

Results presentation for the six months ended 30 September 2004

# Corporate Information

## Investec plc and Investec Limited

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#### Internet Address

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

#### Registration Number

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

#### Auditors

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KPMG Inc.

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### Transfer Secretaries in South Africa

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### Directorate

#### Executive Directors

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

#### Non-Executive Directors

Hugh Herman (Chairman)  
Sam Abrahams  
George Alford  
Haruko Fukuda  
Donn Jowell  
Geoffrey Howe  
Ian Kantor  
Sir Chips Keswick (Senior Independent NED)  
Peter Malungani  
Fani Titi  
Peter Thomas

# Section. I

## Overview of results

- Favourable economic conditions in all principal markets in which the group operates.
- Continued to benefit from the group's strategic focus.
- Posted a solid all-round performance.
- Made significant progress towards achieving the financial objectives set at the time of the release of the 2004 year-end results.

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

- Earnings per share (EPS) before exceptional items and amortisation of goodwill increased 31.3% to 61.7 pence from 47.0 pence (as restated).
- Operating profit before exceptional items and amortisation of goodwill increased 53.2% from £57.9 million to £88.7 million.
- Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill increased 40.9% from £47.0 million to £66.2 million.
- Annuity/recurring income as a percentage of total operating income increased from 67.3% to 69.2%.
- The ratio of total operating expenses to total operating income decreased from 75.0% to 68.6%.
- Annualised return on adjusted equity shareholders' funds (inclusive of compulsorily convertible instruments) increased from 14.0% to 18.7%.
- Dividends of 30 pence per share are proposed, equating to a dividend cover of 2.06 based on the group's EPS before exceptional items and goodwill amortisation.

### Operating environment

Key macro-economic data pertaining to the group's two principal geographies, UK and SA, is set out below.

Indicator	Sept 2004	Sept 2003	% Change
SA Prime interest rate	11.85	15.94	(25.7%)
UK Base rate	4.45	3.68	20.9%
JSE All Share Index - Average	10 539.7	8 597.6	22.6%
FTSE All Share Index - Average	4 459.4	4 076.8	9.4%

# Presentation of financial information

## Introduction

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a Dual Listed Companies (DLC) structure and listed its offshore businesses on the London Stock Exchange. Further information is provided on the group's website: [www.investec.com](http://www.investec.com)

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 9 to 14 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. Investec 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 these principal differences on pages 65 and 66.

## 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 2004		30 Sept 2003		31 March 2004	
	Period end	Average	Period end	Average	Period end	Average
South African Rand	11.68	11.74	11.93	12.25	11.67	12.02
US Dollar	1.81	1.81	1.67	1.61	1.83	1.69
Israeli Shekel	8.10	8.19	7.42	7.21	8.30	7.51
Australian Dollar	2.50	2.53	2.46	2.49	2.41	2.45

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.

## Overview of results

UK GAAP<sup>1</sup> 30 Sept 2004 % Change 30 Sept 2003\* 31 March 2004\*

### Profit and loss account and selected returns

Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill (£'000) <sup>2</sup>	66 208	40.9%	47 003	106 203
Headline earnings (£'000) <sup>2</sup>	66 208	40.9%	47 003	105 873
Operating profit before exceptional items and amortisation of goodwill (£'000)	88 706	53.2%	57 895	132 260
Operating profit: SA and Other (% of total)	62.0%		52.8%	58.6%
Operating profit: Non-SA (% of total)	38.0%		47.2%	41.4%
Cost to income ratio	68.6%		75.0%	72.7%
Staff compensation to operating income ratio	44.9%		49.3%	47.3%
Return on average equity shareholders' funds	20.7%		15.1%	16.0%
Return on average adjusted shareholders' funds <sup>3</sup>	18.7%		14.0%	15.4%
Annuity income as a percentage of operating income	69.2%		67.3%	66.0%
Net-interest income as a percentage of operating income	19.8%		18.8%	18.9%
Non-interest income as a percentage of operating income	80.2%		81.2%	81.1%
Effective tax rate	26.3%		21.8%	21.0%

### Balance sheet

Total capital resources (£'million)	1 304	21.5%	1 073	1 303
Total shareholders' funds (including perpetual preference shares) (£'million)	765	4.9%	729	766
Total equity shareholders' funds (excluding perpetual preference shares) (£'million)	639	6.2%	602	640
Total assets (£'million)	16 514	5.5%	15 655	15 319
Core loans and advances (£'million)	5 527	20.1%	4 602	5 061
Core loans and advances as a percentage of total assets	33.5%		29.4%	33.0%
Total assets under administration (£'million)	52 305	19.4%	43 817	47 763

## Overview of results

UK GAAP<sup>1</sup> 30 Sept 2004 % Change 30 Sept 2003\* 31 March 2004\*

### Salient financial features and key statistics

Earnings per share before exceptional items and amortisation of goodwill (pence) <sup>2</sup>	61.7	31.3%	47.0	103.8
Headline earnings per share (pence) <sup>2</sup>	61.7	31.3%	47.0	103.5
Basic earnings per share (pence) <sup>2</sup>	29.9	20.6%	24.8	60.0
Diluted earnings per share (pence) <sup>2</sup>	29.7	24.3%	23.9	59.6
Dividends declared per share (pence)	30.0	7.1%	28.0	58.0
Dividend cover (times)	2.06		1.68	1.79
Net tangible asset value per share (pence) <sup>4</sup>	431.7	13.5%	380.3	415.8
Weighted number of ordinary shares in issue (million)	107.4	7.3%	100.1	102.3
Total number of shares in issue (million)	118.6	5.0%	113.0	118.6
Closing share price (pence)	1 110	31.8%	842	1 089
Market capitalisation (£'million) <sup>5</sup>	1 316	38.4%	951	1 292
Number of employees in the group	4 347	(3.1%)	4 485	4 458
Closing ZAR/£ exchange rate	11.68	(2.1%)	11.93	11.67
Ave ZAR/£ exchange rate	11.74	(4.2%)	12.25	12.02

### Notes:

<sup>1</sup> Refer to definitions on page 75.

<sup>2</sup> Refer to definitions and calculations on page 56 and 57.

<sup>3</sup> Refer to calculation on page 67.

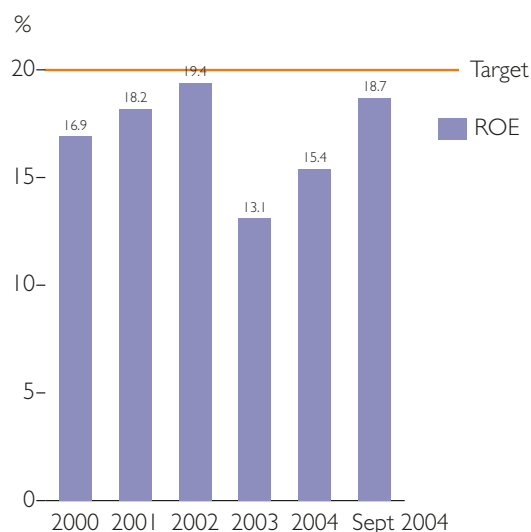
<sup>4</sup> Refer to calculation on page 62.

<sup>5</sup> Refer to calculation on page 74.

\* Restated for changes to accounting policies and disclosures.

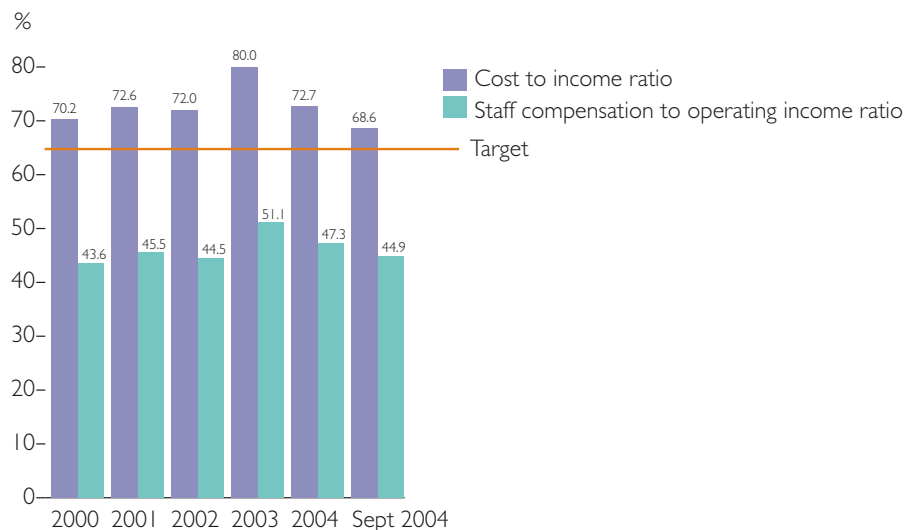
## Financial objectives

**Target: ROE 20%**



\*ROE is post-tax return on adjusted equity shareholders' funds as calculated on page 67.

**Target:** Cost to income ratio: 65%  
Staff compensation to operating income ratio: 45% - 50%

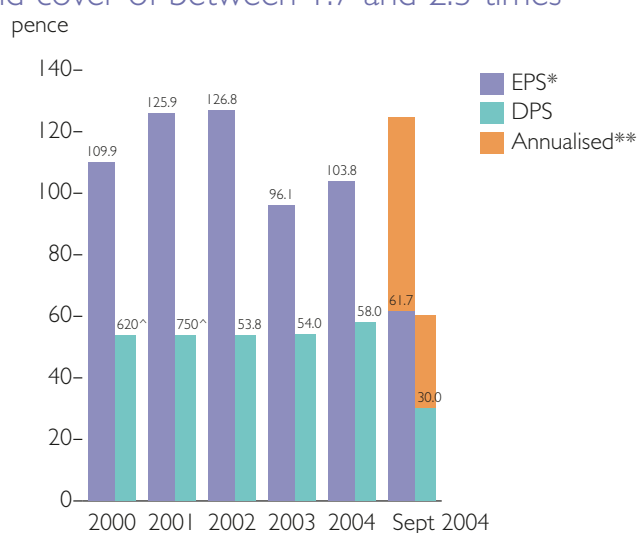


**Note:**

- Five year trend reflects numbers as at the year ended 31 March.
- Targets as disclosed at the time of release of March 2004 results. These are medium to long-term targets based on the group's results determined in accordance with UK GAAP and denominated in Pounds Sterling.

## Financial objectives

**Target:** Growth of 10% in excess of inflation  
Dividend cover of between 1.7 and 2.3 times

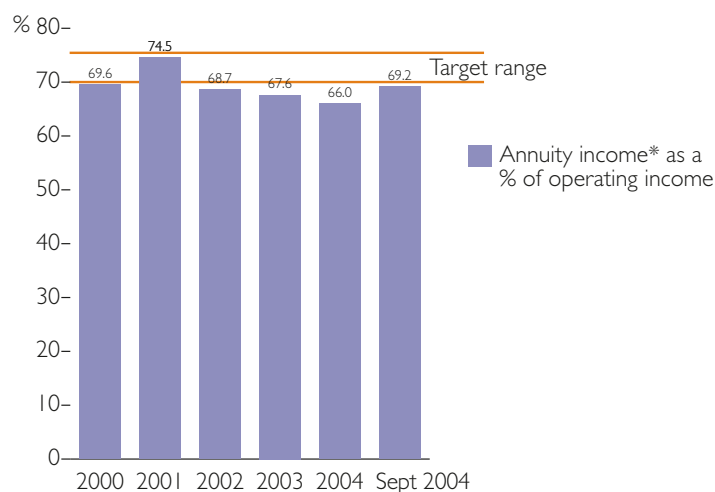


\*Before exceptional items and amortisation of goodwill.

\*\*Numbers for the six months to 30 September have been annualised.

<sup>^</sup> The dividend for 2000 and 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling. Dividend cover is based on EPS before exceptional items and amortisation of goodwill, denominated in Pounds Sterling.

**Target:** 70% - 75% annuity/recurring income as a percentage of operating income



• Where: Annuity income includes net interest margin, net recurring fees and commissions and a portion of the return on shareholders' funds.

**Note:**

- Five year trend reflects numbers as at the year ended 31 March.
- Targets as disclosed at the time of release of March 2004 results. These are medium to long-term targets based on the group's results determined in accordance with UK GAAP and denominated in Pounds Sterling.



# Section.2

## 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 2004

### Accounting policies and disclosures

The comparative information provided in the financial information is for the six months ended 30 September 2003 and the 12 months ended 31 March 2004. Changes in accounting policies adopted at 31 March 2004 were not yet effective at 30 September 2003. For this reason, the note below discusses changes to accounting policies since the release of the 31 March 2004 annual results followed by changes to the previously released September 2003 interim results. Other than changes noted below, accounting policies adopted by the group are consistent with the prior period.

#### Change in accounting policies since the release of the 31 March 2004 annual results

##### UITF 38: Accounting for ESOP trusts

The group has adopted UITF 38 in respect of accounting for employee share incentive trusts (ESOP trusts). In summary, the impact on the adoption of the new standard from prior accounting policies is as follows:

- Own shares held by the ESOP trusts (which have not vested to employees) are deducted from shareholders' funds (previously included on balance sheet as an asset under "own shares").
- No gain or loss is recognised in the profit and loss account or statement of total recognised gains and losses on the purchase, sale or cancellation of the group's own shares held by the ESOP trusts.
- The net finance costs of the ESOP trusts are charged to the profit and loss account as they accrue.

Other than UITF 38, the changes in policies noted below were already included in the 31 March 2004 annual results.

The impact of the change in accounting policies arising from the adoption of UITF 38 is detailed below:

12 months to 31 March 2004	£'000
Interest receivable	1 184
Net interest income	1 184
Other operating income	(1 063)
Profit on ordinary activities before taxation	121
Taxation	–
<b>Profit on ordinary activities after taxation</b>	<b>121</b>

The impact of the above changes in accounting policies on opening reserves is detailed below:

	£'000
<b>Reserves at 31 March 2004 as previously reported</b>	<b>808 969</b>
UITF 38	(42 596)
Relating to 2004 opening reserves	(51 502)
Relating to 2004 movement in reserves	8 906
• Retained profit for the year	121
• Net reduction in treasury shares	5 764
• Net movement in share premium on re-issue of treasury shares	3 021
<b>Restated total reserves at 31 March 2004</b>	<b>766 373</b>

## Impact of changes in accounting policies on the 30 September 2003 interim results

### UITF 37: Purchase and sale of own shares (excluding ESOP trusts)

The group has adopted UITF 37 in respect of own shares held. In summary, the impact for the group is as follows:

- Consideration paid for the group's own shares (referred to as 'treasury shares') are deducted from shareholders' funds.
- No gain or loss is recognised in the profit and loss account or statement of total recognised gains and losses on the purchase, sale or cancellation of the group's own shares.

### UITF 38: Accounting for ESOP trusts

The impact on adoption of this standard is as noted above.

### FRS 17: Retirement Benefits

The group has fully adopted the requirements of FRS 17 in respect of retirement benefits. In line with the objective of the standard, the group reflects the fair value of assets and liabilities and any related funding arising from defined benefit schemes within the group.

Other than UITF 38, the changes in policies noted below were already included in the 31 March 2004 annual results.

The impact of the above changes in accounting policies is detailed below:

6 months to 30 September 2003	UITF 38	UITF 37	FRS 17	Total
£'000				
Interest receivable	1 184	-	-	1 184
Interest payable	-	214	(451)	(237)
Net interest income	1 184	214	(451)	947
Other operating income	(410)	(762)	-	(1 172)
Profit on ordinary activities before taxation	774	(548)	(451)	(225)
Taxation	-	-	135	135
<b>Profit on ordinary activities after taxation</b>	<b>774</b>	<b>(548)</b>	<b>(316)</b>	<b>(90)</b>

The cumulative impact on September 2003 closing reserves is detailed below:

	<b>£'000</b>
<b>Reserves at 30 September 2003 as previously reported</b>	<b>842 710</b>
Cumulative prior year adjustments to 30 September 2003	(114 204)
Reduction in share premium	(12 492)
Increase in treasury shares	(98 273)
Increase in foreign currency reserves	6 011
Decrease in cumulative profit and loss account	(9 450)
<b>Restated total reserves at 30 September 2003</b>	<b>728 506</b>

## Restatements to 30 September 2003 consolidated profit and loss accounts and the weighted average number of shares

Reclassifications were made to the 30 September 2003 consolidated profit and loss account that are consistent with those noted in the 2004 annual report (full details are to be found on page 159 of the report). As noted in the annual report, the reclassifications were made so as to reflect the nature of the underlying transactions in a more meaningful manner. These reclassifications have no impact on the profit and loss account.

Similarly, the weighted average number of shares were restated from 95 791 802 to 100 066 802 for the 6 months ended 30 September 2003, resulting in the comparative earnings per share - before goodwill and exceptional items decreasing from 49.2 pence (including the effects of UITF 37, UITF 38 and FRS 17 per above) to 47.0 pence. The reason for the change in methodology is detailed on page 159 of the 2004 annual report.

## Consolidated profit and loss accounts

UK GAAP £'000	6 months to 30 Sept 2004 Unaudited			6 months to 30 Sept 2003* Unaudited			Year to 31 March 2004* 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	39 528	-	39 528	54 170	-	54 170	91 845	-	91 845
Interest receivable - other interest income	310 283	-	310 283	285 950	-	285 950	588 188	-	588 188
Interest payable	(288 183)	-	(288 183)	(292 950)	-	(292 950)	(574 249)	-	(574 249)
<b>Net interest income</b>	<b>61 628</b>	<b>-</b>	<b>61 628</b>	<b>47 170</b>	<b>-</b>	<b>47 170</b>	<b>105 784</b>	<b>-</b>	<b>105 784</b>
Dividend income	879	-	879	3 511	-	3 511	3 450	-	3 450
Fees and commissions receivable	205 781	-	205 781	153 857	-	153 857	339 942	-	339 942
- annuity	156 966	-	156 966	126 884	-	126 884	273 977	-	273 977
- deal	48 815	-	48 815	26 973	-	26 973	65 965	-	65 965
Fees and commission payable	(10 117)	-	(10 117)	(8 318)	-	(8 318)	(21 569)	-	(21 569)
Dealing profits	33 771	-	33 771	39 312	-	39 312	91 015	-	91 015
Income from long-term assurance business	3 538	-	3 538	2 699	-	2 699	5 082	-	5 082
Return on shareholders' funds in the long-term assurance business	14 515	-	14 515	6 769	-	6 769	24 122	-	24 122
Other operating income	1 650	-	1 650	6 385	-	6 385	13 028	-	13 028
<b>Other income</b>	<b>250 017</b>	<b>-</b>	<b>250 017</b>	<b>204 215</b>	<b>-</b>	<b>204 215</b>	<b>455 070</b>	<b>-</b>	<b>455 070</b>
<b>Total operating income</b>	<b>311 645</b>	<b>-</b>	<b>311 645</b>	<b>251 385</b>	<b>-</b>	<b>251 385</b>	<b>560 854</b>	<b>-</b>	<b>560 854</b>
Administrative expenses	(209 193)	-	(209 193)	(181 922)	-	(181 922)	(395 188)	-	(395 188)
Depreciation and amortisation	(4 631)	(18 419)	(23 050)	(6 679)	(29 780)	(36 459)	(12 448)	(50 644)	(63 092)
- tangible fixed assets	(4 631)	-	(4 631)	(6 679)	-	(6 679)	(12 448)	-	(12 448)
- amortisation and impairment of goodwill	-	(18 419)	(18 419)	-	(29 780)	(29 780)	-	(50 644)	(50 644)
Provision for bad and doubtful debts	(9 115)	-	(9 115)	(4 889)	-	(4 889)	(20 958)	-	(20 958)
<b>Operating profit before exceptional items</b>	<b>88 706</b>	<b>(18 419)</b>	<b>70 287</b>	<b>57 895</b>	<b>(29 780)</b>	<b>28 115</b>	<b>132 260</b>	<b>(50 644)</b>	<b>81 616</b>

## Consolidated profit and loss accounts

UK GAAP £'000	6 months to 30 Sept 2004 Unaudited			6 months to 30 Sept 2003* Unaudited			Year to 31 March 2004* 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
<b>Operating profit before exceptional items</b>	<b>88 706</b>	<b>(18 419)</b>	<b>70 287</b>	<b>57 895</b>	<b>(29 780)</b>	<b>28 115</b>	<b>132 260</b>	<b>(50 644)</b>	<b>81 616</b>
Share of income of associated companies	7 181	(1 033)	6 148	4 791	(1 008)	3 783	11 205	(2 132)	9 073
Exceptional items	–	(14 655)	(14 655)	–	8 571	8 571	–	8 529	8 529
Provision for losses on termination and disposal of group operations - discontinued	–	–	–	–	(5 103)	(5 103)	–	(5 103)	(5 103)
Losses on termination and disposal of group operations - discontinued	–	(2 602)	(2 602)	–	(24 328)	(24 328)	–	(24 328)	(24 328)
Less provision raised in prior periods	–	2 602	2 602	–	19 225	19 225	–	19 225	19 225
Impairment of goodwill on termination and disposal of group operations—continuing	–	(2 712)	(2 712)	–	–	–	–	–	–
(Loss)/profit on termination and disposal of group operations - continuing	–	(11 943)	(11 943)	–	13 674	13 674	–	13 632	13 632
<b>Profit on ordinary activities before taxation</b>	<b>95 887</b>	<b>(34 107)</b>	<b>61 780</b>	<b>62 686</b>	<b>(22 217)</b>	<b>40 469</b>	<b>143 465</b>	<b>(44 247)</b>	<b>99 218</b>
Taxation on profit on ordinary activities	(23 292)	–	(23 292)	(12 592)	–	(12 592)	(27 821)	(678)	(28 499)
Tax on profit on ordinary continuing activities	(23 292)	–	(23 292)	(12 592)	–	(12 592)	(27 821)	–	(27 821)
Tax on provision for losses on termination and disposal of group operations-discontinued	–	–	–	–	–	–	–	(678)	(678)
<b>Profit on ordinary activities after taxation</b>	<b>72 595</b>	<b>(34 107)</b>	<b>38 488</b>	<b>50 094</b>	<b>(22 217)</b>	<b>27 877</b>	<b>115 644</b>	<b>(44 925)</b>	<b>70 719</b>
Minority interests-equity	(712)	–	(712)	(1 235)	–	(1 235)	(1 888)	75	(1 813)
<b>Profit attributable to shareholders</b>	<b>71 883</b>	<b>(34 107)</b>	<b>37 776</b>	<b>48 859</b>	<b>(22 217)</b>	<b>26 642</b>	<b>113 756</b>	<b>(44 850)</b>	<b>68 906</b>
Dividends - including non-equity	(36 118)	–	(36 118)	(29 819)	–	(29 819)	(63 709)	–	(63 709)
<b>Retained profit/(loss) for the year</b>	<b>35 765</b>	<b>(34 107)</b>	<b>1 658</b>	<b>19 040</b>	<b>(22 217)</b>	<b>(3 177)</b>	<b>50 047</b>	<b>(44 850)</b>	<b>5 197</b>
Earnings per share - basic (pence)			29.9			24.8			60.0
Earnings per share - diluted (pence)			29.7			23.9			59.6
Earnings per share excluding goodwill amortisation and exceptional items									
- basic (pence)			61.7			47.0			103.8
- diluted (pence)			59.3			45.0			100.8
Headline earnings per share - basic (pence)			61.7			47.0			103.5
Dividends per share (pence)			30.0			28.0			58.0

\*Restated for changes to accounting policies and disclosures.

