative expenses decreased by 6.1% from £193.7 million to £181.9 million principally due to the rationalisation of the group's activities in the US and in its UK Investment Banking operations undertaken during the 2003 financial year. Investec Limited experienced a 3.1% decline in expenses in Rand terms, whilst the expenses of Investec plc declined by 19.8% in Pounds Sterling terms.

The ratio of total operating expenses to total operating income decreased from 78.1% to 75.0%. The cost to income ratio in SA increased from 59.4% to 68.3%. The ratio in the prior period was positively affected by the substantial restructuring profits generated by the group's Assurance Activities. The cost to income ratio for the non-SA businesses decreased from 90.4% to 80.4% as a result of the rationalisation and restructuring of these operations and the improvement in operating profit of the UK businesses.

### **Goodwill amortisation**

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.

### **Provision for bad and doubtful debts**

The bad and doubtful debts charge in the income statement decreased by 35.7% to £4.9 million.

The percentage of gross non-performing loans (NPLs) to core loans and advances increased from 0.9% to 1.1%. Total provision coverage remains conservative both as a percentage of gross NPLs and net NPLs (gross NPLs net of security), at 162.0% and 261.3% respectively. In addition, the group's general provision coverage as a percentage of net loans and advances remained stable at 1.2%.

### **Taxation**

The operational effective tax rate of the group (extracting the tax effect on exceptional items of £3.5 million in 2002) increased from 16.9% to 21.9%. This is mainly as a consequence of the sale and closure of the majority of the group's operations in the US and an increase in inflation adjusted earnings in Israel, on which taxation is paid, relative to nominal earnings as a result of the declining inflation rate.

### **Share of income of associated companies**

The group's main associate is Capital Alliance Limited (CAL). An amount of R54.2 million (£4.7 million) was accrued, representing Investec's share in CAL's estimated operating earnings for the six-month period ended 30 September 2003.

### **Exceptional items**

Exceptional items fall into two categories, namely:

- Losses on termination of the group's operations in the US amounting to £5.1 million. The group made a final exceptional charge (including future run-off costs) for the closure of these operations. 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.
- A £13.7 million profit on disposal of group operations relating to the sale of the companies, 100 Grayston Drive Property (Pty) Limited and Block E Power Station Properties (Pty) Limited, at market value.

### **Capital resources**

Total capital resources increased by 17.0% to £1.2 billion during the six month period.

Total shareholders' funds increased by £145.7 million during the period under review mainly as a result of the issue of R1.5 billion (£127.5 million) in non-cumulative, non-redeemable and non-participating preference shares and foreign currency adjustments of £20.5 million.

Net tangible assets grew from £397.2 million to £562.4 million.

The annualised return on average tangible equity shareholders' funds declined from 23.4% to 22.6% and the annualised return on average total equity shareholders' funds, inclusive of goodwill increased from 11.9% to 13.3% over the period.

Investec plc and Investec Limited are well capitalised and capital adequacy ratios exceed the minimum regulatory requirements. The capital adequacy applying South African Reserve

Bank rules to Investec Limited's capital base is 14.4% (March 2003: 12.2%). The capital adequacy applying Financial Services Authority rules to Investec plc's capital base is 14.5% (March 2003: 14.2%).

### **Total assets under administration**

Total assets under administration increased by 8.2% from £40.6 billion at 31 March 2003 to £43.9 billion at 30 September 2003. This was mainly attributable to growth in assets under management of £2.5 billion across all ranges of third party funds, due to improved equity values and the appreciation of the Rand against Pounds Sterling.

### **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.

#### **Prospects**

The action taken by management to rationalise and strategically realign the group has supported it through a challenging period. While proceeding with caution, we are encouraged by the economic environment and market sentiment and will continue to focus on building core businesses across all the regions in which we operate.

On behalf of the boards of Investec Limited and Investec plc

*Hugh Herman*  
Chairman

*Stephen Koseff*  
Chief Executive Officer

*Bernard Kantor*  
Managing Director

## **Dividend announcement**

### **Investec plc**

Notice is hereby given that an interim dividend (No. 3) of 13.5 pence per ordinary share has been declared in respect of the six months ended 30 September 2003, which together with the dividends declared by Investec Limited on the SA DAN and SA DAS shares, equivalent to 14.5 pence per Investec plc ordinary share, will result in a total distribution to shareholders of 28 pence (2002: 26 pence) per ordinary share.

