Investec plc (incorporating the results of Investec Limited)

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

Salient Features

UK GAAP	31 March 2003	% Change	31 March 2002
Earnings before goodwill amortisation and exceptional items (£'000)	**88,684**	(30.5)	127 613
Operating profit before goodwill amortisation and taxation (£'000)	**84,758**	(46.5)	158 567
Earnings per share (before goodwill amortisation and exceptional items) (pence)	**97.6**	(30.2)	139.8
Dividend cover (times)	**1.8**		2.6
Dividends per share (pence)	**54.0**	0.4	53.8
Headline earnings per share (pence)	**90.9**	(28.3)	126.8
Cost to income ratio (%)	**79.8**		72.0
Annuity income as a percentage of operating income (%)	**71.3**		68.7
Total capital resources (£ millions)	**1,013**	5.7	958
Total assets under administration (£ millions)	**40,604**	(8.2)	44,219
Return on average shareholders' funds (%)	**12.4**		19.4
Return on average tangible shareholders' funds (%)	**23.8**		37.2
Weighted number of ordinary shares in issue (million)	**90.9**		91.3

Consolidated profit and loss accounts for the year ended 31 March

£'000	2003 Before goodwill and exceptional items	2003 Goodwill and exceptional items	2003 Total	2002 Before goodwill and exceptional items	2002 Goodwill and exceptional items	2002 Total
Interest receivable – interest income arising from debt securities	171,066	–	**171,066**	205,398	–	205,398
Interest receivable – other interest income	697,805	–	**697,805**	666,802	–	666,802
Interest payable	(737,405)	–	**(737,405)**	(708,370)	–	(708,370)
Net interest income	131,466	–	**131,466**	163,830	–	163,830
Dividend income	3,597	–	**3,597**	2,081	–	2,081
Fees and commissions receivable	331,375	–	**331,375**	415,918	–	415,918
Annuity	286,782	–	**286,782**	335,845	–	335,845
Deal	44,593	–	**44,593**	80,073	–	80,073
Fees and commission payable	(54,768)	–	**(54,768)**	(74,671)	–	(74,671)
Dealing profits	45,231	–	**45,231**	49,485	–	49,485
Income from long-term assurance business	27,779	–	**27,779**	31,079	–	31,079
Other operating income	25,269	–	**25,269**	30,949	–	30,949
Other income	378,483	–	**378,483**	454,841	–	454,841
Total operating income	509,949	–	**509,949**	618,671	–	618,671
Administrative expenses	(392,466)	–	**(392,466)**	(428,510)	–	(428,510)
Depreciation and amortisation	(14,417)	(122,302)	**(136,719)**	(16,926)	(98,435)	(115,361)
– tangible fixed assets	(14,417)	–	**(14,417)**	(16,926)	–	(16,926)
– amortisation and impairment of goodwill	–	(122,302)	**(122,302)**	–	(98,435)	(98,435)
Provision for bad and doubtful debts	(18,308)	–	**(18,308)**	(14,668)	–	(14,668)
Operating profit/(loss) before exceptional items	84,758	(122,302)	**(37,544)**	158,567	(98,435)	60,132
Operating profit/(loss) from continuing operations	101,427	(116,599)	**(15,172)**	158,862	(92,654)	66 208
Operating loss from discontinued operations	(16,669)	(5,703)	**(22,372)**	(295)	(5,781)	(6,076)
Total operating profit/(loss) before exceptional items	84,758	(122,302)	**(37,544)**	158,567	(98,435)	60,132
Share of income of associated companies	11,350	(1,644)	**9,706**	3,904	(821)	3,083
Exceptional items	–	(28,757)	**(28,757)**	–	(17,529)	(17,529)
Provision for losses on termination and disposal of Group operations – discontinued	–	(9,437)	**(9,437)**	–	(7,056)	(7,056)
Impairment of goodwill on discontinued operations	–	(19,047)	**(19,047)**	–	–	–
Profits on termination and disposal of Group operations – continuing	–	5,800	**5,800**	–	1,363	1,363
Fundamental reorganisation and restructuring costs – continuing	–	(6,073)	**(6,073)**	–	(11,836)	(11,836)
Profit/(loss) on ordinary activities before taxation	96,108	(152,703)	**(56,595)**	162,471	(116,785)	45,686
Tax on profit on ordinary activities	(5,357)	–	**(5,357)**	(31,257)	2,717	(28,540)
Tax on profit on continuing activities	858	–	**858**	(32,200)	–	(32,200)
Tax on loss on discontinued activities	(6,215)	–	**(6,215)**	943	–	943
Tax on provision for losses on termination and disposal of group operations – discontinued	–	–	**–**	–	2,717	2,717
Profit/(loss) on ordinary activities after taxation	90,751	(152,703)	**(61,952)**	131,214	(114,068)	17,146
Minority interests – equity	(1,646)	–	**(1,646)**	(1,586)	–	(1,586)
Profit/(loss) attributable to shareholders	89,105	(152,703)	**(63,598)**	129,628	(114,068)	15,560
Dividends – including non-equity	(53,428)	–	**(53,428)**	(57,874)	–	(57,874)
Retained profit/(loss) for the year	35,677	(152,703)	**(117,026)**	71,754	(114,068)	(42,314)
Profit/(loss) attributable to shareholders			**(63,598)**			15,560
Goodwill and exceptional items			**152,703**			114,068
Preference dividends			**(421)**			(2,015)
Earnings before goodwill amortisation and exceptional items attributable to ordinary shareholders			**88,684**			127,613