## Consolidated statements of recognised gains and losses

UK GAAP £'000	6 months to 30 Sept 2004 Unaudited	6 months to 30 Sept 2003* Unaudited	Year to 31 March 2004* Audited
Profit for the period attributable to shareholders	37 776	26 642	68 906
Currency translation differences on foreign currency net investments	(4 803)	19 556	(4 104)
Unrealised surplus on revaluation of investment properties	2 735	2 033	13 982
Actuarial losses recognised on pension fund schemes	–	–	(1 294)
<b>Total recognised gains and losses for the period</b>	<b>35 708</b>	<b>48 231</b>	<b>77 490</b>
Prior year adjustments in respect of change in accounting policies	(43)		
<b>Total gains and losses since last report</b>	<b>35 665</b>		

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

\*Restated for changes to accounting policies and disclosures.

## Consolidated balance sheets

UK GAAP £'000	30 Sept 2004 Unaudited	30 Sept 2003* Unaudited	31 March 2004* Audited
<b>Assets</b>			
Cash and balances at central banks	217 460	348 391	363 862
Treasury bills and other eligible bills	277 583	311 422	332 208
Loans and advances to banks	2 676 378	1 523 294	1 704 715
Loans and advances to customers	6 532 100	5 844 318	6 347 032
Debt securities	1 761 409	1 902 519	1 466 437
Equity shares	240 744	263 895	418 254
Interests in associated undertakings	71 684	66 099	70 006
Other participating interests	9 137	8 890	9 135
Intangible fixed assets	225 358	280 286	251 508
Tangible fixed assets	143 567	174 297	146 326
Other assets	1 259 779	1 765 475	1 081 131
Prepayments and deferred income	110 221	120 297	81 511
Long-term assurance business attributable to the shareholder	299 209	188 700	265 315
	13 824 629	12 797 883	12 537 440
Long-term assurance assets attributable to policyholders	2 689 767	2 857 111	2 781 335
	<b>16 514 396</b>	<b>15 654 994</b>	<b>15 318 775</b>
<b>Liabilities</b>			
Deposits by banks	886 583	1 402 002	1 233 609
Customer accounts	7 233 545	6 907 589	7 211 292
Debt securities in issue	1 165 994	960 697	621 857
Other liabilities	3 031 690	2 212 605	1 969 855
Accruals and deferred income	191 299	231 644	185 600
Pension fund liability	11 967	10 041	11 967
	12 521 078	11 724 578	11 234 180
Long-term assurance liabilities attributable to policyholders	2 689 767	2 857 111	2 781 335
	15 210 845	14 581 689	14 015 515
<b>Capital resources</b>			
Subordinated liabilities (including convertible debt)	500 326	302 812	497 858
Minority interests - equity	37 781	41 987	39 029
Called up share capital	165	158	165
Share premium account	1 027 539	981 606	1 027 539
Treasury shares	(101 541)	(98 273)	(101 304)
Shares to be issued	2 384	2 996	2 666
Perpetual preference shares	126 698	126 778	126 698
Revaluation reserves	45 877	31 193	43 142
Other reserves	(173 205)	(147 356)	(168 402)
Profit and loss account	(162 473)	(168 596)	(164 131)
Shareholder's funds	765 444	728 506	766 373
- equity	638 746	601 728	639 675
- non equity	126 698	126 778	126 698
	1 303 551	1 073 305	1 303 260
	<b>16 514 396</b>	<b>15 654 994</b>	<b>15 318 775</b>
<b>Memorandum items</b>			
Contingent liabilities	424 856	313 180	267 441
Commitments	327 062	250 046	522 879
	<b>751 918</b>	<b>563 226</b>	<b>790 320</b>

\*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 2004 Unaudited	6 months to 30 Sept 2003* Unaudited	Year to 31 March 2004* Audited
<b>Balance at the beginning of the period</b>	<b>766 373</b>	<b>588 466</b>	<b>588 466</b>
- As previously reported	808 969	696 968	639 968
- Changes in accounting policies			
Adoption of UITF 38 : Accounting for ESOP trusts	(42 596)	(51 502)	(51 502)
Adoption of UITF 37 : Purchase and sale of own shares	-	(47 827)	-
Adoption of full requirements of FRS 17 : Retirement benefits	-	(9 173)	-
Foreign currency adjustments	(4 803)	19 556	(4 104)
Retained profit/(loss) for the period	1 658	(3 177)	5 197
Reduction in shareholding of associate	-	(1 055)	(1 056)
Issue of shares	-	568	46 325
Issue of perpetual preference shares	-	127 465	127 484
Share issue expenses	-	(697)	(2 031)
Re-issue of treasury shares	-	410	18 975
Purchase of treasury shares	(519)	(5 063)	(25 571)
Transfer to pension fund deficit	-	-	(1 294)
Revaluation of investment properties	2 735	2 033	13 982
<b>Balance at the end of the period</b>	<b>765 444</b>	<b>728 506</b>	<b>766 373</b>

\*Restated for changes to accounting policies and disclosures.

## Consolidated cash flow statements

UK GAAP £'000	6 months to 30 Sept 2004 Unaudited	6 months to 30 Sept 2003* Unaudited	Year to 31 March 2004* Audited
Net cash inflow/(outflow) from operating activities	487 999	(58 383)	(485 602)
Net cash outflow from return on investments and servicing of finance	(35 444)	(17 022)	(54 318)
Taxation	(16 691)	(4 973)	(31 917)
Net cash (outflow)/inflow from capital expenditure and financial investment	(525 744)	25 006	334 187
Net cash (outflow)/inflow from acquisitions and disposals	(2 423)	(1 055)	40 227
Ordinary share dividends paid	(28 833)	(26 298)	(52 810)
Net cash (outflow)/inflow from financing	(6 886)	122 585	389 225
(Decrease)/increase in cash	(128 022)	39 860	138 992
Cash and demand bank balances at beginning of the period	1 172 894	1 033 902	1 033 902
<b>Cash and demand balances at end of period</b>	<b>1 044 872</b>	<b>1 073 762</b>	<b>1 172 894</b>

\*Restated for changes to accounting policies and disclosures.



# Section.3

## Divisional and segmental review

### Group operating structure

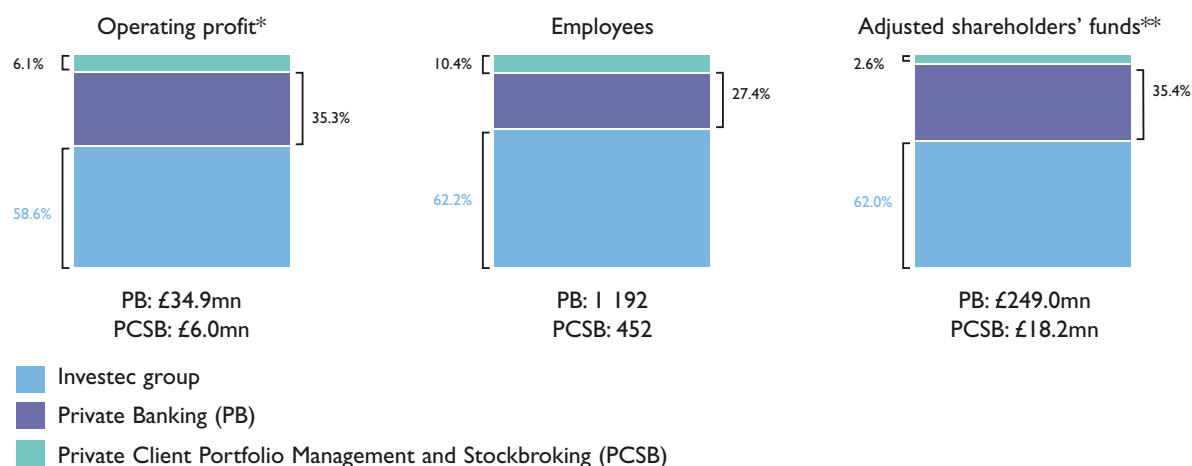
Investec's strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in the group's principal business areas. The group's core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where the group can compete effectively.

<b>Private Client Activities</b>	<b>Treasury and Specialised Finance</b>	<b>Investment Banking</b>	<b>Asset Management</b>
<ul style="list-style-type: none"><li>• Private Banking</li><li>• Private Client Portfolio Management and Stockbroking</li></ul>	<ul style="list-style-type: none"><li>• Banking and Advisory Activities</li><li>• Financial Market Activities</li></ul>	<ul style="list-style-type: none"><li>• Corporate Finance</li><li>• Institutional Research, Sales and Trading</li><li>• Private Equity</li><li>• Direct Investments</li></ul>	<ul style="list-style-type: none"><li>• Institutional</li><li>• Retail</li><li>• Assurance Activities</li></ul>
<ul style="list-style-type: none"><li>• Australia</li><li>• Southern Africa</li><li>• UK and Europe</li></ul>	<ul style="list-style-type: none"><li>• Australia</li><li>• Southern Africa</li><li>• UK and Europe</li></ul>	<ul style="list-style-type: none"><li>• Australia</li><li>• Southern Africa</li><li>• UK and Europe</li></ul>	<ul style="list-style-type: none"><li>• Hong Kong</li><li>• Southern Africa</li><li>• UK and Europe</li></ul>
<b>Group Services and Other Activities</b>			
Central Services International Trade Finance	Central Funding USA Continuing operations	Property Activities	

## Private Client Activities

- The group's Private Client Activities, comprising the Private Banking and Private Client Portfolio Management and Stockbroking divisions, reported substantial growth in operating profit before exceptional items and amortisation of goodwill of 63.1% to £40.9 million from £25.1 million.

### Contribution analysis



\* Before taxation, exceptional items and amortisation of goodwill.

\*\* As calculated on page 69.

### Operating profit<sup>^</sup> - track record



<sup>^</sup>Five year trend reflects numbers as at the year ended 31 March. Amounts are shown before taxation, exceptional items and amortisation of goodwill. Numbers for the six months to 30 September have been annualised.

## Private Client Activities

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	48 199	39 654	8 545	21.5%
Other income	74 367	56 873	17 494	30.8%
Admin expenses and depreciation	(74 970)	(67 025)	(7 945)	11.9%
Provision for bad and doubtful debts	(6 693)	(4 426)	(2 267)	51.2%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>40 903</b>	<b>25 076</b>	<b>15 827</b>	<b>63.1%</b>
Private Banking	34 884	21 772	13 112	60.2%
Private Client Portfolio Management and Stockbroking	6 019	3 304	2 715	82.2%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>40 903</b>	<b>25 076</b>	<b>15 827</b>	<b>63.1%</b>
Southern Africa	16 207	9 149	7 058	77.1%
UK and Europe	21 763	14 328	7 435	51.9%
Australia	1 180	1 229	(49)	(4.0%)
Israel	1 753	370	1 383	>100%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>40 903</b>	<b>25 076</b>	<b>15 827</b>	<b>63.1%</b>

## Private Banking

### Overview

- Significant increase of 60.2% in operating profit to £34.9 million.
- Since 31 March 2004 a 19.5% increase in lending book to £3.8 billion.
- Since 31 March 2004 a 17.5% increase in deposit book to £3.0 billion.
- Successful increase in non-interest income of 46.7%.
- Increase in expenses of 17.9%.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	45 649	37 315	8 334	22.3%
Net fees and commissions receivable	43 654	28 347	15 307	54.0%
Dealing profits	2 353	2 983	(630)	(21.1%)
Other operating income and dividends received	54	75	(21)	(28.0%)
Admin expenses and depreciation	(50 133)	(42 522)	(7 611)	17.9%
Provision for bad and doubtful debts	(6 693)	(4 426)	(2 267)	51.2%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>34 884</b>	<b>21 772</b>	<b>13 112</b>	<b>60.2%</b>
Southern Africa	13 750	8 107	5 643	69.6%
UK and Europe	18 201	12 066	6 135	50.8%
Australia	1 180	1 229	(49)	(4.0%)
Israel	1 753	370	1 383	>100%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>34 884</b>	<b>21 772</b>	<b>13 112</b>	<b>60.2%</b>
ROE (pre-tax)	29.4%	21.5%		
Cost to income ratio	54.7%	61.9%		
Number of employees	1 192	1 096		8.8%

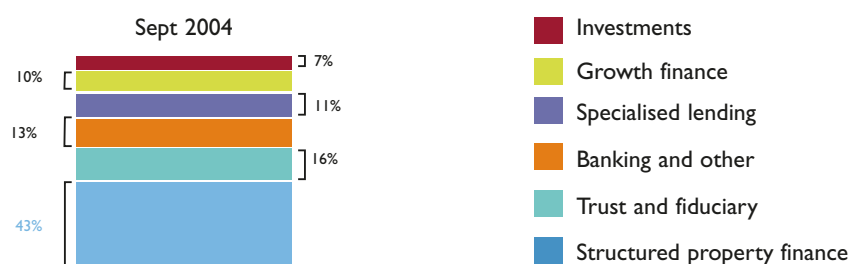
\*Restated for changes to accounting policies and disclosures.

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

- The solid increase in net interest income has been driven by a healthy growth in advances in the UK, Australia and SA of 12.4% (to £1.3 billion), 29.2% (to £279 million), 26.7% (to £2.2 billion), respectively.
- The significant growth in net fees and commissions receivable is attributable to an increase in lending turnover in all operations. Furthermore, the division continued to benefit from its diverse nature of activities, with specialised lending and advisory fees experiencing strong growth.
- Dealing profits relate to the division's growth finance activities.
- The increase in expenses is mainly as a result of an increase in variable remuneration in line with strong growth in profitability and an increase in personnel costs in SA given a 12% increase in headcount.
- Provisions have increased due to book growth.

£'million For the period ended 30 September	UK & Ireland		Australia		South Africa		Total		% Change
	2004	2003	2004	2003	2004	2003	2004	2003	
Residential	600	585	–	–	814	610	1 414	1 195	18.3%
Commercial	518	391	282	218	760	568	1 560	1 177	32.6%
Other sectors	144	163	–	–	642	570	786	733	72%
Cash-backed lending	103	74	–	–	–	–	103	74	39.2%
<b>Total gross core loans and advances</b>	<b>1 365</b>	<b>1 213</b>	<b>282</b>	<b>218</b>	<b>2 216</b>	<b>1 748</b>	<b>3 863</b>	<b>3 179</b>	<b>21.5%</b>
Specific provisions	4	3	0.2	–	12	9	16.2	12	35.0%
General provisions	14	11	3	2	13	10	30	23	30.4%
<b>Net core loans and advances</b>	<b>1 347</b>	<b>1 199</b>	<b>279</b>	<b>216</b>	<b>2 191</b>	<b>1 729</b>	<b>3 817</b>	<b>3 144</b>	<b>21.4%</b>
Gross non-performing loans (NPLs)	15	13	1	–	30	19	46	32	43.8%
<b>Asset quality</b>									
Gross NPLs as a % of core loans and advances	1.1%	1.1%	0.3%	–	1.4%	1.1%	1.2%	1.0%	
General provisions as a % of core loans and advances	1.1%	0.9%	0.9%	0.8%	0.6%	0.6%	0.8%	0.7%	
Total provisions as a % of gross NPLs	119.6%	107.7%	320.0%	–	83.3%	100.0%	99.5%	109.4%	
<b>Total deposit book</b>	<b>1 755</b>	<b>1 491</b>	<b>163</b>	<b>127</b>	<b>1 075</b>	<b>811</b>	<b>2 993</b>	<b>2 429</b>	<b>23.2%</b>

A contribution analysis of non-interest income by area of specialisation is shown below:



## Developments

Key developments over the period are outlined below:

- Attracted a quality property finance team from First Active in Dublin
- Made good progress in the UK midlands property market from our newly established base in Manchester
- Actively shifted our exposure towards commercial property given the opportunities that currently exist
- Increased market share in high value residential schemes in both Cape Town and Gauteng
- Established a growth finance business in Australia
- Raised A\$ 32 million from high net worth individuals for Investec Wentworth Specialist Property Trust
- Won a number of significant investment mandates for South African high net worth individuals
- Developed and launched a number of new banking products in all geographies to attract new deposits for funding purposes

## Strategic focus

- Our strategy is to provide both the financial leverage and acumen necessary to achieve our clients financial dreams
- It is our intent to be recognised as a distinct and specialist wealth generator
- In pursuit of risk adjusted returns for our clients, our partners and our shareholders, we seek to differentiate ourselves by leveraging our core competence in risk management to:
  - Create, hold and provide access to niche credits
  - Create, hold and provide privileged access to niche investment opportunities
- Identified specialisations leverage off our core competence and exploit distinct value and margin opportunity
- This is achieved by a chosen talent pool delivering distinctive value through partnership and a diagnostic approach to our select clients
- We concentrate on growth markets and client segments where we have an affinity and can establish and maintain a leadership position
- Adherence to our core philosophies and brand values underpin our platform for growth and aspiration
- Specialisations may vary according to the demographics and maturity of each business unit and the geography within which it operates
- The focus for the forthcoming period will be to
  - Establish scale in each of our specialisations in the geographies in which they operate
  - Explore opportunities that are adjacent and tangential to our existing specialisations to ensure new revenue lines in the future

# Private Client Portfolio Management and Stockbroking

## Overview

- Operating profit of £6.0 million, an increase of 82.2%.
- Improved equity market conditions and strict cost control benefited both Carr Sheppards Crosthwaite in the UK and Investec Securities in SA.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	2 550	2 339	211	9.0%
Net fees and commissions receivable	28 152	25 250	2 902	11.5%
Dealing profits	154	154	–	–
Other operating income and dividends received	–	64	(64)	(100%)
Admin expenses and depreciation	(24 837)	(24 503)	(334)	1.4%
Provision for bad and doubtful debts	–	–	–	–
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>6 019</b>	<b>3 304</b>	<b>2 715</b>	<b>82.2%</b>
South Africa	2 457	1 042	1 415	>100%
UK and Europe	3 562	2 262	1 300	57.5%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>6 019</b>	<b>3 304</b>	<b>2 715</b>	<b>82.2%</b>
ROE (pre-tax)	63.4%	19.4%		
Cost to income ratio	80.5%	88.1%		
Number of employees	452	477		(5.2%)

## Developments

Key developments over the period are outlined below:

- Carr Sheppards Crosthwaite's funds under management declined by 2.8% since March 2004 to £5.7 billion:
  - Loss of a client, which was taken over, and a cleaning up of the portfolio following an extensive 'know your client' exercise.
  - These movements however, were offset by £95 million of net new business.
  - Discretionary funds under management amount to £3.6 billion (March 2004: £3.7 billion)
  - Non-discretionary funds under management amount to £2.1 billion (March 2004: £2.2 billion).
  - Remain prominent in the charities sector with the Charities Property Fund growing from £165 million at the beginning of the year to £215 million.
- Investec Securities increased funds under management by 13.4% to R33.7 billion (£2.9 billion) from R30 billion (£2.5 billion) at March 2004.
  - Discretionary funds under management amount to R5.9 billion (£504 million) (March 2004: R5.3 billion (£454 million)).
  - Non-discretionary funds under management amount to R27.8 billion (£2.4 billion) (March 2004: R24.7 billion (£2.1 billion)).
  - Continued focus on conversion of accounts into discretionary mandates.