The relevant dates for the payment of the dividends are:

The last day to trade cum dividend:

- |   |                            |
|---|----------------------------|
| - On the London Stock Exchange                | Tuesday, 16 December 2003  |
| - On the JSE Securities Exchange South Africa | Thursday, 11 December 2003 |

Shares commence trading ex-dividend:

- |   |                             |
|---|-----------------------------|
| - On the London Stock Exchange                | Wednesday, 17 December 2003 |
| - On the JSE Securities Exchange South Africa | Friday, 12 December 2003    |

Record date:

- |   |                          |
|---|--------------------------|
| - On the London Stock Exchange                | Friday, 19 December 2003 |
| - On the JSE Securities Exchange South Africa | Friday, 19 December 2003 |

Payment date:

- |                           |                         |
|---------------------------|-------------------------|
| - United Kingdom register | Monday, 05 January 2004 |
| - South African register  | Monday, 05 January 2004 |

Share certificates on the South African branch register may not be dematerialised or rematerialised between Friday, 12 December 2003 and Friday, 19 December 2003, both dates inclusive, nor may transfers between the UK and SA registers take place between Friday, 12 December 2003 and Friday, 19 December 2003, both dates inclusive.

Shareholders registered on the South African register are advised that the total distribution of 28 pence, equivalent to 309 cents per share, has been arrived at using the Rand/Sterling conversion rate, as determined at 11h00 (SA time) on 26 November 2003.

By order of the board

R Vardy

Company Secretary

27 November 2003

## Investec plc (incorporating the results of Investec Limited)

### Unaudited consolidated UK GAAP financial results in pound sterling for the six months ended 30 September 2003

#### Salient Features

<b>UK GAAP</b>	<b>30 September 2003</b>	<b>% Change</b>	<b>30 September 2002</b>	<b>31 March 2003</b>
Earnings before goodwill amortisation and exceptional items (£'000)	47 093	7.4	43 867	88 684
Operating profit before goodwill amortisation and taxation (£'000)	58 120	19.7	48 543	84 758
Earnings per share (before goodwill amortisation and exceptional items) (pence)	49.2	3.4	47.6	97.6
Dividend cover (times)	1.8		1.8	1.8
Dividends per share (pence)	28	7.7	26	54.0
Cost to income ratio (%)	75.0	(4.0)	78.1	79.8
Annuity income as a percentage of operating income (%)	67.9	(6.6)	72.3	71.3
Total capital resources (£ million)	1 185	28.2	924	1 013
Total assets under administration (£ millions)	43 919	8.2	40 576	40 604
Return on average shareholders' funds (%)	13.3		11.9	12.4
Return on average tangible shareholders' funds (%)	22.6		23.4	23.8
Weighted number of ordinary shares in issue (millions)	95.8		92.3	90.9

## Consolidated profit and loss accounts

£'000	6 Months to 30 September 2003			6 Months to 30 September 2002*			Year to 31 March 2003*		
	Unaudited			Unaudited			Audited		
	Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	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)
<b>Net interest income</b>	<b>43 253</b>	<b>-</b>	<b>43 253</b>	<b>61 679</b>	<b>-</b>	<b>61 679</b>	<b>115 915</b>	<b>-</b>	<b>115 915</b>
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
<b>Other income</b>	<b>208 389</b>	<b>-</b>	<b>208 389</b>	<b>194 751</b>	<b>-</b>	<b>194 751</b>	<b>394 034</b>	<b>-</b>	<b>394 034</b>
<b>Total operating income</b>	<b>251 642</b>	<b>-</b>	<b>251 642</b>	<b>256 430</b>	<b>-</b>	<b>256 430</b>	<b>509 949</b>	<b>-</b>	<b>509 949</b>
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 & 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)
<b>Operating profit / (loss)</b>	<b>58 120</b>	<b>(29 780)</b>	<b>28 340</b>	<b>48 543</b>	<b>(31 409)</b>	<b>17 134</b>	<b>84 758</b>	<b>(122 302)</b>	<b>(37 544)</b>
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)
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 termination and disposal of group operations - continuing	-	13 674	13 674	-	-	-	-	5 800	5 800
Fundamental reorganisation and restructuring costs - continuing	-	-	-	-	-	-	-	(6 073)	(6 073)
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>62 911</b>	<b>(22 217)</b>	<b>40 694</b>	<b>52 994</b>	<b>(37 348)</b>	<b>15 646</b>	<b>96 108</b>	<b>(152 703)</b>	<b>(56 595)</b>
Tax on profit on ordinary activities	(12 727)	-	(12 727)	(8 204)	(3 523)	(11 727)	(5 357)	-	(5 357)
Tax on profit on continuing activities	(12 727)	-	(12 727)	(8 204)	-	(8 204)	858	-	858
Tax on loss on discontinued activities	-	-	-	-	-	-	(6 215)	-	(6 215)
Tax on provision for losses on termination and disposal of group operations - discontinued	-	-	-	-	(3 523)	(3 523)	-	-	-
<b>Profit / (loss) on ordinary activities after taxation</b>	<b>50 184</b>	<b>(22 217)</b>	<b>27 967</b>	<b>44 790</b>	<b>(40 871)</b>	<b>3 919</b>	<b>90 751</b>	<b>(152 703)</b>	<b>(61 952)</b>
Minority interests-equity	(1 235)	-	(1 235)	(492)	-	(492)	(1 646)	-	(1 646)
<b>Profit / (loss) attributable to shareholders</b>	<b>48 949</b>	<b>(22 217)</b>	<b>26 732</b>	<b>44 298</b>	<b>(40 871)</b>	<b>3 427</b>	<b>89 105</b>	<b>(152 703)</b>	<b>(63 598)</b>
Dividends-including non-equity	(29 819)	-	(29 819)	(27 349)	-	(27 349)	(53 428)	-	(53 428)
<b>Retained profit / (loss) for the period</b>	<b>19 130</b>	<b>(22 217)</b>	<b>(3 087)</b>	<b>16 949</b>	<b>(40 871)</b>	<b>(23 922)</b>	<b>35 677</b>	<b>(152 703)</b>	<b>(117 026)</b>