	2003	2002
Earnings per share (pence)		
– Basic	**(70.4)**	14.8
– Diluted	**(70.4)**	13.9
Earnings per share before goodwill amortisation and exceptional items (pence)		
– Basic	**97.6**	139.8
– Diluted	**96.9**	129.7
Dividends per share (pence)	**54.0**	53.8
Calculation of headline earnings (£'000)		
Profit attributable to shareholders	**89,105**	129,628
Fundamental reorganisation and restructuring costs- continuing	**(6,073)**	(11,836)
Preference dividends	**(421)**	(2,015)
Headline earnings attributable to ordinary shareholders	**82,611**	115,777
Headline earnings per share (pence) – basic	**90.9**	126.8

The results below are based on the consolidated profit and loss account above but show operating profit before goodwill and exceptional items, including income from associated companies, split between continuing and discontinued operations.

Abridged consolidated profit and loss accounts for the year ended 31 March

	Continuing operations			Discontinued operations		
£'000	**2003**	2002	% change	**2003**	2002	% change
Net interest income	**127,407**	151,029	(15.6)	**4,059**	12,801	(68.3)
Dividend income	**3,597**	2,081	72.8	**–**	–	–
Net fees and commissions receivable	**250,124**	288,821	(13.4)	**26,483**	52,426	(49.5)
Annuity	**207,968**	213,308	(2.5)	**24,046**	47,866	(49.8)
Deal	**42,156**	75,513	(44.2)	**2,437**	4,560	(46.6)
Dealing profits	**46,192**	56,666	(18.5)	**(961)**	(7,181)	86.6
Income from long-term assurance business	**27,779**	31,079	(10.6)	**–**	–	–
Other operating income	**26,263**	31,089	(15.5)	**(994)**	(140)	<(100)
Other income	**353,955**	409,736	(13.6)	**24,528**	45,105	(45.6)
Total operating income	**481,362**	560,765	(14.2)	**28,587**	57,906	(50.6)
Administrative expenses	**(348,154)**	(370,885)	6.1	**(44,312)**	(57,625)	23.1
Depreciation	**(13,473)**	(16,350)	17.6	**(944)**	(576)	(63.9)
Provision for bad and doubtful debts	**(18,308)**	(14,668)	(24.8)	**–**	–	–
Operating profit/(loss) before goodwill, exceptional items and taxation	**101,427**	158,862	(36.2)	**(16,669)**	(295)	<(100)
Share of income of associated companies before goodwill	**11,350**	3,904	>100	**–**	–	–
Profit/(loss) on ordinary activities before goodwill, exceptional items and taxation	**112,777**	162,766	(30.7)	**(16,669)**	(295)	<(100)

Consolidated statements of recognised gains and losses for the year ended 31 March

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

Consolidated cash flow statements for the year ended 31 March

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

Consolidated balance sheets at 31 March

£'000	2003	2002
Assets		
Cash and balances at central banks	**348,343**	457,222
Treasury bills and other eligible bills	**243,019**	197,767
Loans and advances to banks	**2,758,797**	2,583,205
Loans and advances to customers	**4,898,226**	4,780,480
Debt securities	**1,931,265**	4,377,877
Equity shares	**147,638**	204,352
Interests in associated undertakings	**62,422**	45,026
Intangible fixed assets	**299,773**	384,900
Tangible fixed assets	**205,982**	186,761
Own shares	**82,922**	42,130
Other assets	**1,335,831**	1,275,695
Long-term assurance business attributable to the shareholder	**108,528**	67,116
	12,422,746	14,602,531
Long-term assurance assets attributable to policyholders	**2,536,319**	2,354,401
	14,959,065	16,956,932
Liabilities		
Deposits by banks	**2,129,292**	3,645,308
Customer accounts	**6,354,867**	7,068,220
Debt securities in issue	**1,089,756**	606,246
Other liabilities	**1,580,881**	2,106,191
Accruals and deferred income	**255,281**	218,132
	11,410,077	13,644,097
Long-term assurance liabilities attributable to policyholders	**2,536,319**	2,354,401
	13,946,396	15,998,498
Capital Resources		
Subordinated liabilities (including convertible debt)	**276,897**	190,659
Minority interests – equity	**38,804**	33,473
Called up share capital	**158**	7,530
Share premium account	**994,108**	814,089
Shares to be issued	**2,428**	41,148
Revaluation reserves	**29,160**	11,202
Other reserves	**(173,877)**	(176,833)
Profit and loss account	**(155,009)**	37,166
Shareholders' funds	**696,968**	734,302
– equity	**696,968**	691,201
– non-equity	**–**	43,101
	1,012,669	958,434
	14,959,065	16,956,932
Memorandum items		
Commitments	**496,638**	506,330
Contingent liabilities	**302,035**	299,316
	798,673	805,646