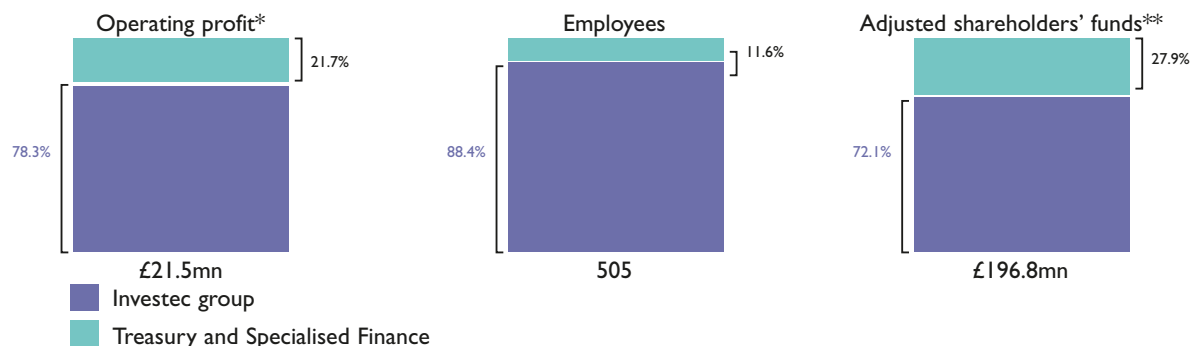
\*Restated for changes to accounting policies and disclosures.

# Treasury and Specialised Finance

## Overview

- Operating profit of £21.5 million, an increase of 39.5%.
- The SA operation benefited from a relatively stable interest rate environment and a significant increase in dealing profits following a disappointing performance reported in the prior period.
- The advisory and lending activities in the UK and SA performed well with a notable performance from the Project Finance division in the UK.
- These results were somewhat offset by an unsatisfactory result recorded by the Commodities trading operation in the UK.
- The division met its objectives of stabilising and growing the revenue streams across the board and developing a strong deal pipeline.

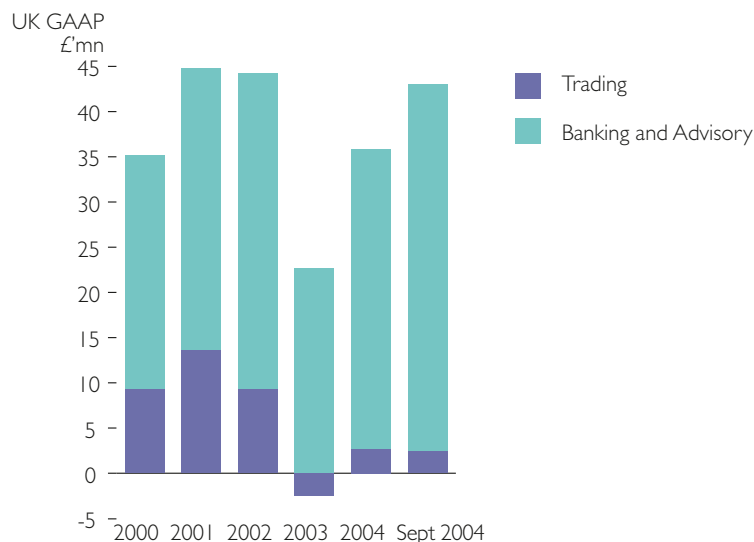
## Contribution analysis



\* Before taxation, exceptional items and goodwill amortisation.

\*\* As calculated on page 69.

## Operating profit<sup>^</sup> - track record



<sup>^</sup>Five year trend reflects numbers as at the year ended 31 March. Amounts are shown before taxation, exceptional items and amortisation of goodwill. Numbers for the six months to 30 September have been annualised.

## Treasury and Specialised Finance

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	21 069	18 037	3 032	16.8%
Net fees and commissions receivable	18 723	15 142	3 581	23.6%
Dealing profits	18 218	15 240	2 978	19.5%
Other operating income and dividends received	218	1 659	(1 441)	(86.9%)
Admin expenses and depreciation	(35 794)	(33 702)	(2 092)	6.2%
Provision for bad and doubtful debts	(982)	(998)	16	(1.6%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>21 452</b>	<b>15 378</b>	<b>6 074</b>	<b>39.5%</b>
Banking and Advisory Activities	20 276	14 673	5 603	38.2%
Financial Markets Activities	1 176	705	471	66.8%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>21 452</b>	<b>15 378</b>	<b>6 074</b>	<b>39.5%</b>
Southern Africa	15 006	5 239	9 767	>100%
UK and Europe	6 178	8 909	(2 731)	(30.7%)
Australia	611	65	546	>100%
Israel	(343)	1 165	(1 508)	>(100)%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>21 452</b>	<b>15 378</b>	<b>6 074</b>	<b>39.5%</b>
ROE (pre-tax)	23.3%	18.0%		
Cost to income ratio	61.5%	67.3%		
Number of employees	505	494		2.2%

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

- Net interest income has benefited from growth in the UK banking and lending businesses and a stable interest rate environment in SA following the margin squeeze experienced in the prior period.
- The increase in net fees and commissions receivable is attributable to the strong performance of the Project Finance division in the UK and a sound performance from the banking and lending activities in SA.
- Dealing profits reflect a significant improvement in the performance of the SA trading activities following losses incurred by the Interest Rate and Currency trading desks in the prior period. This result was however, partially offset by a weaker performance of the UK trading activities following a restructuring of the Stock Lending desk and losses incurred by the Commodities desk.
- Expenses have increased due to an increase in variable remuneration given increased profitability.

## Developments

### Key developments over the period are outlined below:

- Established an Acquisition Finance business in the UK.
- Brought to market a commercial paper conduit in SA, which is in the process of being ramped up.
- E-commerce platform for the division's corporate treasury business in SA successfully taken through the pilot stage.
- Participated in structuring and arranging the largest power station financing in Ireland.
- Established the Viridis Clean Energy Fund in a joint venture in Australia.

\*Restated for changes to accounting policies and disclosures.



- Successfully launched a €500 million Euro commercial paper program and a £1 billion MTN programme raising €175 million in the UK to cater for future financing and liquidity requirements.
- Core term loans and advances grew modestly by 9.1% year on year although a number of mandates have been received that should result in second half growth.

## Strategic focus

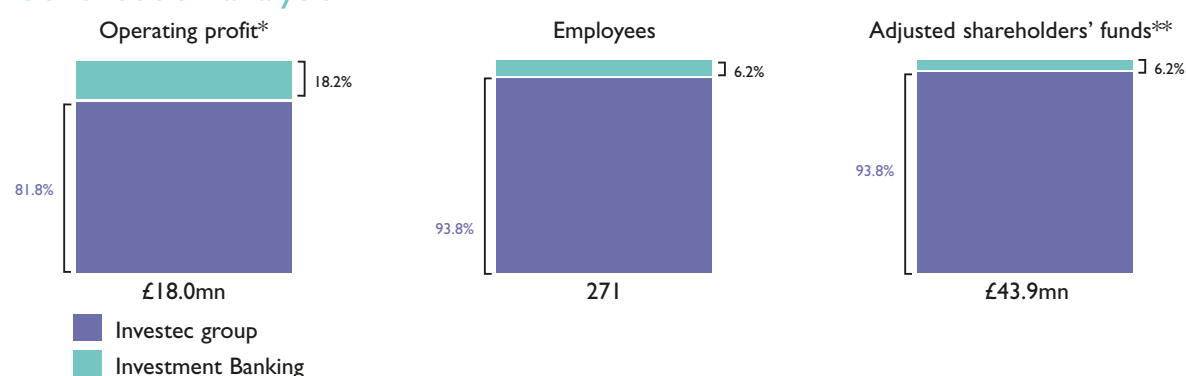
- The core strategy is centred on the division's clients and delivery of product with a focus on:
  - o Asset creation opportunities.
  - o Product structuring and distribution.
  - o Trading and hedging client and proprietary market opportunities.
  - o Advisory business.
- Continue to leverage the UK business by focusing on market penetration and investment in new business initiatives, balancing growth and return on capital.
- Continue to focus on systems, processes and automation particularly in the trading businesses to ensure that the division has maximum competitive advantage, which should also result in cost savings in the long-term.
- Strong focus on growth initiatives in particular the building of a quality portfolio of term assets.

# Investment Banking

## Overview

- Decline in operating profit of 10.4% to £18.0 million.
- The agency business performed well with a sound contribution from the Corporate Finance and Institutional Stockbroking operations.
- Off a high base in the prior period the Direct Investments and Private Equity divisions posted a lower operating profit.

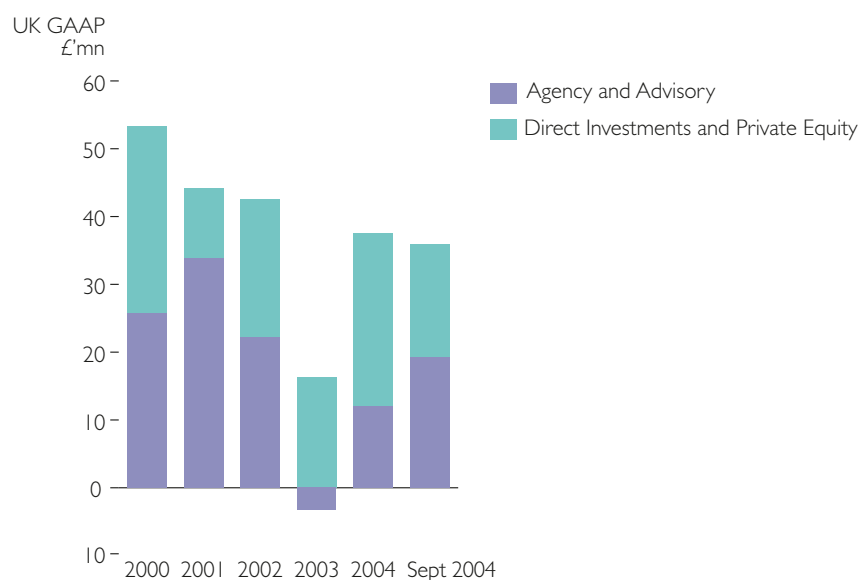
## Contribution analysis



\* Before taxation, exceptional items and amortisation of goodwill.

\*\* As calculated on page 69.

## Operating profit<sup>^</sup> - track record



<sup>^</sup>Five year trend reflects numbers as at the year ended 31 March. Amounts are shown before taxation, exceptional items and amortisation of goodwill. Numbers for the six months to 30 September have been annualised.

## Investment Banking

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	1 779	2 974	(1 195)	(40.2%)
Other income	42 638	38 588	4 050	10.5%
Admin expenses and depreciation	(26 206)	(21 485)	(4 721)	22.0%
Provision for bad and doubtful debts	(227)	–	(227)	100%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>17 984</b>	<b>20 077</b>	<b>(2 093)</b>	<b>(10.4%)</b>
Corporate Finance	6 675	5 151	1 524	29.6%
Institutional Research, Sales and Trading	2 872	1 147	1 725	>100%
Direct Investments	6 631	11 887	(5 256)	(44.2%)
Private Equity	1 806	1 892	(86)	(4.5%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>17 984</b>	<b>20 077</b>	<b>(2 093)</b>	<b>(10.4%)</b>
Southern Africa	11 488	15 884	(4 396)	(27.7%)
UK and Europe	3 155	1 516	1 639	>100%
Australia	1 540	1 591	(51)	(3.2%)
Israel	1 842	1 086	756	69.6%
USA	(41)	–	(41)	>(100)%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>17 984</b>	<b>20 077</b>	<b>(2 093)</b>	<b>(10.4%)</b>
ROE (pre-tax)	80.6%	82.3%		
Cost to income ratio	59.0%	51.7%		
Number of employees	271	273		(0.7%)

### Broken down further as follows: Corporate Finance and Institutional Research, Sales and Trading

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	1 241	871	370	42.5%
Net fees and commissions receivable	32 143	23 607	8 536	36.2%
Dealing profits	(118)	2 184	(2 302)	>(100)%
Other operating income and dividends received	82	61	21	34.4%
Admin expenses and depreciation	(23 801)	(20 425)	(3 376)	16.5%
Provision for bad and doubtful debts	–	–	–	–
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>9 547</b>	<b>6 298</b>	<b>3 249</b>	<b>51.6%</b>

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

- The group's Corporate Finance operations benefited from increased corporate activity in the UK with sound contributions posted by the Australian and SA teams. The Institutional Stockbroking operations performed well against a backdrop of favourable equity markets.
- Dealing profits largely relates to the market making activities of the UK operations and the activities of the Structured Equity desk in SA.
- The increase in expenses relates to an increase in retention and redundancy costs, and an increase in variable remuneration given increased profitability in the UK operations.

\*Restated for changes to accounting policies and disclosures.

### Broken down further as follows: Direct Investments and Private Equity

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	538	2 103	(1 565)	(74.4%)
Net fees and commissions (payable)/receivable	(259)	605	(864)	>(100)%
Dealing profits	10 813	10 448	365	3.5%
Other operating income and dividends received	(23)	1 683	(1 706)	>(100)%
Admin expenses and depreciation	(2 405)	(1 060)	(1 345)	>100%
Provision for bad and doubtful debts	(227)	–	(227)	>(100)%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>8 437</b>	<b>13 779</b>	<b>(5 342)</b>	<b>(38.8%)</b>

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

- Dealing profits represent the year to date cumulative increase/decrease in the value of the division's direct investments and private equity portfolios. Furthermore, dealing profits includes the profit/loss on realisation of these investments, which were previously reflected as part of "other operating income". These results are reflective of a sound performance across the portfolio and do not include any material transactions that require separate disclosure.

## Developments

### Corporate Finance

#### UK and Europe

- Strong six months for corporate activity, albeit that market enthusiasm for fundraisings and IPO's has declined
- A number of transactions have been concluded, amongst these are:
  - IPO of Dignity.
  - Incisive Media's acquisition of Initiative Europe, a business information provider.
  - Carlyle Groups acquisition of Inmedia, a division of Kingston Communications.
  - Pipex's acquisition of Host Europe, an Internet service Provider.
  - Sale of London Bridge Software to Fair Isaac Group.
  - Participation in the Virgin Mobile IPO.
  - Disposal of PSINET's UK and European operations.
  - Disposal of Telco Global to Centrica.
  - Disposal of Synstar to Hewlett Packard.
- Continue to build the quality and size of the corporate client list.
- Gained 4 net new clients over the period.

#### Australia

- The Australian economy has continued to perform strongly.
- Successfully completed transactions in the first half include:
  - Advisor on A\$25 billion 3-way merger of Westfield Holdings, Westfield Trust and Westfield America.
  - Advisor to UNiTAB on A\$215 million acquisition of NSW and Queensland gaming assets.
  - Advisor on A\$167 million sale of New Price Retail to Australian Pharmaceutical Industries.
  - Advisor to Integrated Tree Cropping on A\$80 million merger with Neville Smith Group.
  - Advisor to Tarocash on A\$31 million recapitalisation and equity investment by CHAMP Ventures.
  - Advisor to IWPE on formation of Investec Wentworth Specialised Property Trust.

\*Restated for changes to accounting policies and disclosures.

### South Africa

- Market conditions are improving with work focused on restructurings, black economic empowerment transactions, and listings.
- During this period a number of major transactions have been announced:
  - New Africa Investments Limited - Disposal of New Africa Media Holdings Limited to Primedia - value R209 million.
  - Kersaf Investments Limited - Offer by Kersaf to the issued share capital of SISA - value R1.3 billion.
  - Growthpoint Properties Limited - Acquisition of a portfolio of properties from Lyons Corporate Lease Fund (Pty) Ltd - value R288 million.
  - Metboard Properties Limited - Acquisition of a portfolio of properties from Lyons Corporate Lease Fund - value R176 million.
  - The listing of Vukile Property Fund Limited - value R1 billion.
  - The listing of Lewis Stores - value R3 billion.
  - Aveng Limited - sale of stake to BEE partner for R496 million.
  - Reunert Limited - R500 million share buy back.

### Institutional Research, Sales and Trading

#### UK and Europe

- Operational performance has improved due to a number of factors:
  - Increased research coverage, including a new support services research team, an oil analyst and a leisure analyst.
  - Increased sales resource towards hedge funds.
  - Increased use of the balance sheet to facilitate broking commissions in both market making stocks and selected large cap stocks.
- While commissions have substantially improved over the prior period, commission levels are still suffering from low market volumes.
- Introduced price making in dual listed stocks as from 1 April 2004.

#### South Africa

- JSE turnover 35% higher than prior period - resulting in a significant increase in revenue.
- Continued good agency business and high levels of activity on the arbitrage front.
- New client activity and solid rankings.

### Private Equity and Direct Investments

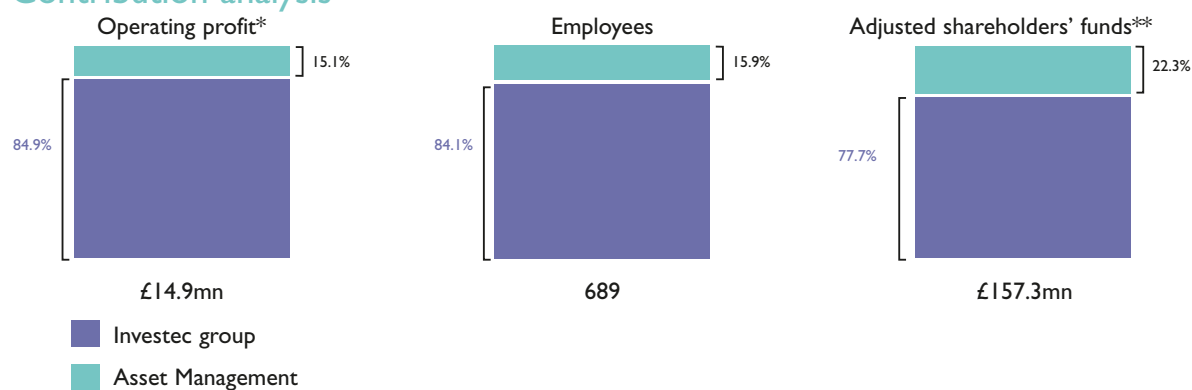
- Good performance from the underlying portfolios but coming off a high base in the prior period.
- Private Equity portfolio at 30 September 2004:
  - UK: £21.5 million
  - Australia:
    - Recently established an unlisted wholesale property trust, Investec Wentworth Specialist Property Trust, successfully raising A\$32 million.
    - Total private equity funds of A\$136 million.
  - SA: approximately R350 million.

# Asset Management

## Overview

- EBITDA of £13.8 million, which represented growth of 50.1%.
- Operating profit of £14.9 million, which represented growth of 37.0%.
- Since 31 March 2004 assets under management increased by 7.2% in Pounds Sterling to £22.1 billion and by 7.4% in Rands to R257.7 billion.
- The key features of the half year were:
  - Solid financial performance, rapid earnings growth in the UK.
  - Strong net inflows of £302 million.
  - Excellent investment performance across the core products.

