



01

summary of results

## Corporate information and directorate

### Investec Limited and Investec plc

#### Secretary and Registered Office

##### Investec Limited

Selwyn Noik  
100 Grayston Drive  
Sandown, Sandton, 2196  
P O Box 785700, Sandton, 2146  
Telephone : +27 11 286 7957  
Facsimile : +27 11 286 7966

##### Investec plc

Richard Vardy  
2 Gresham Street  
London EC2V 7QP  
United Kingdom  
Telephone : +44 20 7597 4485  
Facsimile : +44 20 7597 4491

#### Investor Relations

Ursula Munitich  
Tanya Reid  
Natalie van der Bijl  
Margaret Arnold  
Telephone : +27 11 286 7070  
Facsimile : +27 11 286 7014  
e-mail : [investorrelations@investec.co.za](mailto:investorrelations@investec.co.za)  
Internet address :  
[www.investec.com/investorrelations](http://www.investec.com/investorrelations)

#### Internet Address

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

#### Registration Number

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

#### Auditors

Ernst & Young  
KPMG Inc.

#### Transfer Secretaries in South Africa

Computershare Investor Services Limited  
2nd floor, Edura, 41 Fox street  
Johannesburg, 2001  
P O Box 61051, Marshalltown, 2107  
Telephone : +27 11 370 5000

#### Transfer Secretaries in the UK

Computershare Investor Services PLC  
P O Box 82  
The Pavilions  
Bridgewater Road  
Bristol B599 7NH  
United Kingdom  
Telephone : +44 870 702 0001

#### Directorate

##### Executive Directors

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

##### Non-Executive Directors

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

# Year end results - presentation of financial information

## Introduction

During July 2002 Investec Group Limited (since renamed Investec Limited) which is headquartered in South Africa, implemented a Dual Listed Companies (DLC) structure and listed its offshore businesses on the London Stock Exchange. Further information is provided in Annexure 1 on pages 86 to 89

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 42 to 46 presents the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling (i.e. "Investec's consolidated results").

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

Investec had previously reported its consolidated results both in accordance with SA GAAP, denominated in Rands and UK GAAP, denominated in Pounds Sterling. In terms of the new JSE listing requirements the group is only required to report its consolidated results in accordance with UK GAAP denominated in Pounds Sterling. However, because SA GAAP, differs in certain respects from UK GAAP the group sets out a high-level reconciliation and summary of these principal differences on page 85.

## 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	31 March 2004		30 Sept 2003		31 March 2003	
	Period End	Average	Period End	Average	Period End	Average
South African Rand	11.67	12.02	11.93	12.25	12.51	15.04
US Dollar	1.83	1.69	1.67	1.61	1.57	1.55
Israeli Shekel	8.30	7.51	7.42	7.21	7.43	7.41
Australian Dollar	2.41	2.45	2.46	2.49	2.62	2.75

Source: Reuters and Oanda.com

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

## Dividend declaration

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

## Snapshot of results

UK GAAP <sup>1</sup>	31 March 2004	% Change	31 March 2003*
<b>Profit and Loss Account and Selected Returns</b>			
Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill (£'000) <sup>2</sup>	106 082	18.3%	89 668
Headline earnings (£'000) <sup>2</sup>	105 752	26.5%	83 595
Operating profit before amortisation of goodwill, exceptional items and taxation (£'000)	132 139	54.1%	85 762
Operating profit: Southern Africa and Other (% of total)	58.6%		81.0%
Operating profit: Non-Southern Africa and Other (% of total)	41.4%		19.0%
Cost to income ratio (%)	72.7%		80.0%
Staff compensation to operating income ratio (%)	47.3%		51.1%
Return on average equity shareholders' funds (%)	16.0%		13.1%
Return on average tangible net asset value (%)	27.5%		26.0%
Annuity income as a percentage of operating income (%)	67.8%		69.1%
Net-interest income as a percentage of operating income (%)	18.8%		21.3%
Non-interest income as a percentage of operating income (%)	81.2%		78.7%
Effective tax rate (%)	21.6%		6.3%
<b>Balance Sheet</b>			
Total capital resources (£ million)	1 346	40.4%	958
Total shareholders' funds (£ million)	809	26.4%	640
Total equity shareholders' funds (excl. preference shares)(£ million)	682	6.6%	640
Tangible net asset value (£ million) <sup>3</sup>	503	19.4%	421
Total assets (£ million)	15 361	3.0%	14 914
Core loans and advances (£ million)	5 060	29.4%	3 909
Core loans and advances as a percentage of total assets (%)	33.0%		26.2%
Total assets under administration (£ million)	47 805	17.9%	40 559