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2003 or 2002. The auditors have reported on the 2002 accounts for Investec plc; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The comparative financial information for 2002 is derived from the accounts as reported in the Preliminary Offering Circular which was prepared for the listing of Investec plc on the London Stock Exchange and which has been delivered to the Registrar of Companies. This will form the 2002 comparatives of Investec plc (incorporating the results of Investec Limited) as a result of its application of merger accounting. The statutory accounts for 2003 for Investec plc (incorporating the results of Investec Limited) will be finalised on the basis of the financial information presented by the directors in this announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

Investec plc
(Registration number 3633621)
JSE Code: INP
ISIN: GB0031773103

Investec

3/0202 – Investec Limited – 54 x 10
ENGLISH – 8TH PROOF

Segmental analysis – geographical and business analysis of operating profit before taxation, goodwill amortisation and exceptional items – for the year ended 31 March 2003

£'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance	Group Services & Other Activities	Discontinued Operations	Total group
UK & Europe	23,273	(2,850)	6,915	1,646	(6,658)	–	22,326
Southern Africa & Other	14,473	31,411	5,871	45,494	(28,706)	–	68,543
Australia	1,700	(728)	2,711	–	2,293	–	5,976
Israel	1,465	118	1,797	118	(2)	–	3,496
United States of America	–	–	–	–	1,086	–	1,086
Discontinued operations	–	–	–	–	–	(16,669)	(16,669)
Total	40,911	27,951	17,294	47,258	(31,987)	(16,669)	84,758

Segmental analysis – geographical and business analysis of operating profit before taxation and goodwill amortisation and exceptional items – for the year ended 31 March 2002 (£'000)

£'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance	Group Services & Other Activities	Discontinued operations	Total group
UK & Europe	28,485	9,726	20,255	2,439	3,865	–	64,770
Southern Africa & Other	12,832	40,466	18,567	49,233	(39,301)	–	81,797
Australia	(2,655)	1,273	2,724	–	(110)	–	1,232
Israel	3,827	319	4,747	318	(82)	–	9,129
United States of America	–	–	–	–	1,934	–	1,934
Discontinued operations	–	–	–	–		(295)	(295)
Total	42,489	51,784	46,293	51,990	(33,694)	(295)	158,567

Consolidated statements of reconciliations of shareholders' funds and movements on reserves for the year ended 31 March

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

Overall performance

This has been an exceptionally challenging year for the group (comprising Investec Limited and Investec plc) and generally for all investment banks and the investment management industry world-wide. The protracted economic slowdown has seen the FTSE All Share Index and the JSE All Share Index fall by 32.1% and 30.3% respectively over the past financial year.

Against this backdrop, basic earnings per share ("EPS") before exceptional items and goodwill amortisation declined by 30.2% from 139.8 pence to 97.6 pence. Headline EPS declined by 28.3% from 126.8 pence to 90.9 pence.

Although the 2003 financial year was a difficult one the group made significant strategic advances.

Salient features of the 2003 financial year can be summarised as follows:

- Established Investec's Dual Listed Companies Structure in July 2002. This long sought after achievement was a significant milestone in the history of Investec.
- Issued 4 million Investec plc shares, for a consideration of £33.2 million, in July, at a time when markets were exceptionally difficult.
- The group adjusted its cost base to compensate for the decline in revenues and streamlined and rationalised many of its operations, particularly in the United States ("US") and in the United Kingdom ("UK").
- The group continued to restructure and rationalise the life assurance activities acquired from Fedsure Holdings Limited including implementing two further transactions, namely, the reinsurance of the annuity business with Capital Alliance Limited ("CAL"), and the reinsurance and transfer of some of the businesses of Investec Employee Benefits ("IEB") to Liberty Group Limited ("Liberty"). The group is satisfied that the Fedsure acquisition has now been completed.
- Annuity income as a percentage of total operating income increased from 68.7% to 71.3%.
- Operating profit before exceptional items and goodwill amortisation declined from £158.6 million to £84.8 million, impacted largely by the weaker performances of the group's equity related activities, particularly in the UK and US, as well as the 9% depreciation of the average Rand/Pound Sterling rate during the period under review.
- The Board is recommending a final dividend of 28 pence per share which, together with the interim dividend of 26 pence per share paid in December 2002, amounts to a total dividend of 54 pence, substantially the same as that in respect of 2002. This year's dividend is covered 1.81 times by EPS before exceptional items and goodwill amortisation and 1.68 times by headline EPS, as determined in UK GAAP.