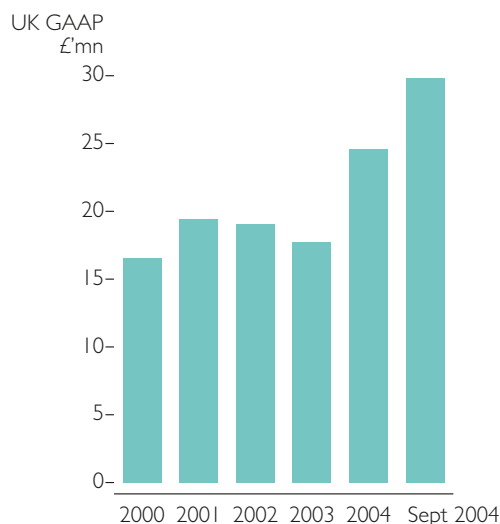
## Contribution analysis



\* Before taxation, exceptional items and amortisation of goodwill.

\*\* As calculated on page 69.

## Operating profit<sup>^</sup> - track record



<sup>^</sup>Five year trend reflects numbers as at the year ended 31 March. Amounts are shown before taxation, exceptional items and amortisation of goodwill. Numbers for the six months to 30 September have been annualised.

## Asset Management

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	1 320	1 701	(381)	(22.4%)
Net fees and commissions receivable	56 349	46 151	10 198	22.1%
Other income	1	1 246	(1 245)	(99.9%)
Admin expenses and depreciation	(42 789)	(38 235)	(4 554)	11.9%
Provision for bad and doubtful debts	—	—	—	—
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>14 881</b>	<b>10 863</b>	<b>4 018</b>	<b>37.0%</b>
Southern Africa	12 748	10 537	2 211	21.0%
UK and Other International	1 981	215	1 766	>100%
Israel	152	111	41	36.9%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>14 881</b>	<b>10 863</b>	<b>4 018</b>	<b>37.0%</b>
ROE (pre-tax)	15.4%	10.0%		
Cost to income ratio	74.2%	77.9%		
Number of employees	689	785		(12.2%)

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

### UK and Other International Operations

- Operating profit of the UK operations in Pounds Sterling (approximately £2 million) is significantly higher (an increase of £1.8 million).
- The retail business continues to gain market share with net inflows of £137 million into the onshore retail funds.
- The offshore funds achieved net inflows of £69 million mainly due to the focussed sales efforts from the UK and Asian based sales teams. Flows from SA continue to suffer from the strong Rand.
- The institutional book had net inflows of £106 million. Investment performance of core products remains solid.

### Southern Africa

- Operating profit of the Southern African operations in Rands (approximately R149.6 million) is 17.2% higher.
- The institutional business recorded inflows from third party clients of R1.3 billion (£111 million) although this was once again negatively impacted by outflows from former Fedsure clients of R2.4 billion (£205 million).
- The business benefited from R9 billion (£778 million) of restructures mostly from balanced to specialist products in line with the stated strategy.
- The continuation of improved domestic market conditions along with excellent specialist investment performance and subsequent increase in performance fee income positively impacted revenue.
- The retail business also benefited from the improved market conditions, which in combination with a focused sales effort and excellent retail investment performance resulted in net inflows into the retail book of R1.3 billion (£111 million).

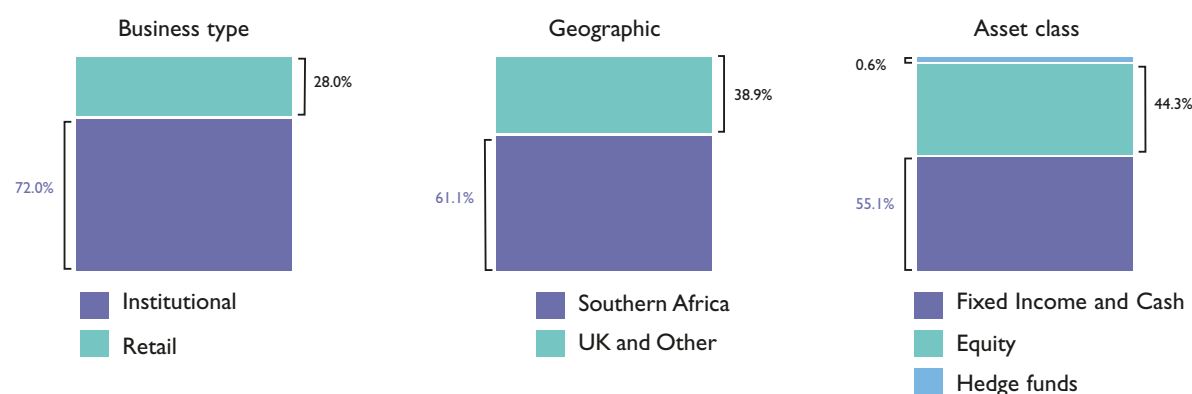
\*Restated for changes to accounting policies and disclosures.

## Market positioning

An investment specialist focused on performance and client needs.

	Area	Position
UK	Public sector fixed income	Market leader
	Institutional (pension funds)	Recognised competitor
	Retail funds	Successful contender aspiring to leadership
Southern Africa	Institutional segregated	Market leader, going for dominance
	Retail funds and portfolio products	Market leader, going for dominance

## Funds under management



## Movement in funds under management

£'million	Total	Institutional	Retail	UK & Other	SA	SA (Rm)
<b>31 March 2004</b>	<b>20 568</b>	<b>14 930</b>	<b>5 638</b>	<b>8 062</b>	<b>12 506</b>	<b>145 949</b>
New clients and funds	2 049	1 982	67	875	1 174	13 695
Disinvestments/funds closed	(1 508)	(1 476)	(32)	(522)	(986)	(11 723)
Existing client movements	(239)	(520)	281	(59)	(180)	(1 925)
Market/forex movement	1 185	968	217	215	970	11 541
<b>30 September 2004</b>	<b>22 055</b>	<b>15 884</b>	<b>6 171</b>	<b>8 571</b>	<b>13 484</b>	<b>157 537</b>

Sourced basis



## Sales (gross inflows)

- Despite high turnover in the markets, the business continues to generate significant new flows.

Clients	30 Sept 2004	30 Sept 2003	Products	30 Sept 2004	30 Sept 2003
	£'million			£'million	
Institutional	2 110*	968	Fixed interest and cash	2 136	1 872
Retail	1 865	1 561	Equity	1 385	464
	<b>3 975</b>	<b>2 529</b>	Balanced	454	193
				<b>3 975</b>	<b>2 529</b>

\* Includes £778 million of restructures of SA institutional funds from balanced products.

## Developments

Key developments over the period are outlined below:

### UK and Other International Operations

The UK business performed particularly well over the period, increased revenue due to strong net inflows resulted in a significant improvement in profit.

- Strong net inflows across the product range.
- UK retail business continues to gain market share across target markets, delivering net inflows of £137 million for the period. This translates to a significant 6.1% of industry net retail sales for the 12 months to 30 September 2004.
- Substantial offshore retail fund flows from Asia (net sales of \$114 million), especially Taiwan.
- Significant momentum in fixed income business - key appointments have strengthened the team.
- UK contrarian equity team continues to attract assets.
- Changes in 4Factor equity team impacted institutional business momentum. Restructured equity team is operating smoothly and will provide a credible platform for future growth.

### Investec in the UK retail fund industry

	30 Sept 2004	30 Sept 2003	30 Sept 2002
IAM funds under management (£'million)	1 291	877	588
Total industry size (£'million)	254 378	223 515	182 245
Size ranking in industry	51st of 125	54th of 129	61st of 130
Industry net retail sales (£'million)	5 553	7 323	10 303
IAM % of net industry retail sales	6.1%	2.7%	1.7%
Industry gross retail sales (£'million)	29 811	26 311	29 152
IAM % of gross industry retail sales	1.8%	1.3%	1.0%

Source: Investment Management Association statistics  
Industry sales for the 12 month period

## UK investment performance

- Continued respectable investment performance across core products.

Percentile	6m	1yr	2yrs	3yrs
UK Value	22	26	12	12
Global Equity	61	12	22	25
Sterling Bond	24	33	48	45
Global Bond	69	22	49	9

Source: S&P Micropal

Benchmark out performance	6m	1yr	2yrs	3yrs
UK Equity Conservative	-	+	+	+
UK Equity Aggressive	-	-	-	+
Global Equities	-	+	+	+
Balanced	+	+	+	+
UK Government Bonds	+	+	+	+
UK Corporate Bonds	+	+	+	+
Sterling Cash Plus	+	-	+	+
Global Bonds	-	+	-	+

Note: + depicts above benchmark performance, - depicts below benchmark performance

Source: S&P Micropal, WM Spectrum

## Southern Africa

The Southern African business continues to deliver solid results on the back of a well established market position and excellent investment performance.

- Excellent investment performance in all specialist equity products (Standard & Poors best group over five years).
- Steady improvement in balanced investment performance.
- Outsourcing initiative was successfully implemented for both institutional and retail back offices, enabling the business to focus on investments and clients. Investec Asset Management has been instrumental in creating an off-shoring industry in SA.
- Successful participation in the restructuring of institutional funds from balanced to specialist - assets have been maintained and margins improved.
- African initiative is picking up momentum.
- Significant net inflows from Botswana of R455 million (£39 million).
- Pamue empowerment transaction in Namibia.

## Investec in the South African unit trust industry

	30 Sept 2004	30 Sept 2003	30 Sept 2002
IAM funds under management (R'million)	26 386	20 881	20 781
Total industry size (R'million)	282 657	203 965	177 952
Market share	9%	10%	12%
Size ranking in industry	4th of 29	4th of 29	2nd of 29
Industry gross sales (R'million)	244 513	162 702	142 657
IAM % of gross industry sales	10%	13%	11%

Source: Association of Unit Trust statistics  
Industry sales for the 12 month period

## Southern Africa investment performance

- Excellent investment performance over all periods for core specialist equity propositions.
- Balanced performance has improved, although further progress still required.

Quartile rank	1yr	2yrs	3yrs	5yrs	10yrs
Equity Fund	1*	1	1	1	1*
Growth Fund***+	2	2	1*	1	1*
Value Fund**+	1*	1*	1*	1*	
Opportunity Fund***+	1	1	1	1*	
Gilt Fund***+	3	1	1	1	1*
High Income Fund+	2	1	2	1	1

\* Ranked first in sector

\*\* ACI Personal Finance Raging Bull Awards 2003

+ S&P Awards 2003

## Assurance Activities

The group's SA assurance activities, conducted by Investec Employee Benefits, benefited from continued market penetration and improved efficiencies posting a 32.8% increase in income from £2.7 million to £3.6 million.

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

UK GAAP £'000	30 Sept 2004	30 Sept 2003	31 March 2004
<b>Investec Employee Benefits Limited</b>			
<b>The embedded value comprises:</b>			
Net tangible assets of life company including surplus	287 727	313 693	343 590
Reallocated to investments in associated undertakings	(63 754)	(54 879)	(58 832)
Elimination of intercompany balances	67 276	(78 681)	(27 842)
Value of in-force business	7 960	8 567	8 399
	<b>299 209</b>	<b>188 700</b>	<b>265 315</b>
<b>Movements in embedded value</b>			
At beginning of period	265 315	108 528	108 528
Profit after tax per profit and loss account	3 583	2 699	5 082
Return on shareholders' funds	14 515	6 769	24 122
Exchange adjustments	(174)	10 750	12 244
Gain on revaluation of investment properties	–	4 327	4 327
Reclassification of shareholder assets	15 970	55 627	111 012
<b>At end of period</b>	<b>299 209</b>	<b>188 700</b>	<b>265 315</b>
<b>Income from long-term assurance business comprises</b>			
Premium income	121 360	129 039	264 423
Investment income	71 018	115 085	157 717
Total income	192 378	244 124	422 140
Operating expenses	(10 304)	(10 671)	(19 029)
Policyholder's benefits paid	(192 480)	(183 193)	(416 556)
Decrease in technical provisions	63 795	17 841	139 280
Re-insurance premium expense	(47 637)	(58 813)	(115 972)
Operating profit	5 752	9 288	9 863
Tax charged to technical account	(1 746)	(7 454)	(5 564)
Surplus attributable to shareholders	4 006	1 834	4 299
Movement in value of in-force business	(423)	865	783
<b>Income from long-term assurance business</b>	<b>3 583</b>	<b>2 699</b>	<b>5 082</b>

#### Assumptions

No current taxation has been provided on the surplus attributable to shareholders due to the availability of brought forward taxation losses. A deferred tax charge of £4.2 million has been raised representing a reduction to deferred tax asset attributable to shareholders in respect of the amount of taxation losses utilised during the current period.

## Long-term assurance business attributable to the shareholder

UK GAAP £'000

30 Sept 2004

30 Sept 2003

31 March 2004

### Assumptions

The economic assumptions are based upon a long-term view of economic activity in SA 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 and that the business is located in SA. The economic assumptions are derived by adding appropriate long term risk/equity margins to the benchmark gilt (i.e. R153 SA government bond). The principal economic assumptions which have been used are as follows:

Risk-adjusted discount rate (%)	12.0	12.0	13.0
Return on equities (gross of tax) (%)	11.0	11.0	12.0
Return on fixed interest securities (gross of tax) (%)	9.0	9.0	10.0
Return on property investments (gross of tax) (%)	10.0	10.0	11.0
Return of cash held (gross of tax) (%)	7.0	7.0	7.0
Inflation rate (%)	6.0	6.0	6.0

### Balance sheet

The assets of the long-term assurance fund attributable to the shareholder are detailed below:

	£'000	£'000	£'000
Investments	384 925	268 172	326 264
Intercompany loans (payable)/receivable	(67 276)	78 681	27 842
Other assets	48 951	46 739	61 207
Assets of the long-term assurance fund attributable to shareholder	366 600	393 592	415 313
Current liabilities	(78 873)	(79 899)	(71 723)
<b>Net asset value</b>	<b>287 727</b>	<b>313 693</b>	<b>343 590</b>

### Investments shown above comprise:

Fixed interest securities	52 389	82 647	40 118
Stocks, shares and unit trusts	115 306	41 247	94 448
Investment properties	81 872	68 369	76 484
Associate	63 754	54 879	58 832
Deposits	71 604	21 030	56 382
	<b>384 925</b>	<b>268 172</b>	<b>326 264</b>

Qualifying capital (net of inadmissible assets) (£million)	292.82	321.31	348.07
Statutory capital adequacy requirement (CAR) (£million)	5.56	11.25	8.83
CAR cover (times)	52.60	28.56	39.44

## Group Services and Other Activities

### Overview

- Operating loss of £10.0 million compared to the prior period loss of £15.7 million.
- Improved performance largely attributable to a sound performance from the group's Property and Central Funding divisions.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
International Trade Finance	1 571	1 096	475	43.3%
Property Activities	6 711	3 973	2 738	68.9%
USA continuing businesses	14	162	(148)	(91.4%)
UK Traded Endowments	(612)	(2 031)	1 419	(69.9%)
	<u>7 684</u>	<u>3 200</u>	<u>4 484</u>	<u>&gt;100%</u>
Central Funding	(4 602)	(7 110)	2 508	(35.3%)
Central Costs	(13 121)	(11 787)	(1 334)	11.3%
<b>Operating loss before exceptional items and goodwill amortisation</b>	<b>(10 039)</b>	<b>(15 697)</b>	<b>5 658</b>	<b>(36.0%)</b>

UK GAAP £'000 30 Sept 2004	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
International Trade Finance	899	672	–	–	–	1 571
Property Activities	2 550	4 161	–	–	–	6 711
USA continuing businesses	–	–	–	–	14	14
UK Traded Endowments	(612)	–	–	–	–	(612)
Central Funding	(1 126)	(5 227)	1 863	(112)	–	(4 602)
Central Costs	(5 677)	(6 716)	(728)	–	–	(13 121)
<b>Operating (loss) / profit before exceptional items and goodwill amortisation</b>	<b>(3 966)</b>	<b>(7 110)</b>	<b>1 135</b>	<b>(112)</b>	<b>14</b>	<b>(10 039)</b>

UK GAAP £'000 30 Sept 2003*	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
International Trade Finance	1 312	–	–	–	(216)	1 096
Property Activities	4 006	(33)	–	–	–	3 973
USA continuing businesses	–	–	–	–	162	162
UK Traded Endowments	(2 031)	–	–	–	–	(2 031)
Central Funding	(9 790)	264	2 210	(691)	897	(7 110)
Central Costs	(5 917)	(4 545)	(1 325)	–	–	(11 787)
<b>Operating (loss) / profit before exceptional items and goodwill amortisation</b>	<b>(12 420)</b>	<b>(4 314)</b>	<b>885</b>	<b>(691)</b>	<b>843</b>	<b>(15 697)</b>

\*Restated for changes to accounting policies and disclosures.

## Developments

### International Trade Finance

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	3 294	2 738	556	20.3%
Other income	174	108	66	61.1%
Admin expenses and depreciation	(1 593)	(1 444)	(149)	10.3%
Provision for bad and doubtful debts	(304)	(306)	2	(0.7%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>1 571</b>	<b>1 096</b>	<b>475</b>	<b>43.3%</b>

- Positive macro economic factors in SA have resulted in ongoing demand for imports and strong retail sales generally, supporting both the Trade Finance and Factoring businesses.
- The strong Rand exchange rate has resulted in an increased demand for imported manufacturing equipment resulting in continued good business for the Asset Finance division.

### Property Activities

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net fees and commissions receivable	12 077	5 812	6 265	>100%
Trading and other income	2 472	2 827	(355)	(12.6%)
Admin expenses and depreciation	(7 831)	(4 666)	(3 165)	67.8%
Provision for bad and doubtful debts	(7)	–	(7)	100%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>6 711</b>	<b>3 973</b>	<b>2 738</b>	<b>68.9%</b>

#### UK

- The UK division performed well.

#### South Africa

- The property market remains robust with an overall improvement in letting conditions in industrial office and retail sectors.
- The Property Fund Management division retains its market positioning as SA's largest manager of listed funds with its two listed funds Growthpoint and Metboard holding combined assets of R 8.6 billion and a combined market capitalisation of R4.6 billion.
- Total funds under management have increased marginally since 31 March 2004 to R12.9 billion (£1.1 billion).
- Property trading and development opportunities remain reasonable.

\*Restated for changes to accounting policies and disclosures.

## USA continuing businesses

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	111	181	(70)	(38.7%)
Other income	4 284	3 153	1 131	35.9%
Admin expenses and depreciation	(4 381)	(3 172)	(1 209)	38.1%
Provision for bad and doubtful debts	—	—	—	—
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>14</b>	<b>162</b>	<b>(148)</b>	<b>(91.4%)</b>

- Revenues and profitability are highly dependent on fixed income market activity.
- Approximately 60% of revenues are generated by the Vilas & Hickey interdealer bond desk.
- The current environment has been difficult for the Vilas & Hickey business as fixed income market volume has been light in anticipation of the Fed's decision to raise interest rates at the end of June and due to continued slow business in the summer months.
- Earlier this year desks were added for Institutional Equities and Institutional Options which provides some level of diversification.

## UK Traded Endowments

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income	182	47	135	>100%
Other income	1 098	371	727	>100%
Admin expenses and depreciation	(1 892)	(2 449)	557	(22.7%)
Provision for bad and doubtful debts	—	—	—	—
<b>Operating loss before exceptional items and goodwill amortisation</b>	<b>(612)</b>	<b>(2 031)</b>	<b>1 419</b>	<b>(69.9%)</b>

- During the period Investec withdrew from the traded endowments market and made the decision to no longer trade as a TEP market maker.
- Costs and write-offs associated with the closure of this part of the business amounted to £5.7 million and have been reflected as part of exceptional items.

## 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.

\*Restated for changes to accounting policies and disclosures.



## Central Funding

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Net interest income (before interest on sub-debt and debentures)	10 073	4 600	5 473	>100%
Return on shareholders' funds in the long-term assurance business	14 515	6 770	7 745	>100%
Other income	960	7 811	(6 851)	(87.7%)
	25 548	19 181	6 367	33.2%
Interest paid on sub-debt and debentures	(24 021)	(22 297)	(1 724)	7.7%
Admin expenses and depreciation	(5 391)	(3 752)	(1 639)	43.7%
Provision for bad and doubtful debts	(738)	(242)	(496)	>(100)%
<b>Operating loss before exceptional items and goodwill amortisation</b>	<b>(4 602)</b>	<b>(7 110)</b>	<b>2 508</b>	<b>(35.3%)</b>

### The variance in performance over the period can be explained as follows:

- The SA division benefited from an improved capital structure and a lower interest rate environment (following the margin squeeze experienced in the prior period). This performance was partially offset by a net increase in interest costs in the UK division following an issue of Tier II debt of £200 million in March 2004.
- The growth in the return on shareholders' funds in the long-term assurance business conducted through IEB is as a result of the substantial increase in long-term assurance assets attributable to the shareholder from £188.7 million to £299.2 million, supported by favourable capital market conditions.
- In the prior period other operating income had been positively affected by the profit realised on a share buy-back concluded by Insinger. Furthermore, in the current period the division has recorded a more moderate performance on certain investments held by the group.