\* Restated for changes to accounting policies and disclosures as detailed in the paragraph headed "Restatements."

## Earnings per share

	<b>Six months ended 30 September 2003 £'000</b>	<b>Six months ended 30 September 2002 £'000</b>	<b>Year to 31 March 2003 £'000</b>
<b>Profit/(loss) attributable to shareholders</b>	<b>26 732</b>	<b>3 427</b>	<b>(63 598)</b>
Amortisation and impairment of goodwill	29 780	31 409	122 302
Profit on termination and disposal of group operations	(13 674)	-	(5 800)
Provision for losses on termination and disposal of group operations (net of deferred tax)	5 103	8 682	28 484
Amortisation of goodwill of associates	1 008	780	1 644
Fundamental reorganisation and restructuring costs	-	-	6 073
Preference dividends	(1 856)	(431)	(421)
<b>Earnings before goodwill and exceptional items</b>	<b>47 093</b>	<b>43 867</b>	<b>88 684</b>

## Earnings per share (pence)

- Basic	26.0	3.2	(70.4)
- Diluted	26.0	3.2	(70.4)

## Earnings per share 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

	<b>49.2</b>	<b>47.6</b>	<b>97.6</b>
<b>Dividends per share (pence)</b>	<b>28.0</b>	<b>26.0</b>	<b>54.0</b>

## Consolidated profit and loss accounts for the six months ended 30 September

£'000	Continuing operations			Discontinued operations	
	2003 Unaudited	2002* Unaudited	% change	2003 Unaudited	2002* Unaudited
<b>Net interest income</b>	<b>43 253</b>	<b>59 726</b>	<b>-27.6%</b>	-	<b>1 953</b>
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)
<b>Other income</b>	<b>208 389</b>	<b>175 532</b>	<b>18.7%</b>	-	<b>19 219</b>
<b>Total operating income</b>	<b>251 642</b>	<b>235 258</b>	<b>7.0%</b>	-	<b>21 172</b>
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%	-	-
<b>Operating profit / (loss) before goodwill and exceptional items</b>	<b>58 120</b>	<b>54 838</b>	<b>6.0%</b>	-	<b>(6 295)</b>
Share of income of associated companies before goodwill	4 791	4 451	7.6%	-	-
<b>Profit / (loss) on ordinary activities before taxation, goodwill and exceptional items</b>	<b>62 911</b>	<b>59 289</b>	<b>6.1%</b>	-	<b>(6 295)</b>

\* Restated for changes to accounting policies and disclosures as detailed in the paragraph headed "Restatements."

## Consolidated statements of recognised gains and losses

£'000	Six months ended 30 September 2003 Unaudited	Six months ended 30 September* 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
<b>Total recognised gains and losses for the period</b>	<b>49 280</b>	<b>(6 085)</b>	<b>(59 203)</b>

\* Restated for changes to accounting policies and disclosures as detailed in the paragraph headed "Restatements."