Presentation of financial information

Investec Limited and Investec plc

In 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. For further information please refer to Investec's web site: **www.investec.com/investorrelations.**

Under the contractual arrangements of 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 preliminary results for Investec plc presents the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling. The preliminary results for Investec Limited are also prepared on a DLC basis under SA GAAP, denominated in South African Rand. All references in the commentary below referring to Investec or the group relate to the combined DLC group comprising Investec Limited and Investec plc.

SA GAAP differs in certain respects from UK GAAP. A high-level reconciliation of the principal differences between SA GAAP and UK GAAP is provided.

The financial information contained in the "commentary" section has been prepared in accordance with UK GAAP. Rand values included in the "commentary" section of this announcement 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 year end rate. Reuters quote the average Rand/Pound Sterling exchange rate at 15.04 and 13.65 for the years ended 31 March 2003 and 31 March 2002, respectively. This represents depreciation of the Rand of some 9.2% during the period under review.

This depreciation of the Rand (in the first half of the year) has a negative effect on the results expressed in sterling of those Investec businesses that generate revenues and profits in Rand. Where the impact of Rand depreciation is key to understanding the performance of the group's businesses, this has been noted in the "commentary" section.

Dividend declaration

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

Commentary

Business unit review

Investment Banking

The Investment Banking division posted operating profit before exceptional items and amortisation of goodwill of £17.3 million, a decline of 62.6%, reflecting the prolonged weakness in financial markets and subdued trading volumes in all geographies in which the division operates.

In South Africa ("SA"), Investment Banking reported declining results, largely as a result of the lack of realisation opportunities in the direct investment portfolio from which the division had benefited in the previous year. The lower average volumes traded on the JSE Securities Exchange negatively affected the agency business of Investec Securities but were partially offset by the strong performance from the Structured Equity Desk. Investec Corporate Finance continued to maintain its strong positioning and deal flow, focusing on corporate restructuring activities, shareholder activism mandates and black economic empowerment initiatives. Furthermore, the Private Equity division enjoyed good quality deal flow.

In the UK, Investec Investment Banking and Securities posted an operating loss. The division was severely impacted by the lack of corporate advisory and capital market activity, with the number of deals concluded declining substantially over the period. In the circumstances and given the lack of visible prospects of a market recovery the division's costs were significantly reduced from a peak annualised rate of £29 million to £18 million. Despite the difficult environment, the division has strengthened its retained corporate client list and increased its institutional market share. The UK Private Equity division benefited from a significant realisation in one of the underlying funds amounting to £9 million.

Investec Inc in the US, which was particularly vulnerable to the dramatic decline in equity markets, posted operating losses. During the period under review the group decided that it was not prudent to sustain the ongoing losses in the US investment banking operations. A strategic decision was taken to wind down the investment banking operations and it is expected that as a result of the implementation of this decision all investment banking activities will have ceased by the end of May 2003. The cost of closing this activity is recognised as an exceptional item in these results.

In Australia, Investec Wentworth performed well advising on 20 deals valued at A$2.5 billion for the period ended 31 March 2003. The weak equity markets provided attractive private equity opportunities with Investec Wentworth Private Equity well placed to take advantage thereof.

Private Client Activities

The Private Client Activities division, comprising both the Private Banking and Private Client Portfolio Management and Stockbroking divisions, posted operating profit before exceptional items and amortisation of goodwill of £40.9 million, marginally down on the prior year. A solid performance was recorded by the group's Private Banking operations. The severe market conditions, however, resulted in a weaker contribution from Private Client Portfolio Management and Stockbroking which suffered as a result of the lower market prices and reduced demand for equity and related investment products.

• Private Banking

The Private Banking division continued its creditable performance with operating profit before exceptional items and amortisation of goodwill increasing 28.9% to £34.6 million. This performance was driven by sturdy growth in total advances and non-interest income, in SA, the UK and Australia. Since March 2002, the group's private client lending book in SA grew by 24.6% in Rand terms to R17.2 billion (£1.4 billion), and the private client lending book in the UK grew by 17.0% in Sterling terms to £925 million.

In SA, Investec Private Bank, once again, posted a commendable performance as a result of its integrated approach to wealth creation and wealth management.