## Central Costs

- The group has a policy of allocating costs that are housed in the centre that are in effect performing a function for the division's of the group.
- There are certain costs that are strategic in nature which have not been allocated for pure segmental disclosure amounting to £13.1 million (2003: £11.8 million). However, a portion thereof (£5.9 million) is allocated to the operating divisions for purposes of determining return on adjusted capital per business segment. Refer to page 69 for further details.

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Total group
Sept 2004	(5 677)	(6 716)	(728)	(13 121)
Sept 2003	(5 916)	(4 545)	(1 325)	(11 786)

### The variance in performance over the period can be explained as follows:

- Central costs in the UK increased due to an increase in unrecovered rent and additional regulatory and compliance costs.
- The division had benefited from a bad debt recovered in the UK in the prior period.

\*Restated for changes to accounting policies and disclosures.

## Geographical review

The table below indicates the changes in the operating profit before taxation, exceptional items and amortisation of goodwill by geography. Reasons as to the changes in operating profit have been discussed in the divisional section above. Taxation, exceptional items and goodwill amortisation are discussed elsewhere in this document.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
Southern Africa	55 008	30 587	24 421	79.8%
UK and Europe	25 967	20 654	5 313	25.7%
Australia	4 466	3 770	696	18.5%
Israel	3 292	2 041	1 251	61.3%
USA	(27)	843	(870)	>(100)%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>88 706</b>	<b>57 895</b>	<b>30 811</b>	<b>53.2%</b>

**Note:**

As announced on 30 July 2004 Investec plc sold its 80.28% stake in Investec Bank (Israel) Limited to The First International Bank of Israel. The details with respect to the transaction as well as regulatory approval were obtained subsequent to 30 September 2004 and hence the results of Investec Bank (Israel) Limited have been consolidated into the group results for this half-year.

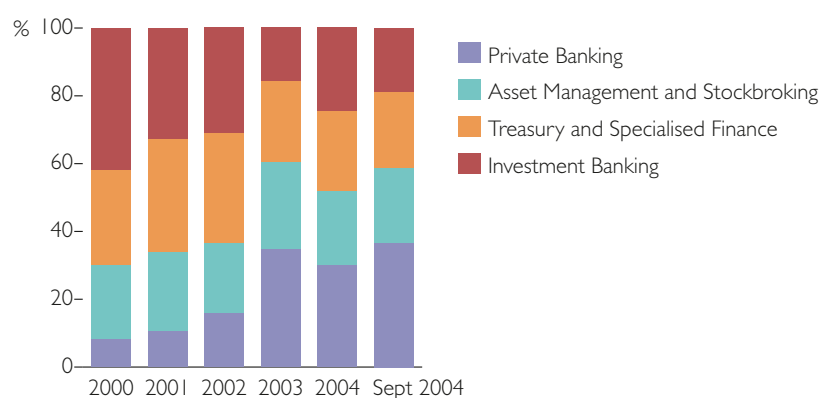
A loss has arisen on the sale of the Israeli business, as reflected in the table below.

	<b>£'million</b>
NAV of Investec Bank (Israel) Limited at 31 March 2004	48.1
Sale proceeds (including interest)	45.0
Provisions for closure costs	0.8
Loss on sale	<u>(3.9)</u>
Reflected in the accounts as follows:	
Profit after tax and minorities	1.7
Extraordinary loss and other closure costs	(6.5)
Within the statement of total recognised gains and losses	<u>0.9</u>
	<u>(3.9)</u>

\*Restated for changes to accounting policies and disclosures.

## Diversified portfolio

### % contribution to operating profit



**Note:** Five year trend reflects numbers as at the year ended 31 March.

# Segmental information

## Segmental business analysis - profit and loss account, post allocation of central costs<sup>^</sup>

For the six months ended 30 September 2004

UK GAAP £'000	PC*	TSF*	IB*	AM*	GSO*	Total group
<b>Net interest income</b>	<b>48 199</b>	<b>21 069</b>	<b>1 779</b>	<b>1 305</b>	<b>(10 724)</b>	<b>61 628</b>
<b>Other income</b>	<b>74 367</b>	<b>37 159</b>	<b>42 638</b>	<b>59 888</b>	<b>35 965</b>	<b>250 017</b>
Dividend income	–	250	272	–	357	879
Net fees and commissions receivable	71 806	18 723	31 884	56 349	16 902	195 664
Dealing profits	2 507	18 218	10 695	–	2 351	33 771
Income from long-term assurance business	–	–	–	3 538	–	3 538
Return on shareholders' funds in the long-term assurance business	–	–	–	–	14 515	14 515
Other operating income	54	(32)	(213)	1	1 840	1 650
<b>Total operating income</b>	<b>122 566</b>	<b>58 228</b>	<b>44 417</b>	<b>61 193</b>	<b>25 241</b>	<b>311 645</b>
Administrative expenses	(73 160)	(35 370)	(26 000)	(42 333)	(32 330)	(209 193)
Depreciation–tangible fixed assets	(1 810)	(424)	(206)	(454)	(1 737)	(4 631)
Provision for bad and doubtful debts	(6 693)	(982)	(227)	–	(1 213)	(9 115)
<b>Operating profit/(loss) before exceptional items and amortisation of goodwill</b>	<b>40 903</b>	<b>21 452</b>	<b>17 984</b>	<b>18 406</b>	<b>(10 039)</b>	<b>88 706</b>
Share of income/(loss) of associated companies	286	(258)	–	7 598	(445)	7 181
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>41 189</b>	<b>21 194</b>	<b>17 984</b>	<b>26 004</b>	<b>(10 484)</b>	<b>95 887</b>
Amortisation and impairment of goodwill	(4 262)	3 796	(3 666)	(11 718)	(2 569)	(18 419)
Amortisation and impairment of goodwill of associate	–	–	–	(1 033)	–	(1 033)
Other exceptional items	(805)	–	–	162	(14 012)	(14 655)
<b>Selected returns and key statistics</b>						
Net intercompany interest	(41 063)	56 944	(2 177)	20	(13 724)	–
ROE (pre-tax)	31.6%	23.3%	80.6%	17.8%	(22.9%)	25.3%
Cost to income ratio	61.2%	61.5%	59.0%	69.9%	>100%	68.6%
Staff compensation to operating income ratio	38.5%	32.8%	39.6%	40.4%	>100%	44.9%
Number of employees	1 644	505	271	818	1 109	4 347
Total assets (£'million)	3 713	8 275	329	1 696	2 501	16 514

\*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

<sup>^</sup> The group has 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 £13.1 million (2003: £11.8 million).

## Segmental business analysis - profit and loss account, post allocation of central costs<sup>^</sup>

For the six months ended 30 September 2003\*\*

UK GAAP £'000	PC*	TSF*	IB*	AM*	GSO*	Total group
<b>Net interest income</b>	<b>39 654</b>	<b>18 037</b>	<b>2 974</b>	<b>1 701</b>	<b>(15 196)</b>	<b>47 170</b>
<b>Other income</b>	<b>56 873</b>	<b>32 041</b>	<b>38 588</b>	<b>50 096</b>	<b>26 617</b>	<b>204 215</b>
Dividend income	–	2 795	725	–	(9)	3 511
Net fees and commissions receivable	53 597	15 142	24 212	46 151	6 437	145 539
Dealing profits	3 137	15 240	12 632	1 205	7 098	39 312
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	139	(1 136)	1 019	41	6 322	6 385
<b>Total operating income</b>	<b>96 527</b>	<b>50 078</b>	<b>41 562</b>	<b>51 797</b>	<b>11 421</b>	<b>251 385</b>
Administrative expenses	(65 104)	(33 058)	(21 222)	(38 202)	(24 336)	(181 922)
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)
<b>Operating profit/(loss) before exceptional items and amortisation of goodwill</b>	<b>25 076</b>	<b>15 378</b>	<b>20 077</b>	<b>13 061</b>	<b>(15 697)</b>	<b>57 895</b>
Share of income/(loss) of associated companies	–	–	–	5 072	(281)	4 791
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>25 076</b>	<b>15 378</b>	<b>20 077</b>	<b>18 133</b>	<b>(15 978)</b>	<b>62 686</b>
Amortisation and impairment of goodwill	(4 730)	(1 240)	(3 665)	(10 837)	(9 308)	(29 780)
Amortisation and impairment of goodwill of associate	–	–	–	(1 008)	–	(1 008)
Other exceptional items	–	–	–	748	7 823	8 571
<b>Selected returns and key statistics</b>						
Net intercompany interest	(48 512)	93 097	(5 491)	104	(39 198)	–
ROE (pre-tax)	21.3%	18.0%	82.3%	11.0%	(24.0%)	17.7%
Cost to income ratio	69.4%	67.3%	51.7%	74.8%	>100%	75.0%
Staff compensation to operating income ratio	43.0%	37.0%	31.6%	44.9%	>100%	49.3%
Number of employees	1 573	494	273	970	1 175	4 485
Total assets (£'million)	3 974	6 545	349	3 364	1 423	15 655

\*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

<sup>^</sup> The group has 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 £13.1 million (2003: £11.8 million).

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

## Segmental geographic analysis - profit and loss account, post allocation of central costs<sup>^</sup>

For the six months ended 30 September 2004

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
<b>Net interest income</b>	<b>28 459</b>	<b>20 909</b>	<b>6 612</b>	<b>5 542</b>	<b>106</b>	<b>61 628</b>
<b>Other income</b>	<b>118 138</b>	<b>115 711</b>	<b>6 638</b>	<b>5 282</b>	<b>4 248</b>	<b>250 017</b>
Dividend income	600	264	–	15	–	879
Net fees and commissions receivable	74 905	107 024	6 596	5 048	2 091	195 664
Dealing profits	23 532	8 216	26	11	1 986	33 771
Income from long-term assurance business	3 538	–	–	–	–	3 538
Return on shareholders' funds in the long-term assurance business	14 515	–	–	–	–	14 515
Other operating income	1 048	207	16	208	171	1 650
<b>Total operating income</b>	<b>146 597</b>	<b>136 620</b>	<b>13 250</b>	<b>10 824</b>	<b>4 354</b>	<b>311 645</b>
Administrative expenses	(83 471)	(106 908)	(7 761)	(6 769)	(4 284)	(209 193)
Depreciation-tangible fixed assets	(2 249)	(1 709)	(171)	(405)	(97)	(4 631)
Provision for bad and doubtful debts	(5 869)	(2 036)	(852)	(358)	–	(9 115)
<b>Operating profit/(loss) before exceptional items and amortisation of goodwill</b>	<b>55 008</b>	<b>25 967</b>	<b>4 466</b>	<b>3 292</b>	<b>(27)</b>	<b>88 706</b>
Share of income/(loss) of associated companies	7 031	(90)	118	60	62	7 181
<b>Profit on ordinary activities before taxation</b>	<b>62 039</b>	<b>25 877</b>	<b>4 584</b>	<b>3 352</b>	<b>35</b>	<b>95 887</b>
Taxation	(14 046)	(6 473)	(1 566)	(1 207)	–	(23 292)
Minorities interests	(53)	(202)	–	(457)	–	(712)
<b>Profit on ordinary activities after taxation</b>	<b>47 940</b>	<b>19 202</b>	<b>3 018</b>	<b>1 688</b>	<b>35</b>	<b>71 883</b>
Amortisation and impairment of goodwill	(10 829)	(4 764)	(2 826)	–	–	(18 419)
Amortisation and impairment of goodwill of associate	(1 033)	–	–	–	–	(1 033)
Other exceptional items	(7 356)	(1 845)	–	(5 726)	272	(14 655)
<b>Selected returns and key statistics</b>						
Net intercompany interest	3 987	(3 888)	(107)	–	8	–
ROE (post-tax)	30.4%	11.2%	11.2%	10.7%	7.5%	18.7%
Cost to income ratio	58.5%	79.5%	59.9%	66.3%	100.6%	68.6%
Staff compensation to operating income ratio	36.8%	53.1%	47.2%	36.7%	71.3%	44.9%
Effective tax rate	25.5%	24.9%	35.1%	36.7%	–	26.3%
Number of employees	2 613	1 333	126	199	76	4 347

<sup>^</sup> The group has 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 £13.1 million (2003: £11.8 million).

## Segmental geographic analysis - profit and loss account, post allocation of central costs<sup>^</sup>

For the six months ended 30 September 2003\*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
<b>Net interest income</b>	<b>16 713</b>	<b>19 927</b>	<b>5 076</b>	<b>4 499</b>	<b>955</b>	<b>47 170</b>
<b>Other income</b>	<b>94 650</b>	<b>95 073</b>	<b>5 490</b>	<b>5 873</b>	<b>3 129</b>	<b>204 215</b>
Dividend income	3 348	142	12	9	–	3 511
Net fees and commissions receivable	55 624	79 225	5 559	4 115	1 016	145 539
Dealing profits	23 549	12 652	(81)	1 079	2 113	39 312
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	2 661	3 054	–	670	–	6 385
<b>Total operating income</b>	<b>111 363</b>	<b>115 000</b>	<b>10 566</b>	<b>10 372</b>	<b>4 084</b>	<b>251 385</b>
Administrative expenses	(72 211)	(92 550)	(6 652)	(7 348)	(3 161)	(181 922)
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)
<b>Operating profit before exceptional items and amortisation of goodwill</b>	<b>30 587</b>	<b>20 654</b>	<b>3 770</b>	<b>2 041</b>	<b>843</b>	<b>57 895</b>
Share of income/(loss) of associated companies	4 718	–	–	(5)	78	4 791
<b>Profit on ordinary activities before taxation</b>	<b>35 305</b>	<b>20 654</b>	<b>3 770</b>	<b>2 036</b>	<b>921</b>	<b>62 686</b>
Taxation	(5 458)	(4 555)	(1 103)	(1 426)	(50)	(12 592)
Minorities interests	(1 118)	–	–	(117)	–	(1 235)
<b>Profit on ordinary activities after taxation</b>	<b>28 729</b>	<b>16 099</b>	<b>2 667</b>	<b>493</b>	<b>871</b>	<b>48 859</b>
Amortisation and impairment of goodwill	(17 067)	(9 887)	(2 826)	–	–	(29 780)
Amortisation and impairment of goodwill of associate	(1 008)	–	–	–	–	(1 008)
Other exceptional items	13 674	–	–	–	(5 103)	8 571
<b>Selected returns and key statistics</b>						
Net intercompany interest	7 284	(7 252)	(130)	–	98	–
ROE (post-tax)	22.8%	9.2%	12.3%	2.9%	60.8%	14.0%
Cost to income ratio	67.7%	82.9%	64.0%	75.7%	79.4%	75.0%
Staff compensation to operating income ratio	43.3%	55.5%	50.4%	41.3%	51.4%	49.3%
Effective tax rate	17.8%	22.1%	29.3%	69.9%	5.9%	21.8%
Number of employees	2 636	1 457	105	219	68	4 485

\*Restated for changes to accounting policies and disclosures.

<sup>^</sup> The group has 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 £13.1 million (2003: £11.8 million).

## Segmental geographic and business analysis of operating profit before taxation, exceptional items and amortisation of goodwill, post allocation of central costs<sup>^</sup>

For the six months ended 30 September 2004

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Private Banking	13 750	18 201	1 180	1 753	–	<b>34 884</b>
Private Client Portfolio Management and Stockbroking	2 457	3 562	–	–	–	<b>6 019</b>
Treasury and Specialised Finance	15 006	6 178	611	(343)	–	<b>21 452</b>
Investment Banking	11 488	3 155	1 540	1 842	(41)	<b>17 984</b>
Asset Management	12 748	1 981	–	152	–	<b>14 881</b>
Assurance Activities	3 525	–	–	–	–	<b>3 525</b>
Group Services and Other Activities	(3 966)	(7 110)	1 135	(112)	14	<b>(10 039)</b>
<b>Total group</b>	<b>55 008</b>	<b>25 967</b>	<b>4 466</b>	<b>3 292</b>	<b>(27)</b>	<b>88 706</b>

For the six months ended 30 September 2003\*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Private Banking	8 107	12 066	1 229	370	–	<b>21 772</b>
Private Client Portfolio Management and Stockbroking	1 042	2 262	–	–	–	<b>3 304</b>
Treasury and Specialised Finance	5 239	8 909	65	1 165	–	<b>15 378</b>
Investment Banking	15 884	1 516	1 591	1 086	–	<b>20 077</b>
Asset Management	10 537	215	–	111	–	<b>10 863</b>
Assurance Activities	2 198	–	–	–	–	<b>2 198</b>
Group Services and Other Activities	(12 420)	(4 314)	885	(691)	843	<b>(15 697)</b>
<b>Total group</b>	<b>30 587</b>	<b>20 654</b>	<b>3 770</b>	<b>2 041</b>	<b>843</b>	<b>57 895</b>

\*Restated for changes to accounting policies and disclosures.

<sup>^</sup> The group has 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 £13.1 million (2003: £11.8 million).

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

UK GAAP £'000	30 September 2004	30 September 2003*
<b>Private Client Activities</b>		
Private Banking	34 884	21 772
Private Client Portfolio Management and Stockbroking	6 019	3 304
	<b>40 903</b>	<b>25 076</b>
<b>Treasury and Specialised Finance</b>		
Trading Activities	1 176	705
Banking and Advisory Activities	20 276	14 673
	<b>21 452</b>	<b>15 378</b>
<b>Investment Banking</b>		
Corporate Finance	6 675	5 151
Institutional Research, Sales and Trading	2 872	1 147
Direct Investments	6 631	11 887
Private Equity	1 806	1 892
	<b>17 984</b>	<b>20 077</b>
<b>Asset Management</b>	<b>14 881</b>	<b>10 863</b>
<b>Assurance Activities</b>	<b>3 525</b>	<b>2 198</b>
<b>Group Services and Other Activities</b>		
International Trade Finance	1 571	1 096
Property Activities	6 711	3 973
USA Continuing Activities	14	162
UK Traded Endowments	(612)	(2 031)
	7 684	3 200
Central Funding	(4 602)	(7 110)
Central Costs	(13 121)	(11 787)
	<b>(10 039)</b>	<b>(15 697)</b>
<b>Total group</b>	<b>88 706</b>	<b>57 895</b>

\*Restated for changes to accounting policies and disclosures.



## Segmental geographical analysis - balance sheet

For the six months ended 30 September 2004

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Cash and balances at central banks	96 689	13 915	1 927	104 929	–	217 460
Treasury bills and other eligible bills	123 080	6 869	147 634	–	–	277 583
Loans and advances to banks	846 603	1 625 744	26 740	172 748	4 543	2 676 378
Loans and advances to customers	3 734 637	2 337 604	293 537	166 322	–	6 532 100
- core advances	3 267 489	1 799 859	293 537	166 322	–	5 527 207
- cash and cash equivalents	467 148	537 745	–	–	–	1 004 893
Debt securities	540 263	1 057 047	11 978	140 714	11 407	1 761 409
Equity shares	162 873	70 227	5 454	–	2 190	240 744
Interests in associated undertakings	68 246	1 562	1 008	266	602	71 684
Participating interests	–	9 137	–	–	–	9 137
Intangible fixed assets	82 119	134 782	8 457	–	–	225 358
Tangible fixed assets	116 464	17 486	1 251	7 948	418	143 567
Other assets	1 017 954	194 534	1 865	41 870	3 556	1 259 779
Prepayments and deferred income	45 436	62 687	1 572	518	8	110 221
Long-term assurance assets	2 988 976	–	–	–	–	2 988 976
<b>Total assets</b>	<b>9 823 340</b>	<b>5 531 594</b>	<b>501 423</b>	<b>635 315</b>	<b>22 724</b>	<b>16 514 396</b>

For the six months ended 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	3 330 749	2 105 398	220 082	180 567	7 522	5 844 318
- core advances	2 729 662	1 463 929	220 082	180 567	7 522	4 601 762
- 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
Other assets	844 756	866 255	2 139	46 864	5 461	1 765 475
Prepayments and deferred income	38 265	81 646	85	–	301	120 297
Long-term assurance assets	3 045 811	–	–	–	–	3 045 811
<b>Total assets</b>	<b>9 200 831</b>	<b>5 276 619</b>	<b>377 068</b>	<b>763 839</b>	<b>36 637</b>	<b>15 654 994</b>

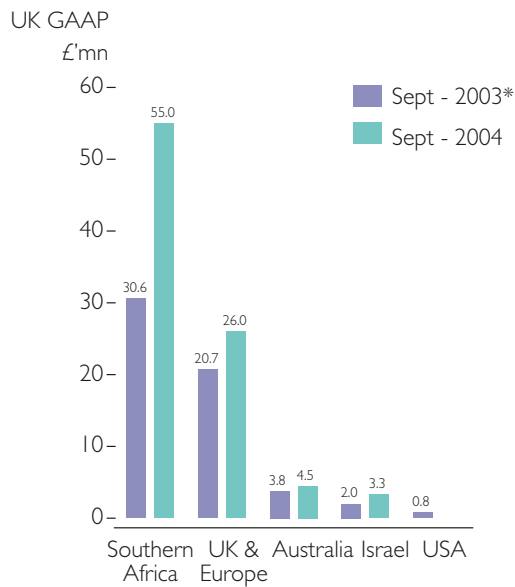
\*Restated for changes to accounting policies and disclosures.