## Consolidated balance sheets

£'000	30 September 2003 Unaudited	30 September 2002* Unaudited	31 March 2003* Audited
<b>Assets</b>			
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
Accruals and deferred income	120 297	126 718	124 390
Long-term assurance business attributable to the shareholder	188 700	97 972	108 528
	<b>12 899 922</b>	<b>14 102 060</b>	<b>12 422 746</b>
Long-term assurance assets attributable to policyholders	2 857 111	2 022 945	2 536 319
	<b>15 757 033</b>	<b>16 125 005</b>	<b>14 959 065</b>
<b>Liabilities</b>			
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
	<b>11 714 954</b>	<b>13 177 702</b>	<b>11 410 077</b>
Long-term assurance liabilities attributable to policyholders	2 857 111	2 022 945	2 536 319
	<b>14 572 065</b>	<b>15 200 647</b>	<b>13 946 396</b>
<b>Capital Resources</b>			
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	<b>842 710</b>	<b>737 975</b>	<b>696 968</b>
- equity	715 932	737 975	696 968
- non-equity	126 778	-	-
	<b>1 184 968</b>	<b>924 358</b>	<b>1 012 669</b>
	<b>15 757 033</b>	<b>16 125 005</b>	<b>14 959 065</b>

\* Restated for changes to accounting policies and disclosures as detailed in the paragraph headed "Restatements."

## Consolidated cash flow statements

£'000	Six months ended 30 September 2003 Unaudited	Six months ended 30 September 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)	(23 235)
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)	(54 325)
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 as detailed in the paragraph headed "Restatements."

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

### For the six months ended 30 September 2003

£'000	Southern Africa	United Kingdom and Europe	Australia	Israel	United States of America	Total
Private Client Activities	9 149	14 328	1 229	370	-	25 076
Treasury and Specialised Finance Activities	5 239	8 909	65	1 165	-	15 378
Investment Banking Activities	15 884	1 516	1 591	1 086	-	20 077
Asset Management Activities and Assurance Activities	12 735	215	-	111	-	13 061
Group Services and Other Activities	(12 645)	(3 864)	885	(691)	843	(15 472)
Discontinued Operations	-	-	-	-	-	-
	<b>30 362</b>	<b>21 104</b>	<b>3 770</b>	<b>2 041</b>	<b>843</b>	<b>58 120</b>

**For the six months ended 30 September 2002\***

<b>£'000</b>	<b>Southern Africa</b>	<b>United Kingdom and Europe</b>	<b>Australia</b>	<b>Israel</b>	<b>United States of America</b>	<b>Discontinued Operation</b>	<b>Total</b>
Private Client Activities	5 290	9 393	656	1 124		-	16 463
Treasury and Specialised Finance Activities	18 644	(3 586)	(376)	94	-	-	14 776
Investment Banking Activities	1 517	(4 576)	1 786	1 374	-	-	101
Asset Management Activities and Assurance Activities	26 376	1 334	-	94	-	-	27 804
Group Services and Other Activities	(16 287)	11 021	1 185	(61)	(164)	-	(4 306)
Discontinued Operations	-	-	-	-	-	(6 295)	(6 295)
	<b>35 540</b>	<b>13 586</b>	<b>3 251</b>	<b>2 625</b>	<b>(164)</b>	<b>(6 295)</b>	<b>48 543</b>

\* Restated for changes to accounting policies and disclosures as detailed in the paragraph headed "Restatements."

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

<b>£'000</b>	<b>Six months to 30 September 2003 Unaudited</b>	<b>Six months to 30 September 2002 Unaudited*</b>	<b>Year to 31 March 2003 Audited*</b>
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 associates	(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
<b>Balance at end of the period</b>	<b>842 710</b>	<b>737 975</b>	<b>696 968</b>

\* Restated for changes to accounting policies and disclosures as detailed in the paragraph headed "Restatements."

## **Further Information**

Information provided on the Company's website at [www.investec.com](http://www.investec.com) includes:

- Copies of this statement.
- The interim results presentation.
- Additional report produced for the investment community including more detail on the results.
- Excel worksheets containing the salient financial information in UK GAAP Pounds Sterling.

Alternatively for further information please contact the Investor Relations division on e-mail [investorrelations@investec.co.za](mailto:investorrelations@investec.co.za) or +27 11 286 7070.