The Private Banking division in the UK continues to perform well with solid performances from all business areas, particularly structured property finance and specialised lending. A major initiative completed during the year was the relocation of the call centre of the division's deposit business to SA generating an annual saving of £1.2 million. Despite a strong bias in the lending book towards commercial and residential property exposures, the book is well secured and the group believes that loan to value ratios are conservative.

In Australia, the private client group experienced a strong performance off the back of solid growth in its loan portfolio. In addition, the private advisory business strengthened its client base through referrals from existing clients and other divisions within the group. The granting of the banking licence enhanced the group's ability to attract deposits.

• Private Client Portfolio Management and Stockbroking

The Private Client Portfolio Management and Stockbroking division reported operating profit before exceptional items and amortisation of goodwill of £6.3 million, a decrease of 59.8%.

As at 31 March 2003, Investec Securities in SA had total funds under management of R25.6 billion (£2 billion), down from R27.3 billion at the prior year end. The recent strength in the Rand resulted in Rand hedge stocks declining sharply and diminishing Rand values of the asset swap portion of Investec Securities' portfolios. However, the division focused on cost reductions and was able to supplement its revenue stream with a number of new investment initiatives.

In the UK, Carr Sheppards Crosthwaite's ("CSC") performance was negatively impacted by the fall in equity markets resulting in a decrease in total funds under management to £4.7 billion from £6.0 billion in March 2002. Despite the difficult operating environment, net new funds under management of £376 million were generated with more than half of the new funds emanating from private clients and trusts, and in excess of £100 million charity portfolio management mandates were won. In addition, CSC administered a further £560 million of Personal Equity Plan and Individual Savings Account funds for third parties in the period ending March 2003. More recently, and yet to be reflected in the funds under management, CSC was appointed by the Lord Chancellors Department to be one of two Panel Private Client Fund Managers.

Treasury and Specialised Finance

The Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of £28.0 million, a decline of 46.0%. The UK & European operations reported an operating loss of £2.9 million, while the South African operation's contribution decreased by 22.4% to £31.4 million.

The SA Treasury and Specialised Finance division's performance was lower than expected, with the Banking Activities suffering from the low appetite of SA corporates for structured deals and a provision required by the Project Finance division amounting to approximately £2 million. The Trading Activities performed well with strong contributions from the Interest Rate, Currency Trading and the Equity Derivatives businesses. During the period the group's 100% held subsidiary Securities Investment Bank was wound up and its activities absorbed into the SA Treasury and Specialised Finance business.

In the UK, the Treasury and Specialised Finance division suffered from difficult trading conditions. The interest rate repo desk was closed as it was capital intensive and used significant counterparty lines. On a more satisfying note, the division's Banking Activities made meaningful strides in establishing their position in the local market with a solid flow of deals and mandates concluded by the Structured and Project Finance businesses during the period.

In Australia, the Treasury and Specialised Finance businesses are being built up with the result that costs have exceeded revenue in the current year. The Project Finance division, which was established towards the end of the financial period, achieved a mandate to advise one of the large mining houses and was appointed as co-lead underwriter in relation to a new toll road, the largest infrastructure project of its kind in Australia.

Asset Management

The Asset Management division, in the face of difficult equity market conditions, delivered operating profit before exceptional items and amortisation of goodwill of £19.5 million which represented growth of 4.0% in Rand terms and a 6.8% decline in Sterling terms. Assets under management increased by 3.4% in Sterling terms to £16.8 billion but declined by 20.0% in Rand terms to R210.6 billion. The major features of the past year were the excellent investment performance achieved across the division's core activities, except for SA balanced mandates, a decisive break into the UK institutional market, continued sales market share growth in core retail markets, continued success in SA fixed income and tight cost control.

The UK institutional business has won new business in excess of £950 million, and gained acceptance from a spread of major consultants and multi-managers. The performance of the London based investment team was key to this success. The UK local authority fixed income business has continued to develop and grow, on the back of strong performance.

Against industry norms, Investec Asset Management recorded net inflows of retail funds of £190 million, representing a market share of 2.7% of net industry sales, up from 0.8% two years ago.

In SA, Investec Asset Management successfully managed the transition of the South African institutional offering from a predominantly balanced one to a range of specialist products alongside the traditional balanced offering. The specialist fixed income unit, created over the past four years, now manages R53 billion of funds. The sound financial performance of the South African Personal Investments business endorses the strategic direction embarked on two years ago, but the lack of domestic appetite for offshore investments and general unwillingness to re-engage the equity markets among IFA's and their clients made the division enter the new financial year with some caution.

Assurance Activities

The group's SA life assurance activities, conducted by IEB reported operating profit before exceptional items and amortisation of goodwill of £27.8 million a decline of 10.6%. Operational earnings increased significantly from £15.5 million to £51.7 million. These results were largely attributable to further restructuring of the business and its investment portfolios particularly in the first half of the year. However, since embedded value accounting is applied, the net movement in the value of in-force business is accounted for in the profit and loss account, with the result that the current year's operational earnings were offset by a negative adjustment of £23.9 million, compared to a positive movement of £15.6 million in the prior year.