## For the year ended 31 March 2004\*

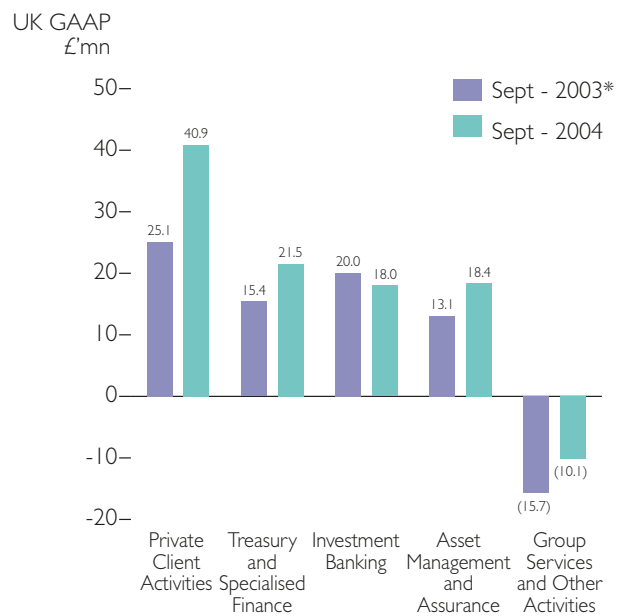
UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Cash and balances at central banks	104 852	8 639	2 501	247 870	–	363 862
Treasury bills and other eligible bills	187 427	6 663	138 118	–	–	332 208
Loans and advances to banks	550 675	952 649	65 300	130 756	5 335	1 704 715
Loans and advances to customers	3 477 614	2 424 343	252 915	192 160	–	6 347 032
- core advances	2 981 060	1 634 539	252 915	192 160	–	5 060 674
- cash and cash equivalents	496 554	789 804	–	–	–	1 286 358
Debt securities	678 403	638 036	–	132 795	17 203	1 466 437
Equity shares	158 881	254 849	2 261	–	2 263	418 254
Interests in associated undertakings	66 726	1 180	1 298	269	533	70 006
Participating interests	–	9 135	–	–	–	9 135
Intangible fixed assets	95 443	144 327	11 738	–	–	251 508
Tangible fixed assets	113 752	18 068	1 234	12 732	540	146 326
Other assets	576 049	478 429	3 764	19 741	3 148	1 081 131
Prepayments and deferred income	41 547	47 265	1 356	(8 662)	5	81 511
Long-term assurance assets	3 046 650	–	–	–	–	3 046 650
<b>Total assets</b>	<b>9 098 019</b>	<b>4 983 583</b>	<b>480 485</b>	<b>727 661</b>	<b>29 027</b>	<b>15 318 775</b>

\*Restated for changes to accounting policies and disclosures.

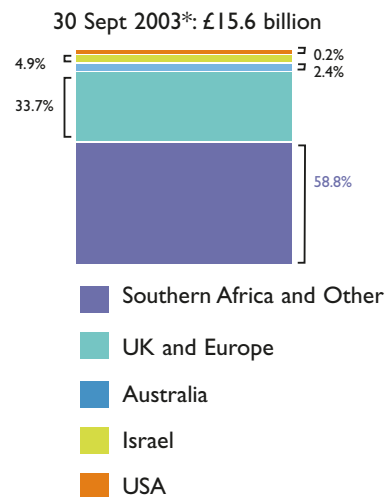
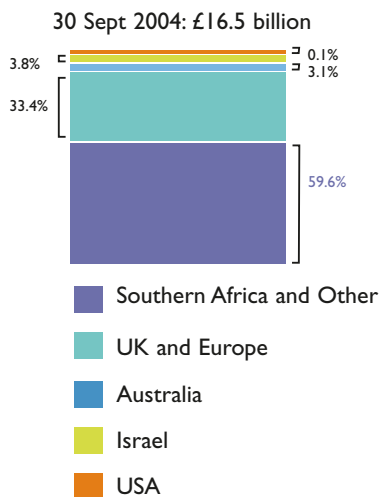
Operating profit before taxation, exceptional items and amortisation of goodwill by geography



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

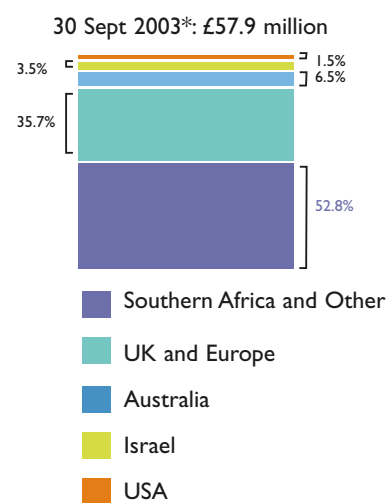
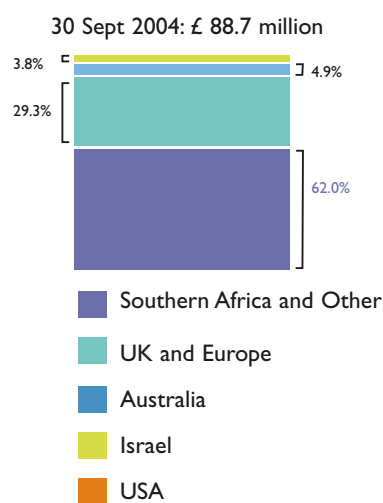


Assets by geography

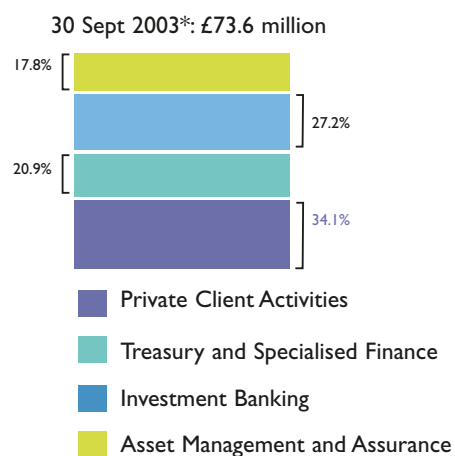
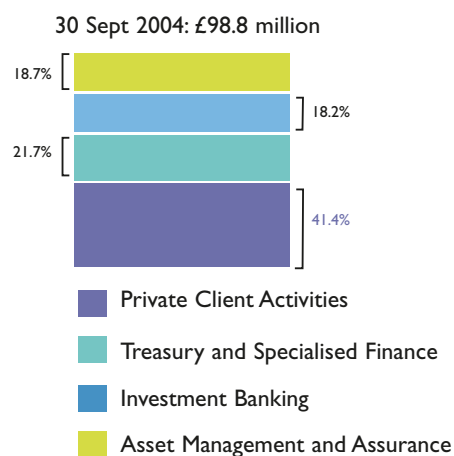


\*Restated for changes to accounting policies and disclosures.

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



### Operating profit before taxation, exceptional items and amortisation of goodwill by business (excluding Group Services and Other Activities)



\*Restated for changes to accounting policies and disclosures.

# Section.4

## 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 2004	30 Sept 2003*	Variance	% Change
<b>Net interest income</b>	<b>61 628</b>	<b>47 170</b>	<b>14 458</b>	<b>30.7%</b>
Private Banking	45 649	37 315	8 334	22.3%
Private Client Portfolio Management and Stockbroking	2 550	2 339	211	9.0%
Treasury and Specialised Finance	21 069	18 037	3 032	16.8%
Investment Banking	1 779	2 974	(1 195)	(40.2%)
Asset Management	1 305	1 701	(396)	(23.3%)
Group Services and Other Activities	(10 724)	(15 196)	4 472	(29.4%)

#### Significant variances over the period can be explained as follows:

- The Private Banking division reported a healthy growth in advances in the UK, Australian and SA operations of 12.4% (to £1.3 billion), 29.2% (to £279 million), 26.7% (to £2.2 billion), respectively.
- The Treasury and Specialised Finance operation has benefited from growth in its UK banking and lending businesses and a stable interest rate environment in SA following the margin squeeze experienced in the prior period.
- Group Services and Other Activities reported an improved performance in the SA Central Funding division, which benefited from an improved capital structure and a lower interest rate environment. This performance was partially offset by a net increase in interest costs in the UK Central Funding division following the issue of Tier II debt of £200 million in March 2004.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Net fees and commissions receivable</b>	<b>195 664</b>	<b>145 539</b>	<b>50 125</b>	<b>34.4%</b>
Private Banking	43 654	28 347	15 307	54.0%
Private Client Portfolio Management and Stockbroking	28 152	25 250	2 902	11.5%
Treasury and Specialised Finance	18 723	15 142	3 581	23.6%
Investment Banking	31 884	24 212	7 672	31.7%
Asset Management	56 349	46 151	10 198	22.1%
Group Services and Other Activities	16 902	6 437	10 465	>100%

#### Significant variances over the period can be explained as follows:

- The Private Banking division experienced increased transactional activity across all areas of specialisation.
- The Private Client Portfolio Management and Stockbroking businesses have benefited from improved equity market conditions.
- The Treasury and Specialised Finance division reported a strong performance from its UK Project Finance team and a sound performance from the banking and lending activities in SA.
- The group's UK Corporate Finance operations benefited from increased corporate activity and the Institutional Stockbroking operations performed well against a backdrop of favourable equity markets.

\*Restated for changes to accounting policies and disclosures.

- Improved market levels and strong investment performance have positively affected the results of the Asset Management division. In SA, the division benefited from increased institutional performance fees and retail inflows of R1.3 billion (£111 million). The UK division experienced strong net inflows across the product range: the retail business continues to gain market share with net inflows of £137 million into the onshore and £83 million into the offshore retail funds, while the institutional book had net inflows of £106 million (included in which is the two client losses as a result of UK equity team changes).
- Group Services and Other Activities benefited from a strong performance of the group's Property Activities and a reduction in fees payable on corporate transactions in the Central Funding division.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Dealing profits</b>	<b>33 771</b>	<b>39 312</b>	<b>(5 541)</b>	<b>(14.1%)</b>
Private Banking	2 353	2 983	(630)	(21.1%)
Private Client Portfolio Management and Stockbroking	154	154	–	–
Treasury and Specialised Finance	18 218	15 240	2 978	19.5%
Investment Banking	10 695	12 632	(1 937)	(15.3%)
Asset Management	–	1 205	(1 205)	–
Group Services and Other Activities	2 351	7 098	(4 747)	(66.9%)

**Significant variances over the period can be explained as follows:**

- In the Private Banking division dealing profits relate to the division's growth finance activities.
- The Treasury and Specialised Finance division benefited from a significant improvement in the performance of the SA trading activities following losses incurred by the Interest Rate and Currency trading desks in the prior period. This result was however, partially offset by a weaker performance of the UK trading activities following a restructuring of the Stock Lending desk and losses incurred by the Commodities desk.
- In the Investment Banking division dealing profits represent the year to date cumulative increase/decrease in the value of the division's direct investments and private equity portfolios. Furthermore, dealing profits includes the profit/loss on realisation of these investments, which were previously reflected as part of "other operating income". These results are reflective of a sound performance across the portfolio and do not include any material transactions that require separate disclosure.
- The Group Services and Other division recorded a more moderate performance on certain investments held by the group in the Central Funding division.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Income from long-term assurance business</b>	<b>3 538</b>	<b>2 699</b>	<b>839</b>	<b>31.1%</b>

- The group's SA assurance activities, conducted by Investec Employee Benefits (IEB), benefited from continued market penetration and improved efficiencies.

\*Restated for changes to accounting policies and disclosures.

## Profit and loss account variance analysis

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Return on shareholders' funds in the long-term assurance business</b>	<b>14 515</b>	<b>6 769</b>	<b>7 746</b>	<b>&gt;100%</b>

- The growth in the return on shareholders' funds in the long-term assurance business conducted through Investec Employee Benefits Limited is as a result of the substantial increase in long-term assurance assets attributable to the shareholder from £188.7 million to £299.2 million, supported by favourable capital market conditions.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Other operating income</b>	<b>1 650</b>	<b>6 385</b>	<b>(4 735)</b>	<b>(74.2%)</b>
Private Banking	54	75	(21)	(28.0%)
Private Client Portfolio Management and Stockbroking	–	64	(64)	–
Treasury and Specialised Finance	(32)	(1 136)	1 104	(97.2%)
Investment Banking	(213)	1 019	(1 232)	>(100)%
Asset Management	1	41	(40)	(97.6%)
Group Services and Other Activities	1 840	6 322	(4 482)	(70.9%)

### Significant variances over the period can be explained as follows:

- In the prior period the Group Services and Other division had benefited from a profit realised on a share buy-back concluded by InSinger.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Administrative expenses</b>	<b>(209 193)</b>	<b>(181 922)</b>	<b>(27 271)</b>	<b>15.0%</b>
Private Banking	(48 631)	(41 166)	(7 465)	18.1%
Private Client Portfolio Management and Stockbroking	(24 529)	(23 938)	(591)	2.5%
Treasury and Specialised Finance	(35 370)	(33 058)	(2 312)	7.0%
Investment Banking	(26 000)	(21 222)	(4 778)	22.5%
Asset Management and Assurance Activities	(42 333)	(38 202)	(4 131)	10.8%
Group Services and Other Activities	(32 330)	(24 336)	(7 994)	32.8%

### Significant variances over the period can be explained as follows:

- The Private Banking division has experienced an increase in variable remuneration in line with strong growth in profitability and an increase in personnel costs in SA given a 12% increase in headcount.
- The Treasury and Specialised Finance division experienced an increase in variable remuneration given increased profitability.
- The Investment Banking division reported an increase in retention and redundancy costs, and an increase in variable remuneration given increased profitability in the UK operations.
- The Asset Management division experienced an increase in costs mainly as a result of investment in new systems in the SA operation and an increase in restructuring, recruitment and consultancy costs in the UK operation.
- The increase in expenses in Group Services and Other Activities is as a result of:
  - An increase in unrecovered rent, and additional regulatory and compliance costs in the UK.
  - The Primegro acquisition by the SA Property division.

\*Restated for changes to accounting policies and disclosures.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Goodwill amortisation and impairments</b>	<b>(18 419)</b>	<b>(29 780)</b>	<b>11 361</b>	<b>(38.1%)</b>
Private Banking	(2 463)	(2 547)	84	(3.3%)
Private Client Portfolio Management and Stockbroking	(1 799)	(2 183)	384	(17.6%)
Treasury and Specialised Finance	3 796	(1 240)	5 036	>100%
Investment Banking	(3 666)	(3 665)	(1)	–
Asset Management and Assurance Activities	(11 718)	(10 837)	(881)	8.1%
Group Services and Other Activities	(2 569)	(9 308)	6 739	(72.4%)

The charge for goodwill amortisation and impairment decreased from £29.8 million to £18.4 million. Included in the current period is £5 million relating to negative goodwill arising from a structured finance transaction. The prior period included an amount of £6.3 million relating to an impairment of the Traded Endowments business.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Provision for bad and doubtful debts</b>	<b>(9 115)</b>	<b>(4 889)</b>	<b>(4 226)</b>	<b>86.4%</b>
Private Banking	(6 693)	(4 426)	(2 267)	51.2%
Private Client Portfolio Management and Stockbroking	–	–	–	–
Treasury and Specialised Finance	(982)	(998)	16	(1.6%)
Investment Banking	(227)	–	(227)	–
Asset Management and Assurance Activities	–	–	–	–
Group Services and Other Activities	(1 213)	535	(1 748)	>(100)%

**Significant variances over the period can be explained as follows:**

- Provisions in the Private Banking division have increased largely due to book growth.
- The Central Funding division in the UK had benefited from a bad debt recovered in the prior period.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Share of income of associated companies</b>	<b>6 148</b>	<b>3 783</b>	<b>2 365</b>	<b>62.5%</b>

The group's main associate is Capital Alliance Holdings Limited (CAL). An amount of £7 million before goodwill amortisation was accrued, representing Investec's share of the directors estimate of CAL's operating earnings for the six-months ended 30 September 2004.

\*Restated for changes to accounting policies and disclosures.



## Profit and loss account variance analysis

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Exceptional items</b>	<b>(14 655)</b>	<b>8 571</b>	<b>(23 226)</b>	<b>&gt;(100)%</b>
Provision for losses on termination and disposal of group operations – discontinued	–	(5 103)	5 103	–
Impairment of goodwill on discontinued operations	(2 712)	–	(2 712)	–
(Loss)/profit on disposal of group operations - continuing	(11 943)	13 674	(25 617)	>(100)%

Exceptional items include:

- Provision for losses arising on the pending sale of the banking subsidiary in Israel of £6.5 million largely relating to a write down in the value of the buildings it occupies.
- Losses of £3 million and an impairment of goodwill of £2.7 million arising on closure of the Traded Endowments operation in the UK.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	Variance	% Change
<b>Taxation</b>	<b>(23 292)</b>	<b>(12 592)</b>	<b>(10 700)</b>	<b>85.0%</b>
Southern Africa	(14 046)	(5 458)	(8 588)	>100%
UK and Europe	(6 473)	(4 555)	(1 918)	42.1%
Australia	(1 566)	(1 103)	(463)	42.0%
Israel	(1 207)	(1 426)	219	(15.4%)
USA	–	(50)	50	–

- The operational effective tax rate of the group (excluding the tax effect on exceptional items) increased from 21.7% to 26.3% due to reduced availability of assessed losses.

\*Restated for changes to accounting policies and disclosures.

## Dividends and earnings per share

UK GAAP	6 months to 30 Sept 2004	6 months to 30 Sept 2003*
<b>Ordinary dividends - pence per share</b>		
Interim	30.0	28.0
	<b>£'000</b>	<b>£'000</b>
<b>Ordinary dividends</b>		
Interim	30 443	27 963
<b>Preference dividends</b>		
Dividends	5 675	1 856
<b>Total dividends</b>	<b>36 118</b>	<b>29 819</b>
<b>Earnings per share - pence per share</b>		
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.	29.9	24.8
	<b>£'000</b>	<b>£'000</b>
Profit attributable to the shareholders per profit and loss account	37 776	26 642
Preference dividends	(5 675)	(1 856)
<b>Profit attributable to ordinary shareholders</b>	<b>32 101</b>	<b>24 786</b>
<b>Diluted earnings per share - pence per share</b>		
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.	29.7	23.9
Weighted average number of shares in issue during the period	118 633 273	113 033 273
Weighted average number of treasury shares	(11 269 346)	(12 966 471)
	107 363 927	100 066 802
Weighted average number of shares resulting from future dilutive convertible instruments	3 721 674	3 742 668
Weighted average number of shares resulting from future dilutive potential shares	2 878	1 932
<b>Adjusted weighted number of shares potentially in issue</b>	<b>111 088 479</b>	<b>103 811 402</b>

\*Restated for changes to accounting policies and disclosures.

## Dividends and earnings per share

UK GAAP

6 months to  
30 Sept 2004

6 months to  
30 Sept 2003\*

### EPS excluding goodwill amortisation and exceptional items - pence per share

Basic earnings per share excluding goodwill amortisation 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, by the weighted average number of ordinary shares in issue during the period.

	61.7	47.0
	<b>£'000</b>	<b>£'000</b>
Profit attributable to ordinary shareholders	37 776	26 642
Amortisation and impairment of goodwill	18 419	29 780
Loss/(profit) on termination and disposal of group operations - continuing (net of taxation and minority interest)	11 943	(13 674)
Provision for losses on termination and disposal of group operations	-	5 103
Impairment of goodwill on termination and disposal of group operations - continuing	2 712	-
Amortisation of goodwill of associates	1 033	1 008
Preference dividends	(5 675)	(1 856)
<b>Earnings attributable to ordinary shareholders excluding goodwill amortisation and exceptional items</b>	<b>66 208</b>	<b>47 003</b>

### Headline EPS - pence per share

Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings."