## Snapshot of results

UK GAAP <sup>1</sup>	31 March 2004	% Change	31 March 2003*
<b>Salient Financial Features and Key Statistics</b>			
Earnings per share before exceptional items and amortisation of goodwill (pence) <sup>2</sup>	103.7	7.9%	96.1
Headline earnings per share (pence) <sup>2</sup>	103.4	15.4%	89.6
Basic earnings per share (pence) <sup>2</sup>	59.9	>100%	(67.2)
Diluted earnings per share (pence) <sup>2</sup>	59.5	>100%	(67.6)
Dividends declared per share (pence)	58	7.4%	54
Dividend cover (times)	1.79		1.78
Net tangible asset value per share (pence) <sup>3</sup>	431.8	15.2%	374.9
Weighted number of ordinary shares in issue (million)	102.3	9.7%	93.3
Total number of shares in issue (million)	118.6	5.0%	113.0
Market capitalisation (£ million) <sup>4</sup>	1292	85.8%	695
Closing share price (pence)	1089	77.1%	615
Number of employees in the group	4458	(8.5%)	4874
Closing \$/£ exchange rate	1.83	16.8%	1.57
Closing ZAR/£ exchange rate	11.67	(6.7%)	12.51

### Notes:

- 1 Refer to definitions on page 91.
- 2 Refer to definitions and calculations on page 55 and 56.
- 3 Refer to calculation on page 75.
- 4 Refer to explanations on page 83.

\* Restated for changes to accounting policies and disclosures.



02

global positioning and review

## Group operating structure

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

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

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

Investment Banking	Private Client Activities	Treasury and Specialised Finance	Asset Management
<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>• Private Banking</li> <li>• Private Client Portfolio Management and Stockbroking</li> </ul>	<ul style="list-style-type: none"> <li>• Banking Activities</li> <li>• Financial Markets Activities</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>• Israel</li> <li>• Southern Africa</li> <li>• UK and Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Australia</li> <li>• Israel</li> <li>• Southern Africa</li> <li>• UK and Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Australia</li> <li>• Israel</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>
<p><b>Group Services and Other Activities</b> Central Costs, Central Funding, Other Activities</p>			

## Overview of the year

- Operating profit before exceptional items and goodwill amortisation of the group's operations increased 54.1% from £85.8 million to £132.1 million. This was largely attributable to the strong performance from the group's Investment Banking, Private Banking and UK Treasury and Specialised Finance divisions and the elimination of the losses from the US operations. These factors were offset to some extent by the weaker performance from the South African Treasury and Specialised Finance activities and the decline in income from the South African life assurance activities.
- Investec plc and its subsidiaries accounted for 41.4% (2003: 19.0%) of Investec's operating profit before exceptional items and amortisation of goodwill.
- The ratio of total operating expenses to total operating income decreased from 80.0% to 72.7%.
- Investec Bank (UK) Limited successfully placed a £200 million 12-year subordinated note in the UK market to a diversified range of investors.
- Investec Bank Limited issued R1.5 billion (£127.5 million) non-cumulative, non-redeemable and non-participating preference shares.
- Investec Limited concluded its empowerment shareholding transaction with Peu Investment Group, Tiso Group and a broad-based Entrepreneurship Development Trust issuing 5.6 million new shares (£46.0 million) for cash. Investec was recognised by BusinessMap as the "Most Progressive Established Company of the Year" for its black economic empowerment and transformation initiatives in South Africa.
- The operational effective tax rate of the group (excluding the tax effect on exceptional items) increased from 6.3% to 21.1%.
- Dividends of 58.0 pence per share equating to a dividend cover of 1.79 based on the group's EPS before exceptional items and goodwill amortisation, as determined in UK GAAP, are proposed.

## Geographic review

- Investec plc and Investec Limited earned 41.4% (2003: 19.0%) and 58.6% (2003: 81.0%), respectively of the groups operating profit before exceptional items and amortisation of goodwill.
- The change in profit contribution was largely as a result of the improved contribution from the UK operations and the closure and sale of the group's loss-making US businesses

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
Southern Africa	77 428	69 479	7 949	11.4%
UK and Europe	38 734	22 562	16 172	71.7%
Australia	9 626	5 924	3 702	62.5%
Israel	5 918	3 496	2 422	69.3%
USA	433	970	(537)	(55.4%)
Discontinued operations	–	(16 669)	16 669	–
<b>Total</b>	<b>132 139</b>	<b>85 762</b>	<b>46 377</b>	<b>54.1%</b>