In the second half of the year the group concluded a deal with Liberty whereby certain of the liabilities of the retirement fund administration business and the existing disability claimants business were reinsured with Liberty with effect from 31 March 2003. A profit of approximately R140 million (£11 million), included in the operational earnings mentioned above, arising on the transaction under SA GAAP is offset by a reduction in the value of in-force business of approximately R90 million (£7 million) under UK GAAP, which has been recognised in the current period.

Group Services and Other Activities
Group Services and Other Activities posted an operating loss of £32 million. The Central Funding division achieved a significant improvement in its performance, benefiting from effective capital management facilitated through the group's restructure, as well as increased returns on shareholder's funds within IEB, whose earnings were included for a full year in the current period as opposed to ten months in the prior period. These gains were offset by the weaker performance of the group's Traded Endowment Activities, which were affected by poor trading conditions caused by the bonus rate cuts announced by life insurance companies. The group's Property Activities performed reasonably well. The SA business benefited from an increase in assets under administration as a consequence of the Growthpoint restructure, the Melrose Arch mandate and the Fedsure acquisition.

Geographic performance

The group's Southern African businesses accounted for 80.9% (2002:51.6%) of Investec's operating profit before exceptional items and amortisation of goodwill. Highlights of the developments and performance of the regions in which the group operates follow.

Southern Africa
The operating profit of the group's South African businesses before exceptional items and amortisation of goodwill decreased by 16.2% to £68.5 million. The solid performance from the group's Private Banking, Assurance and Property divisions were partially offset by the negative variance in the earnings of the Traded Endowments business of £11.5 million and by the weaker performances of the Investment Banking and Treasury and Specialised Finance division's, as set out in the Business Unit Review.

UK
In the UK, the group posted an operating profit before exceptional items and goodwill amortisation of £22.3 million, a decrease of 65.6%. The strong performance of the Private Banking business was negated by the poor performance from the equities related businesses which were severely impacted by the adverse market conditions.

US
Investec's business in the US was particularly vulnerable to the dramatic decline in equity markets and operating losses before exceptional items and the amortisation of goodwill of £15.6 million were incurred. The two main operating entities Investec Ernst and Investec Inc, were dramatically restructured over the past year by:

- The sale of the Private Client Stockbroking business to management in May 2002.
- The sale of the Clearing Division of Investec Ernst to Fiserv Securities in August 2002 for US$44 million.
- Winding down the Investment Banking operations involving the closure of the research, equity sales and trading businesses and the sale of PMG Advisors during the first few months of 2003. It is expected that all Investment Banking activities will have ceased by the end of May 2003.

The remaining US operations now comprise of fixed income trading operations, an Israeli Nasdaq equities trading desk funded by Investec Israel, and legal and operating support for the rundown of the Investec Ernst business. The overall headcount has been reduced to 131 from 688 at the prior year end.

The operational losses of these discontinued operations amounted to £16.7 million and an exceptional loss arose on termination of these businesses of £9.4 million. The latter represents £19.7 million reflecting the write down of assets, closure costs (including settlement of legal and contract obligations) and provisions for future costs to be incurred on the winding down of these businesses. This was partially offset by a net profit of £10.3 million on the disposals highlighted above. In addition, goodwill of £19.0 million was written-off with respect to the termination and disposal of these businesses and included as an exceptional item.

Israel
The deteriorating operating environment experienced in Israel during 2002 persisted into 2003. The results of the group's Israeli operations were negatively impacted by margin compression and by a significant fall-off in capital market activity. Notwithstanding this, the bank remained profitable, posting a profit before exceptional items and goodwill amortisation of £3.5 million. On a positive note, the group has been successful in increasing its mutual funds under custody from NIS5 billion in the previous year to NIS9.9 billion at the year end, with the result that Investec Israel is now considered to be a dominant player in that activity.

Australia
Significant steps were taken during the period under review to develop Investec's business in the Australian market, with overall performance improving substantially. In August 2002, the bank was granted a banking licence and towards the end of the period a Project Finance division was established and is already providing a strong contribution to the Australian business.

Financial statements analysis

Operating income
Operating income of £509.9 million decreased by 17.6%. Excluding the impact of the discontinued operations in both years would have resulted in a decline of 14.2%. The movements in total operating income are further analysed below.

The group's net interest income declined by 19.8% mainly as a result of the winding down of the interest rate business in the UK, the closure of the clearing and execution activities in the US and the lower average Rand/Sterling exchange rate.