	61.7	47.0
Profit attributable to ordinary shareholders	37 776	26 642
Amortisation and impairment of goodwill	18 419	29 780
Loss/(profit) on termination and disposal of group operations (net of taxation and minority interest)	11 943	(13 674)
Provision for losses on termination and disposal of group operations	-	5 103
Impairment of goodwill on termination and disposal of group operations - continuing	2 712	-
Amortisation of goodwill of associates	1 033	1 008
Preference dividends	(5 675)	(1 856)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>66 208</b>	<b>47 003</b>

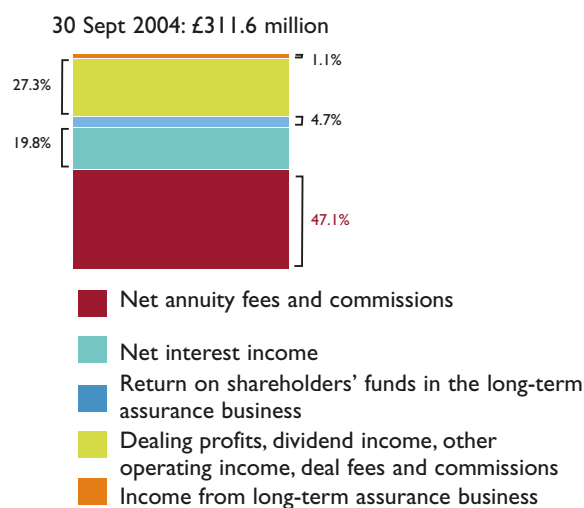
\*Restated for changes to accounting policies and disclosures.

## An analysis of operating income

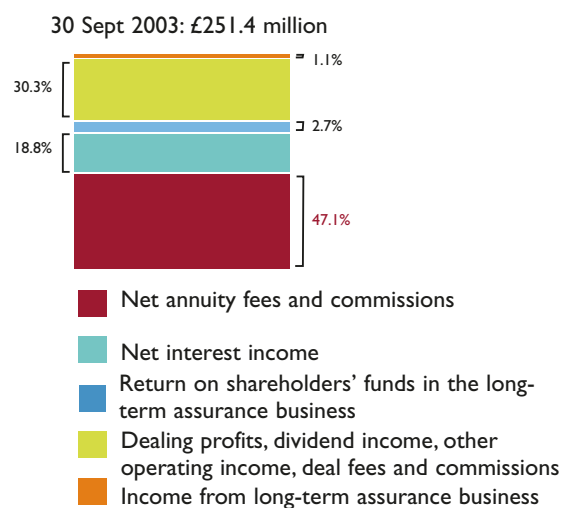
UK GAAP £'000	6 months to 30 Sept 2004	6 months to 30 Sept 2003*	% Change
Net interest income	61 628	47 170	30.7%
Dividend income	879	3 511	(75.0%)
Fees and commissions receivable	195 664	145 539	34.4%
- annuity (net of payable)	146 849	118 566	23.9%
- deal	48 815	26 973	81.0%
Dealing profits	33 771	39 312	(14.1%)
Income from long-term assurance business	3 538	2 699	31.1%
Return on shareholders' funds in the long-term assurance business	14 515	6 769	>100%
Other operating income	1 650	6 385	(74.2%)
<b>Operating income</b>	<b>311 645</b>	<b>251 385</b>	<b>24.0%</b>

\*Restated for changes to accounting policies and disclosures.

### Quality of earnings



**Annuity income as a % of operating income: 69.2%**



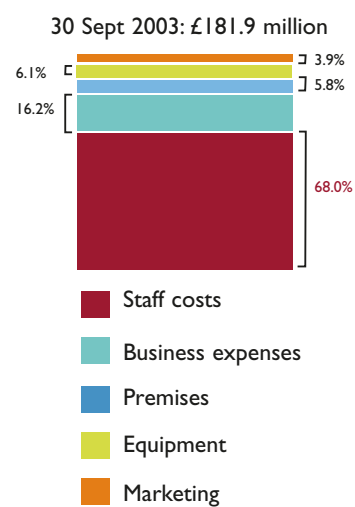
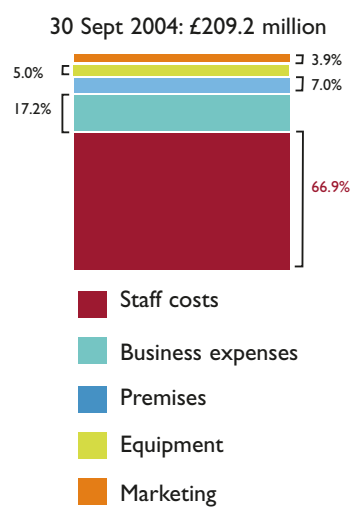
**Annuity income as a % of operating income: 67.3%**

## An analysis of administrative expenses

UK GAAP £'000	6 months to 30 Sept 2004	6 months to 30 Sept 2003*	% Change
Staff costs (including directors' remuneration)	139 886	123 817	13.0%
Business expenses	35 921	29 458	21.9%
Equipment (excluding depreciation)	10 486	11 026	(4.9%)
Premises (excluding depreciation)	14 696	10 484	40.2%
Marketing expenses	8 204	7 137	15.0%
<b>Administrative expenses</b>	<b>209 193</b>	<b>181 922</b>	<b>15.0%</b>

\*Restated for changes to accounting policies and disclosures.

### An analysis of administrative expenses



## Goodwill analysis

UK GAAP £'000	30 Sept 2004	30 Sept 2003	31 March 2004
<b>South Africa</b>	<b>82 119</b>	<b>111 137</b>	<b>95 443</b>
Private Client Activities	491	1 998	1 023
Asset Management and Assurance	70 762	89 174	78 861
Group Services and Other activities	10 866	19 965	15 559
<b>UK and Europe</b>	<b>134 782</b>	<b>154 866</b>	<b>144 327</b>
Private Client Activities	21 876	29 596	25 443
Treasury and Specialised Finance	10 147	12 862	11 300
Investment Banking	6 520	8 198	7 359
Asset Management	91 352	98 020	94 686
Group Services and Other Activities	4 887	6 190	5 539
<b>Australia</b>	<b>8 457</b>	<b>14 283</b>	<b>11 738</b>
Investment Banking	8 457	14 283	11 738
<b>Total group</b>	<b>225 358</b>	<b>280 286</b>	<b>251 508</b>

## Assets under administration

UK GAAP £'million	Southern Africa	UK, Australia Israel, USA	Total group
<b>As at 30 September 2004</b>			
Retail	3 104	3 047	6 151
Institutional	8 648	5 887	14 535
Private clients	4 282	6 329	10 611
- Private clients-discretionary	504	3 507	4 011
- Private clients-non-discretionary	3 778 <sup>^</sup>	2 822	6 600
Properties managed for third parties	1 078	16	1 094
Acceptances on behalf of clients	-	1	1
Scrip lending	-	3 399	3 399
<b>Total third party assets</b>	<b>17 112</b>	<b>18 679</b>	<b>35 791</b>
On balance sheet assets	9 823	6 691	16 514
<b>Total assets under administration</b>	<b>26 935</b>	<b>25 370</b>	<b>52 305</b>

### As at 30 September 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 <sup>^</sup>	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
<b>Total third party assets</b>	<b>13 046</b>	<b>15 116</b>	<b>28 162</b>
On balance sheet assets	9 201	6 454	15 655
<b>Total assets under administration</b>	<b>22 247</b>	<b>21 570</b>	<b>43 817</b>

### As at 31 March 2004\*

Retail	2 867	2 762	5 629
Institutional	7 865	5 693	13 558
Private clients	3 738	7 322	11 060
- Private clients-discretionary	456	4 175	4 631
- Private clients-non-discretionary	3 282 <sup>^</sup>	3 147	6 429
Properties managed for third parties	950	16	966
Acceptances on behalf of clients	-	1	1
Scrip lending	-	1 230	1 230
<b>Total third party assets</b>	<b>15 420</b>	<b>17 024</b>	<b>32 444</b>
On balance sheet assets	9 098	6 221	15 319
<b>Total assets under administration</b>	<b>24 518</b>	<b>23 245</b>	<b>47 763</b>

\*Restated for changes to accounting policies and disclosures.

<sup>^</sup> Includes funds managed by the Corporate Broking division.

## Net asset value per share

In calculating net tangible asset value per share the group assumes that all previously issued Compulsorily 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.

UK GAAP £'000	30 Sept 2004	30 Sept 2003*	31 March 2004*	Notes
A Shareholders' funds	765 444	728 506	766 373	
B Less: perpetual preference shares	(126 698)	(126 778)	(126 698)	
C Convertible debt included in subordinated liabilities	32 129	41 647	38 258	Debt component of CCD's in subordinated liabilities (included in equity under SA GAAP) relating to unsecured, Class A, Class A Series II, Class B and Class C subordinated CCD's. Refer to a more detailed explanation of the difference between SA GAAP and UK GAAP.
D CCD's issued by Investec Limited included in subordinated liabilities	3 208	3 742	3 447	These CCD's (approximately 1.9 million shares) relate to the group's staff share schemes but have largely remained unallocated.
E Less: intangible fixed assets	(225 358)	(280 286)	(251 508)	Per the balance sheet.
F Add: dividend accrued but not paid	30 443	27 963	30 879	
<b>Net asset value</b>	<b>479 168</b>	<b>394 794</b>	<b>460 751</b>	
Number of shares in issue	118.6	113.0	118.6	
CCD's	3.6	3.6	3.6	Relates to C above
CCD's	0.1	0.2	0.1	Allocated in terms of D above.
Treasury shares	(11.3)	(13.0)	(11.5)	
<b>Number of shares in issue in this calculation (millions)</b>	<b>111.0</b>	<b>103.8</b>	<b>110.8</b>	
<b>Tangible NAV per share (pence)</b>	<b>431.7</b>	<b>380.3</b>	<b>415.8</b>	

\*Restated for changes to accounting policies and disclosures.



## Asset quality

UK GAAP £'million	30 Sept 2004	30 Sept 2003*	31 March 2004*
Total loans and advances to customers (gross of provisions)	6 627	5 926	6 437
Less: cash equivalent debtors	(1 005)	(1 243)	(1 286)
Core loans and advances to customers	5 622	4 683	5 151
Managed book	(142)	(104)	(134)
<b>Net loans and advances to customers</b>	<b>5 480</b>	<b>4 579</b>	<b>5 017</b>
Average net loans and advances to customers	5 249	4 239	4 450
Consolidated profit and loss provision charge	9	5	21
Specific provisions	30	28	30
General provisions	65	53	60
<b>Total provisions</b>	<b>95</b>	<b>81</b>	<b>90</b>
Gross non-performing loans	68	50	90
Less: security	(42)	(19)	(65)
<b>Net non-performing loans</b>	<b>26</b>	<b>31</b>	<b>25</b>
<b>Adequacy of provisions</b>			
Specific provisions as a % of core loans and advances to customers	0.53%	0.60%	0.58%
General provisions as a % of net loans and advances to customers	1.19%	1.16%	1.20%
Total provisions as a % of core loans and advances to customers	1.69%	1.73%	1.75%
Total provisions as a % gross non-performing loans	139.08%	162.00%	99.87%
Total provisions as a % of net non-performing loans	361.10%	261.29%	354.63%
Specific provisions as a % of gross non-performing loans	43.92%	56.00%	33.33%
Specific provisions as a % of net non-performing loans	114.03%	90.32%	120.00%
Gross non-performing loans as a % of core loans and advances to customers	1.21%	1.07%	1.75%

\* Restated for changes to accounting policies and disclosures.

## Asset quality

UK GAAP £'million	Core loans and advances	General provisions	Specific provisions	Total provisions	Gross NPLs	Security held against NPLs	Net NPLs
<b>30 September 2004</b>							
Southern Africa	3 326	40	19	59	39	23	16
UK and Europe	1 824	20	4	24	19	15	4
Australia	298	3	1	4	2	1	1
Israel	174	2	6	8	8	3	5
<b>Total group</b>	<b>5 622</b>	<b>65</b>	<b>30</b>	<b>95</b>	<b>68</b>	<b>42</b>	<b>26</b>
<b>30 September 2003</b>							
Southern Africa	2 780	33	17	50	26	15	11
UK and Europe	1 482	14	4	18	15	3	12
Australia	224	3	1	4	1	1	–
Israel	189	3	6	9	8	–	8
USA	8	–	–	–	–	–	–
<b>Total group</b>	<b>4 683</b>	<b>53</b>	<b>28</b>	<b>81</b>	<b>50</b>	<b>19</b>	<b>31</b>
<b>31 March 2004</b>							
Southern Africa	3 036	36	19	55	67	47	20
UK and Europe	1 658	19	4	23	14	9	5
Australia	257	3	1	4	1	1	–
Israel	200	2	6	8	8	8	–
<b>Total group</b>	<b>5 151</b>	<b>60</b>	<b>30</b>	<b>90</b>	<b>90</b>	<b>65</b>	<b>25</b>

Where: NPLs is non-performing loans.

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

The results as presented on pages 9 to 14 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.

For the period ended £'000	Notes	30 Sept 2004	30 Sept 2003*	31 March 2004*
<b>Earnings before goodwill amortisation and exceptional items under UK GAAP</b>		<b>66 208</b>	<b>47 003</b>	<b>106 203</b>
SA GAAP adjustments:				
Acquisition accounting	1	306	2 636	3 036
Employee share option plans	2	(2 200)	(7 910)	(7 519)
AC 133 adjustments	3	(1 584)	8 193	9 230
Debenture interest	4	3 533	4 531	8 471
Interest rate swaps	5	(1 649)	(1 590)	(3 224)
Embedded value earnings	6	423	(865)	(783)
Revaluation of investment properties	7	2 735	2 033	13 982
Treasury shares	8	1 168	–	1 427
Perpetual preference share dividends	9	5 675	1 856	7 553
Other		(18)	(726)	482
<b>Earnings before goodwill amortisation and exceptional items under SA GAAP</b>	<b>10</b>	<b>74 597</b>	<b>56 613</b>	<b>138 858</b>

\*Restated for changes to accounting policies and disclosures.

**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 established a number of employee share incentive schemes, some of which place greater residual risk in the hands of the participants. On certain of the executive schemes where participants have assumed substantially all the risks and rewards of the scheme, the accounting treatment for SA GAAP continues to recognise these schemes as external to the group such that the loans advanced to the schemes remain under "advances" and interest income generated therefrom recognised in the income statement. Conversely, UK GAAP requires Investec, as a sponsoring company of such schemes, to consolidate their financial position with the result that the balance sheet and the profit and loss effects representing the component of the scheme which has not fully vested with the participants are added to those of the group and the respective intercompany items eliminated. These adjustments unwound as a greater percentage of the scheme vests with the participants.
3. ACI 33 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 ACI 33 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) to be classified as liabilities if they contain an obligation or contingent obligation to transfer an economic benefit. At the time that they were issued, certain of these instruments were split into their debt and equity components. Under UK GAAP, the debt component has been recorded as a liability in the balance sheet and the equity component accounted for as "share to be issued" and shares capital 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 on the accrual of certain income items e.g., Income on certain trading related interest swaps which was recognised upfront under SA GAAP but phased in over a period of time under UK GAAP.
6. Under UK GAAP the shareholders' interest in the inforce 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 revaluation on investment properties is recognised in earnings pre goodwill amortisation and exceptional items under SA GAAP whereas UK GAAP requires the net movements to be taken to the statement of recognised gains and losses and hence excluded from operational earnings.
8. To the extent that no new assets are created by the group on the issue of shares, such shares are treated as treasury shares under UK GAAP with any income derived from such capital excluded from earnings.
9. Under UK GAAP, the dividends payable to holders of the perpetual preferences shares issued by Investec Bank Limited are deducted from earnings whereas under SA GAAP all payments to equity holders are taken into account in the statement of changes in shareholders' funds and not on the face of the income statement. Further, the dividends under SA GAAP are only recognised on actual declaration date.
10. The exchange rates used in the above reconciliation was based on the actual rates ruling on the date of the transactions.

## ROE by country and business

In order to assess the return on economic capital utilised, the group believes that certain adjustments should be made to the profit and loss analysis and balance sheet analysis as reflected under UK GAAP. The group believes that these adjustments are necessary as they reflect the actual utilisation of capital and return thereon, notwithstanding accounting conventions.

The methodology applied in assessing the utilisation of the group's economic capital is as follows:

- A notional return on capital (net of the cost of subordinated debt) which is managed and borne in the centre is allocated from "Other Activities" to the business segments based on their total capital utilisation.
- Shareholders' funds as shown under UK GAAP is increased to reflect permanent capital which is reflected under subordinated debt.
- The final dividend is added back to shareholders' funds which, under UK GAAP, reduces reserves.

£'000	30 Sept 2004	31 March* 2004	Average	30 Sept* 2003	31 March* 2003	Average
<b>Calculation of average shareholders' funds</b>						
Shareholders' funds per balance sheet	638 746	639 675	639 211	601 728	588 466	595 097
Add: Convertible debt included in subordinated liabilities	35 337	41 705	38 521	45 389	55 825	50 607
Dividend declaration	30 443	30 879	30 661	27 963	25 468	26 716
<b>Adjusted shareholders' funds</b>	<b>704 526</b>	<b>712 259</b>	<b>708 393</b>	<b>675 080</b>	<b>669 759</b>	<b>672 420</b>
Operating profit before amortisation of goodwill and exceptional items	88 706	132 260		57 895		
Share of associated companies before goodwill	7 181	11 205		4 791		
Minority interests	(712)	(1 888)		(1 235)		
Preference dividends	(5 675)	(7 553)		(1 856)		
<b>Revised operating profit</b>	<b>89 500</b>	<b>134 024</b>		<b>59 595</b>		
Tax on ordinary activities	(23 292)	(27 821)		(12 592)		
<b>Revised operating profit after tax</b>	<b>66 208</b>	<b>106 203</b>		<b>47 003</b>		
Pre-tax return on average adjusted shareholders' funds <sup>^</sup>	25.3%	20.8%		17.7%		
Post-tax return on average adjusted shareholders' funds <sup>^</sup>	18.7%	15.4%		14.0%		

<sup>^</sup> Annualised

\*Restated for changes to accounting policies and disclosures.

## ROE by country

For the period ended 30 September

£'000	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Total operating profit	55 008	25 967	4 466	3 292	(27)	88 706
Share of income of associated companies	7 031	(90)	118	60	62	7 181
Tax on profit on ordinary activities	(14 046)	(6 473)	(1 566)	(1 207)	–	(23 292)
Minority interests	(53)	(202)	–	(457)	–	(712)
Preference dividends	(5 675)	–	–	–	–	(5 675)
<b>Profit on ordinary activities after taxation and preference dividends - 2004</b>	<b>42 265</b>	<b>19 202</b>	<b>3 018</b>	<b>1 688</b>	<b>35</b>	<b>66 208</b>
Profit on ordinary activities after taxation and preference dividends - 2003	26 423	16 549	2 667	493	871	47 003
<b>Adjusted shareholders' funds at 30 Sept 2004</b>	<b>279 677</b>	<b>334 256</b>	<b>56 585</b>	<b>32 584</b>	<b>1 424</b>	<b>704 526</b>
Adjusted average shareholders' funds	277 868	344 240	53 663	31 686	936	708 393
Pre-tax return on adjusted average shareholders' funds - 2004 <sup>^</sup>	40.5%	14.9%	17.1%	18.3%	7.5%	25.3%
Pre-tax return on adjusted average shareholders' funds - 2003 <sup>^</sup>	27.5%	11.7%	17.4%	11.5%	64.3%	17.7%
Post-tax return on adjusted average shareholders' funds - 2004 <sup>^</sup>	30.4%	11.2%	11.2%	10.7%	7.5%	18.7%
Post-tax return on adjusted average shareholders' funds - 2003 <sup>^</sup>	22.8%	9.2%	12.3%	2.9%	60.8%	14.0%

<sup>^</sup>Annualised

## ROE by division

For the period ended 30 September

£'000	PB*	PCSB*	TSF*	IB*	AM*	ASU	GSO*	Total group
Total operating profit**	34 884	6 019	21 452	17 984	14 881	3 525	(2 858)	95 887
Notional return on regulatory capital	12 679	354	12 192	1 120	455	379	(27 179)	–
Notional cost of statutory capital	(1 237)	(625)	(527)	(322)	(1 580)	–	4 291	–
Cost of subordinated debt	(7 476)	(221)	(7 777)	(650)	(284)	(260)	16 668	–
Minority interest	–	–	–	–	–	–	(712)	(712)
Cost of preference shares	(1 826)	(40)	(2 258)	(135)	(61)	(92)	(1 263)	(5 675)
Absorption of additional residual costs ***	(1 610)	(42)	(1 446)	(1 851)	(689)	(281)	5 919	–
<b>Adjusted earnings/ (losses) - 2004</b>	<b>35 414</b>	<b>5 445</b>	<b>21 636</b>	<b>16 146</b>	<b>12 722</b>	<b>3 271</b>	<b>(5 134)</b>	<b>89 500</b>
Adjusted earnings/ (losses) - 2003	18 732	1 863	15 516	17 684	9 499	2 262	(5 961)	59 595
<b>Adjusted shareholders' funds at 30 Sept 2004</b>	<b>248 981</b>	<b>18 237</b>	<b>196 782</b>	<b>43 934</b>	<b>157 306</b>	<b>18 500</b>	<b>20 786</b>	<b>704 526</b>
Adjusted average shareholders' funds	241 138	17 173	185 407	40 076	165 653	14 186	44 760	708 393
Return on adjusted average shareholders' funds - 2004 <sup>^</sup>	29.4%	63.4%	23.3%	80.6%	15.4%	46.1%	(22.9%)	25.3%
Return on adjusted average shareholders' funds - 2003 <sup>^</sup>	21.5%	19.4%	18.0%	82.3%	10.0%	18.5%	(24.0%)	17.7%

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

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

\*\*\* This allocation represents a portion of the costs remaining in the centre which are indirectly allocated to operating divisions as they facilitate their operations but are excluded in calculating performance incentive remuneration. These allocations are based on managements' estimates of relative benefit derived.