Fees and commissions were impacted by the weaker economic and equity environment. The Investment Banking division in the UK, the Private Client Portfolio Management and Stockbroking divisions and the sale of the Clearing and Execution operations in the US were the primary contributors to this negative variance. The Private Banking businesses experienced a significant increase in fees and commissions largely as a result of increased lending turnover.

Dealing profits (trading income) declined by 8.6% to £45.2 million. The poor performance of the Traded Endowments operation was the largest contributing factor to this decline.

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

Other operating income (investment income) reflected a decline of 18.4%, largely as a result of the weaker performance of the group's direct investment portfolios.

Administrative expenses
Total administrative expenses decreased by 8.4% from £428.5 million to £392.5 million principally due to rationalisation of the group's activities in North America, ongoing focus on cost control, the depreciation of the Rand and a reduction in incentive based remuneration in those businesses which experienced a decline in profitability. Taking the above into consideration, the group has effectively reduced its administrative cost base by 18.8% from £428.5 million to £348.2 million.

Notwithstanding this nominal value decrease, the ratio of operating expenses to total operating income increased from 72.0% to 79.8%. The increase in the ratio is largely attributable to the reduced revenues in the group's equity related activities, particularly the Investment Banking division.

The cost to income ratio in SA increased from 58.2% to 62.6%, negatively impacted by the poor performance of the Traded Endowments operations. The cost to income ratio for the non-SA businesses increased from 80.4% to 92.6%.

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

Provision for bad and doubtful debts
Provision for bad and doubtful debts charged in the income statement increased by 24.8% to £18.3 million largely as a result of increased provisions in the Private Banking operations and the additional provisioning of approximately £2 million made by the Treasury and Specialised Finance division in SA.

The percentage of gross non-performing loans to core loans and advances increased from 1.2% last year to 1.5%. Notwithstanding, total provision coverage remains conservative both on a gross and net basis with the relevant percentages being 136.7% and 337.4% respectively. In addition, the group's general provision coverage as a percentage of net loans and advances increased from 1.1% to 1.3%.

Taxation
The taxation charge has decreased significantly to £5.4 million largely as a result of recoverable tax charges and deferred tax assets raised in the group's UK operations. The effective tax rate of the group's South African operations has also declined from 27.0% in the prior year to 15.4%, mainly as a result of losses brought forward in the long-term assurance business. Despite the losses made in the group's US operations a net charge of £6.2 million arose due to the write off of all deferred tax assets previously raised as a result of the group's reduced potential to generate sizeable profits in the continuing businesses which would absorb these tax losses.

Share of income of associated companies
The marked increase in associate income is attributable to the fact that the group's interest in its main associate, CAL was acquired in October 2001. An amount of R159.5 million (£11.3 million) has been accrued, representing Investec's share in CAL's projected operating earnings for the twelve month period ended 31 March 2003.

Exceptional items
The exceptional items fall into four categories, namely:

- Losses on termination and disposal of the group's discontinued operations as discussed elsewhere in this announcement, amounting to £9.4 million.
- Goodwill of £19.0 million written-off in respect of the discontinued operations.
- Negative goodwill released in relation to the termination of operations previously conducted by the group's 100% held subsidiary, Securities Investment Bank amounting to £5.8 million.
- Reorganisation and restructuring costs incurred in the group's continuing operations as a result of actions taken by the Board over the year to reduce operating costs amounting to £6.1 million.

Capital resources
Total capital resources increased by 5.6% to £1.0 billion.

Shareholders' funds decreased by £37.3 million, primarily reflecting:- 1) Earnings before exceptional items and goodwill amortisation of £89.1 million 2) Goodwill and exceptional items of £152.7 million and 3) Dividends of £53.4 million. This is offset by the net proceeds of share issues and cancellation of shares of £75.3 million which includes the fresh issue of shares as well as the conversion of all the instruments that took place at the time of implementing the DLC structure. The balance of the change relates to the revaluation of investment properties of £18.3 million and a currency translation loss of £13.9 million.

Loan capital increased by £86.2 million largely reflecting the raising of subordinated debt of £44.4 million towards the end of the financial period and the strengthening of the closing Rand/Sterling exchange rate of 22%.

Net tangible value attributable to ordinary shareholders has increased from £349.4 million to £397.2 million.

The return on average tangible shareholders' funds declined from 37.2% to 23.8% and the return on average shareholders' funds inclusive of goodwill declined from 19.4% to 12.4%.

Investec plc and Investec Limited are adequately capitalised and exceed the minimum South African Reserve Bank ("SARB") capital adequacy ratio of 10%. The overall group capital adequacy applying SARB rules to the SA GAAP capital base is 12.6% (2002: 13.1%), on a pure accounting consolidated capital adequacy basis.

Total assets under administration
Total assets under administration decreased by 8.2% from £44.2 billion at 31 March 2002 to £40.6 billion at 31 March 2003. This was mainly attributable to a decline in assets under management of £2.5 billion across all ranges of third party funds due to depressed equity values and the winding down of the interest rates business in the UK which had a significant effect on the level of on-balance sheet assets of the group.

Accounting policies and disclosures

Share options
In June 2002, Investec issued 6.7 million options to staff at a strike price of R164.50 per share and 770 612 options at a strike price of R170 per share. These options have vesting periods varying between 6 months and 5 years. In December 2002, Investec issued 2 million options to staff at a strike price of R111.32 and 1.2 million options at a strike price of £7.93. The Rand options vest in tranches over 5 years and the Pound options vest in tranches over 9 years.

Future accounting standards are likely to require that options are valued at the date of issue and expensed over the period that employees become entitled to them. Had Investec applied this treatment to the options issued during the current period, reported earnings would have decreased by £4 million (R60 million) in respect of the June options and £320,000 (R4 million) in respect of the December options.

These charges have been calculated using a Black-Scholes model with an average implied volatility for the Investec share price of 43%, independently projected dividends, and a risk free rate appropriate to the period of the option. The fair value of the options granted has been adjusted to take into account the expected future staff turnover rates and the vesting periods, as will be required by future accounting standards.

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

Goodwill
During the current year, the group changed its policy for the translation of intangible assets in respect of foreign entities. Intangible assets are now translated at the closing exchange rate instead of the exchange rate at the date of acquisition. This change accords with both UK GAAP and SA GAAP. As a recent exposure draft issued by the International Accounting Standards Board proposes to make this treatment mandatory, the group considers it appropriate to change the policy in the current period. The effect in SA GAAP of this change is an increase in goodwill as at 31 March 2002 of R1.5 billion. The effect in UK GAAP of this change in policy is a decrease in goodwill as at 31 March 2002 of £66.3 million. The difference in each case has been taken directly to foreign currency translation reserves, resulting in a corresponding increase (in SA GAAP) / decrease (in UK GAAP) in ordinary shareholders' funds as at 31 March 2002. There is no effect on the tangible net asset value of the group.

Prospects
In the past year Investec has taken far reaching steps to streamline and rationalise its operations recognising that weak market conditions could remain for some time. The strong niche businesses that the group has created together with renewed focus on core activities provide a solid platform to cope with the current economic climate.

On behalf of the boards of Investec Limited and Investec plc

Hugh Herman	**Stephen Koseff**	**Bernard Kantor**
Chairman	*Chief Executive*	*Managing Director*

20 May 2003

Dividend announcement

Investec plc

A final dividend (No. 2) of 28 pence per ordinary share has been proposed by the board in respect of the year ended 31 March 2003.

The last day to trade cum dividend on the JSE Securities Exchange South Africa ("JSE") will be Friday 11 July 2003 and on the London Stock Exchange ("LSE") the last day to trade cum dividend will be Tuesday 15 July 2003. The shares will commence trading ex dividend on Monday 14 July 2003 on the JSE and on Wednesday 16 July 2003 on the LSE. The record date will be Friday 18 July 2003.

The Annual General Meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday 7 August 2003 and if approved, payment will be made on Monday 11 August 2003.

Share certificates on the South African branch register may not be dematerialised or rematerialised between Monday 14 July 2003 and Friday 18 July 2003, both dates inclusive, nor may transfers between the UK and SA registers take place between Monday 14 July 2003 and Friday 18 July 2003, both dates inclusive.

Shareholders registered on the South African register are advised that the proposed final dividend (No 2) of 356 cents per share has been arrived at using the Rand/Pound Sterling conversion rate, as determined at 11h00 (SA time) on Tuesday 20 May 2003.

By order of the board

R Vardy
Secretary 20 May 2003

Investec Limited

A final dividend (No. 96) of 356 cents (2002: 450 cents) per ordinary share has been proposed by the board in respect of the year ended 31 March 2003. The exchange rate used to convert the Pounds Sterling dividend into Rands is 12.72, which represents the average spot rate at 11h00 (SA time) on Tuesday 20 May 2003.

The last day to trade cum dividend will be Friday 11 July 2003. The shares will commence trading ex dividend on Monday 14 July 2003 and the record date will be Friday 18 July 2003.

In terms of UK requirements it is necessary for the final dividend to be approved at an Annual General Meeting of members. In terms of the implementation of the DLC structure the group is bound to apply the "stricter" of requirements between SA and the UK. Thus accordingly, the final dividend can only be paid post the approval thereof at the Annual General Meeting and will therefore be paid later than historically was the case.

The Annual General Meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday 7 August 2003 and if approved, payment will be made on Monday 11 August 2003.

Share certificates may not be dematerialised or rematerialised between Monday 14 July 2003 and Friday 18 July 2003, both dates inclusive.

By order of the board

S Noik
Secretary 20 May 2003

Investec