<sup>^</sup> Annualised

## Capital adequacy

Investec Limited and Investec plc are the two listed holding companies in terms of the DLC structure. Investec Bank Limited (IBL) and Investec Bank UK Limited (IBUK) are the main banking subsidiaries of Investec Limited and Investec plc, respectively.

Investec plc and Investec Limited are well capitalised and capital adequacy ratios exceed the minimum regulatory requirements.

**The group aims to maintain a capital adequacy ratio for Investec Limited and Investec plc of 13-16%.**

30 September 2004	IBL R'million	Investec Limited R'million	IBUK £'million	Investec plc £'million
Net qualifying capital	11 820	8 456	539	535
Risk-weighted assets	54 796	56 571	2 884	3 149
Capital adequacy ratio	21.6%	15.0%	18.7%	17.0%

31 March 2004	IBL R'million	Investec Limited R'million	IBUK £'million	Investec plc £'million
Net qualifying capital	11 496	7 532	513	507
Risk-weighted assets	57 967	49 868	2 652	2 934
Capital adequacy ratio	19.8%	15.1%	19.3%	17.3%

The above ratios are determined under South African Reserve Bank regulations in respect of IBL(solo) and Investec Limited (consolidated) and UK Financial Services Authority requirements in respect of IBUK (consolidated) and Investec plc (consolidated)



## Number of employees

	30 Sept 2004	31 March 2004	30 Sept 2003	31 March 2003	31 March 2002
<b>Private Banking</b>					
SA and Other	727	675	652	628	571
UK and Europe	368	334	348	329	293
Australia	46	43	39	55	43
USA	–	–	–	–	–
Israel	51	54	57	73	51
<b>Total</b>	<b>1 192</b>	<b>1 106</b>	<b>1 096</b>	<b>1 085</b>	<b>958</b>
<b>Private Client Stockbroking</b>					
SA and Other	122	117	125	144	148
UK and Europe	330	346	352	400	415
Australia	–	–	–	–	–
USA	–	–	–	–	292
Israel	–	–	–	–	–
<b>Total</b>	<b>452</b>	<b>463</b>	<b>477</b>	<b>544</b>	<b>855</b>
<b>Private Client Activities Total</b>					
SA and Other	849	792	777	772	719
UK and Europe	698	680	700	729	708
Australia	46	43	39	55	43
USA	–	–	–	–	292
Israel	51	54	57	73	51
<b>Total</b>	<b>1 644</b>	<b>1 569</b>	<b>1 573</b>	<b>1 629</b>	<b>1 813</b>
<b>Treasury and Specialised Finance</b>					
SA and Other	268	258	279	283	271
UK and Europe	150	134	136	156	166
Australia	12	8	10	10	11
USA	41	43	35	33	7
Israel	34	34	34	25	48
<b>Total</b>	<b>505</b>	<b>477</b>	<b>494</b>	<b>507</b>	<b>503</b>
<b>Investment Banking</b>					
SA and Other	100	102	97	105	116
UK and Europe	113	114	115	101	156
Australia	24	21	20	16	30
USA	–	–	–	68	111
Israel	34	39	41	46	49
<b>Total</b>	<b>271</b>	<b>276</b>	<b>273</b>	<b>336</b>	<b>462</b>

## Number of employees

	30 Sept 2004	31 March 2004	30 Sept 2003	31 March 2003	31 March 2002
<b>Asset Management</b>					
SA and Other	489	517	502	490	512
UK and Europe	189	257	273	267	245
Australia	–	–	–	–	–
USA	–	–	–	–	6
Israel	11	10	10	14	–
<b>Total</b>	<b>689</b>	<b>784</b>	<b>785</b>	<b>771</b>	<b>763</b>
<b>Assurance</b>	<b>129</b>	<b>156</b>	<b>185</b>	<b>490</b>	<b>576</b>
<b>Other Activities</b>					
SA and Other	778	802	796	757	815
UK and Europe	183	246	233	256	235
Australia	44	40	36	22	–
USA	35	32	33	30	272
Israel	69	76	77	76	90
<b>Total</b>	<b>1 109</b>	<b>1 196</b>	<b>1 175</b>	<b>1 141</b>	<b>1 412</b>
<b>Total number of employees</b>	<b>4 347</b>	<b>4 458</b>	<b>4 485</b>	<b>4 874</b>	<b>5 529</b>
<b>By Geography</b>					
SA and Other	2 613	2 627	2 636	2 897	3 009
UK and Europe	1 333	1 431	1 457	1 509	1 510
Australia	126	112	105	103	84
USA	76	75	68	131	688
Israel	199	213	219	234	238
<b>Total number of employees</b>	<b>4 347</b>	<b>4 458</b>	<b>4 485</b>	<b>4 874</b>	<b>5 529</b>

## Shareholder analysis

The group has implemented a Dual Listed Companies (DLC) structure in terms of which it has primary listings both in Johannesburg and London. Investec plc, which houses the majority of the group's non-SA businesses, was listed on the London Stock Exchange on 29 July 2002. Investec plc also has a secondary listing on the JSE Securities Exchange South Africa (JSE). Investec Limited, which houses the group's Southern African and Mauritius operations, has been listed in South Africa since 1986. As at 30 September 2004 Investec plc and Investec Limited had 74 633 746 and 43 999 527 ordinary shares in issue, respectively.

### Largest beneficial shareholders as at 30 September 2004

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 as disclosed below.

#### Investec plc

Beneficial owner	Number of shares	% holding
1 Fintique III (BVI)*	7 388 741	9.9%
2 Public Investment Commissioner (SA)	6 455 413	8.7%
3 Old Mutual Life Assurance (SA)	3 765 389	5.1%
4 Spurwing Investments Ltd (CI)	3 220 000	4.3%
5 Investec Ltd Security Purchase and Option Scheme 2002 (SA)	2 500 000	3.4%
6 Liberty Life Associates of Africa (SA)	2 044 427	2.7%
7 Citigroup Global Markets UK Equity (UK)	1 990 260	2.7%
8 Legal and General Pooled Index Fund (UK)	1 893 914	2.5%
9 Investec Employee Benefits Limited (SA)	1 064 607	1.4%
10 Momentum Life Assurance (SA)	1 001 364	1.3%
<b>Cumulative total</b>	<b>31 324 115</b>	<b>42.0%</b>

The top 10 beneficial shareholders account for 42.0% 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

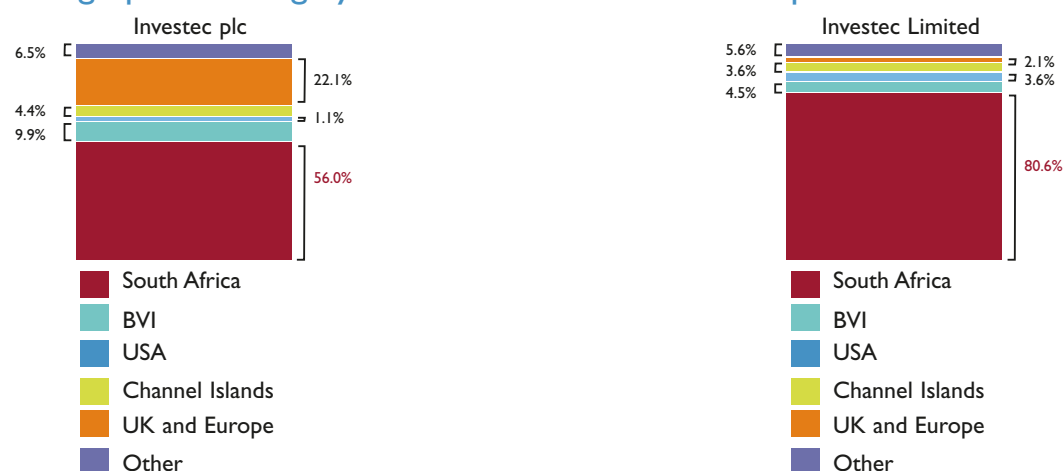
Beneficial owner	Number of shares	% holding
1 Public Investment Commissioner (SA)	4 551 190	10.3%
2 Ed Trust Investments CP (SA)**	2 800 000	6.4%
3 Tiso Investments Pty Ltd CP (SA)**	2 800 000	6.4%
4 Peu Investments Pty Ltd CP (SA)**	2 611 111	5.9%
5 Fintique III (BVI)*	2 111 259	4.8%
6 Old Mutual Life Assurance (SA)	2 099 981	4.8%
7 Spurwing Investments Ltd (CI)	915 000	2.1%
8 Simlend Main Account (SA)	899 630	2.0%
9 Investment Solutions (SA)	896 227	2.0%
10 Old Mutual SA Equity Trust (BM)	866 200	2.0%
<b>Cumulative total</b>	<b>20 550 598</b>	<b>46.7%</b>

The top 10 beneficial shareholders account for 46.7% 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.

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

## Geographic holding by beneficial owner as at 30 September 2004



## Share statistics

	6 months to 30 Sept 2004	6 months to 30 Sept 2003	Year to 31 March 2004
<b>Investec plc</b>			
Closing market price per share (pence)			
- period end	1 110	842	1 089
- highest	1 177	920	1 181
- lowest	932	612	612
Number of ordinary shares in issue (million)	74.6	74.6	74.6
Market capitalisation (£'million) <sup>1</sup>	828	628	812
<b>Investec Limited</b>			
Closing market price per share (cents)			
- period end	12 845	9 800	12 530
- highest	13 600	10 900	15 100
- lowest	10 780	7 750	7 750
Number of ordinary shares in issue (million)	44.0 <sup>2</sup>	38.4	44.0 <sup>2</sup>
Market capitalisation (R'million) <sup>3</sup>	15 234	11 074	14 860
Market capitalisation (£'million)	1 316	951	1 292

### Notes:

<sup>1</sup> The LSE 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.

<sup>2</sup> The number of shares in issue has reduced significantly following the implementation of the DLC structure, in terms of which Investec plc was unbundled from Investec Group Limited (now Investec Limited).

<sup>3</sup> The JSE 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. currently a total of 118.6 million shares in issue.

# Section.5

## Annexure I

Term	Definition
Adjusted shareholders' funds	Refer to calculation on page 67.
Annuity income as a percentage of operating income	Net interest income, a portion of the return on shareholders' funds in the long-term assurance business and annuity commissions receivable (net of commissions payable) expressed as a percentage of operating income.
Assets under administration	Includes third party assets under administration and on-balance sheet assets.
Core loans and advances	Loans and advances to customers less cash and short-term funds included therein.
Cost to income ratio	Administrative expenses and depreciation divided by operating income.
Dividend cover	Earnings per ordinary share before exceptional items and amortisation of goodwill divided by dividends per ordinary share.
Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill	Refer to pages 56 and 57.
Earnings per ordinary share before exceptional items and amortisation of goodwill	Refer to pages 56 and 57.
Effective tax rate	Tax on profit on ordinary activities divided by operating profit.
Equity shareholders' funds	Total shareholders' funds excluding preference shares.
Headline earnings	Refer to page 57.
Headline earnings per share	Refer to page 57.
Market capitalisation	Total number of shares in issue (including Investec Limited and Investec plc) multiplied by the closing share price of Investec plc on the London Stock Exchange.
Net interest income	Interest receivable less interest payable.
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. This amount is before exceptional items and amortisation of goodwill.
Operating profit: SA and Other	Operating profit earned in South Africa, Mauritius and Botswana.
Operating profit: Non-SA	Operating profit earned in UK and Europe, USA, Israel and Australia.

**Term****Definition**

Net tangible asset value per share

As per calculation on page 62.

Return on average equity shareholders' funds

Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill expressed as a percentage of average equity shareholders' funds.

Return on average adjusted shareholders' funds

Refer to calculation on page 67.

Staff compensation to operating income ratio

All employee related costs expressed as a percentage of operating income.

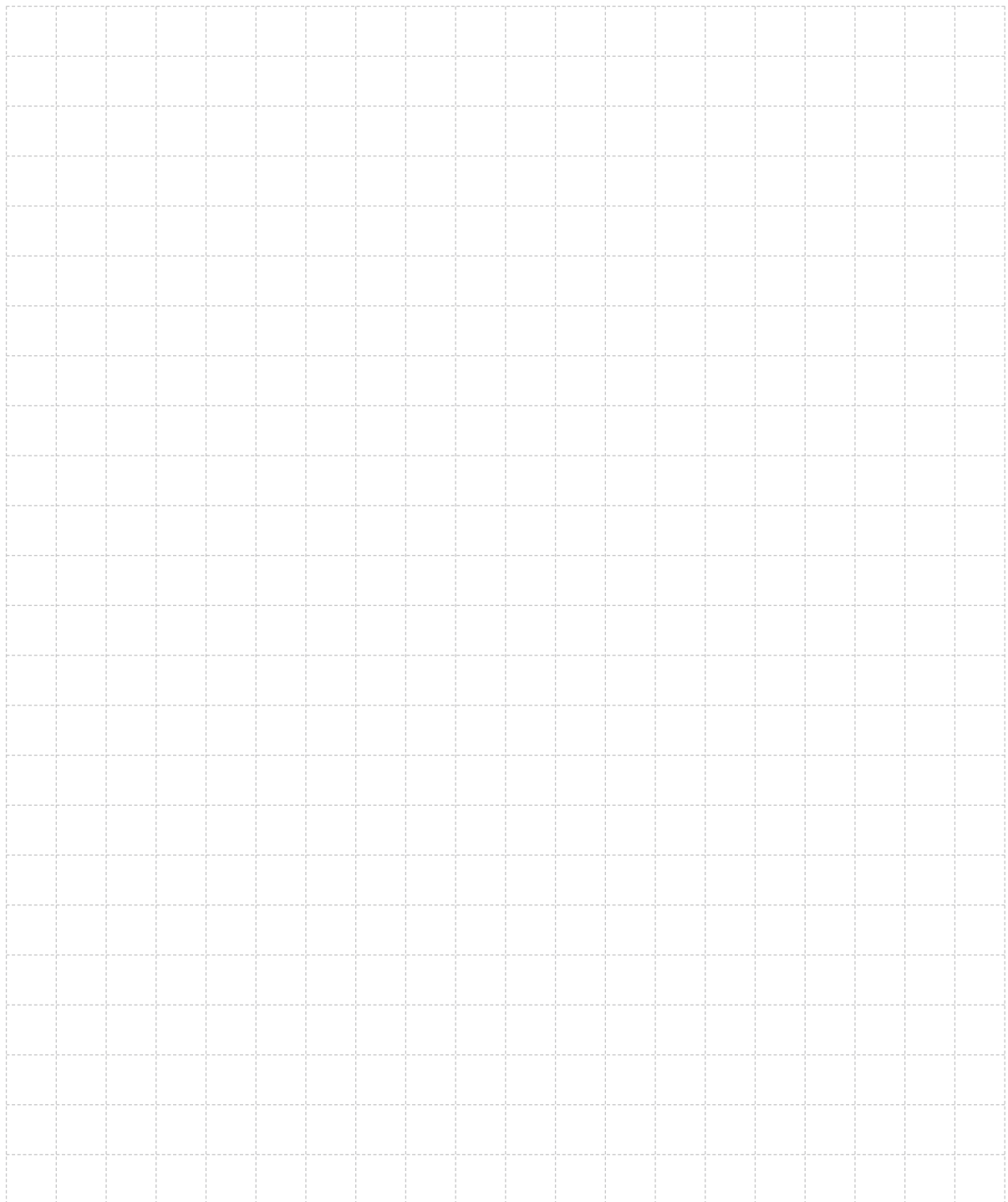
Total capital resources interests.

Includes shareholders' funds, subordinated liabilities and minority

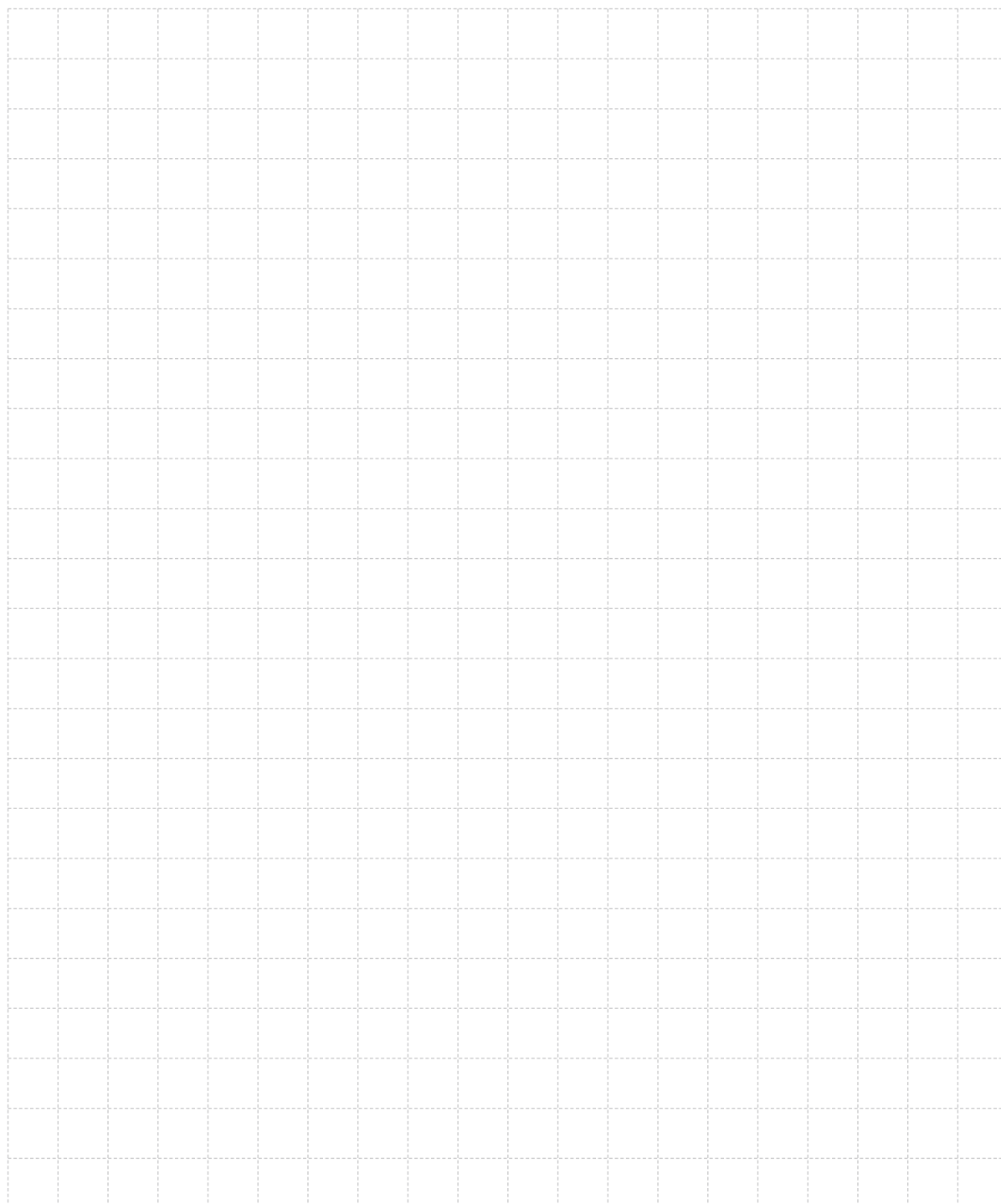
Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year; increased by shares issued during the year; weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 56.

# Notes



## Notes





## Notes