## Geographic review

### Southern Africa

- The Southern African operations posted an operating profit before exceptional items and amortisation of goodwill of £77.4 million, representing an increase of 11.4%.
- The operations benefited from the strength of the Rand and a solid performance from the Investment Banking and Private Banking divisions.
- This was partially offset by the poor performance from the Treasury and Specialised Finance division and a considerable decline in the earnings of the group's Assurance Activities and Central Funding division, explained elsewhere in this report.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Southern Africa</b>				
Net interest income	37 513	31 652	5 861	18.5%
Other income	220 708	186 772	33 936	18.2%
Admin expenses and depreciation	(164 047)	(136 056)	(27 991)	20.6%
Provision for bad and doubtful debts	(16 746)	(12 889)	(3 857)	29.9%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>77 428</b>	<b>69 479</b>	<b>7 949</b>	<b>11.4%</b>
Operating loss from Traded Endowments included in the above:				
Net interest income	163	(857)	1 020	>100%
Other income	1 884	(763)	2 647	>100%
Admin expenses and depreciation	(4 843)	(7 325)	2 482	(33.9%)
<b>Operating loss before exceptional items and goodwill amortisation</b>	<b>(2 796)</b>	<b>(8 945)</b>	<b>6 149</b>	<b>(68.7%)</b>
Cost to income ratio	63.5%	62.3%		
Number of people	2 627	2 897		(9.3%)

## Geographic review

### UK and Europe

- The UK operations recorded an operating profit before exceptional items and amortisation of goodwill of £38.7 million, an increase of 71.7% over the previous financial year.
- The strong results from the Private Banking and Treasury and Specialised Finance divisions were supported by a solid performance from Carr Sheppards Crosthwaite.
- Furthermore, the Investment Banking activities benefited from a reduced cost base and increased corporate activity but did not have the benefit from any significant private equity realisations.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>UK and Europe</b>				
Net interest income	43 594	56 359	(12 765)	(22.7%)
Other income	200 520	163 657	36 863	22.5%
Admin expenses and depreciation	(202 283)	(193 804)	(8 479)	4.4%
Provision for bad and doubtful debts	(3 097)	(3 650)	553	(15.2%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>38 734</b>	<b>22 562</b>	<b>16 172</b>	<b>71.7%</b>
Cost to income ratio	82.9%	88.1%		
Number of people	1 431	1 509		(5.2%)

### Australia

- The Australian operating profit before exceptional items and amortisation of goodwill increased by 62.5% to £9.6 million.
- The business experienced solid activity levels and good progress was made in all its core areas of activity.
- In October 2003, Investec Bank (Australia) received the favourable long-term deposit and issuer rating of Baa2 from Moody's enabling the group to enhance its funding base.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Australia</b>				
Net interest income	13 210	7 817	5 393	69.0%
Other income	12 871	10 236	2 635	25.7%
Admin expenses and depreciation	(16 083)	(11 697)	(4 386)	37.5%
Provision for bad and doubtful debts	(372)	(432)	60	(13.9%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>9 626</b>	<b>5 924</b>	<b>3 702</b>	<b>62.5%</b>
Cost to income ratio	61.7%	64.8%		
Number of people	112	103		8.7%

## Geographic review

### Israel

- The Israeli operation benefited from the cost cutting initiatives taken in the previous period and the improved economic and financial environment.
- Despite performance reported in nominal terms being weakened by negative inflation, operating profit before exceptional items and amortisation of goodwill increased by 69.3% to £5.9 million.
- Investec Bank (Israel) continues to leverage off the presence of the group in the US, with the Israeli Desk in New York.
- Assets under management increased by 104% to NIS20.2 billion (£2.4 billion) from NIS9.9 billion (£1.3 billion) at 31 March 2003.
- The Bank continues to grow market share in the Mutual Fund custody business and is currently taking on new business from two additional independent fund managers.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Israel</b>				
Net interest income	10 874	10 951	(77)	(0.7%)
Other income	11 632	9 534	2 098	22.0%
Admin expenses and depreciation	(15 845)	(15 652)	(193)	1.2%
Provision for bad and doubtful debts	(743)	(1 337)	594	(44.4%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>5 918</b>	<b>3 496</b>	<b>2 422</b>	<b>69.3%</b>
Cost to income ratio	70.4%	76.4%		
Number of people	213	234		(9.0%)

### US

- The heavily reduced ongoing operations in the US, consisting of several fixed income trading operations and a small equities trading desk supporting Investec Israel's clients, posted a modest operating profit before exceptional items and amortisation of goodwill of £0.4 million.
- The fundamental restructuring of the US business was completed and, with the exception of runoff related activities, all other businesses in Investec USA and Investec Inc. ceased operating as of 31 May 2003.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>US</b>				
Net interest income	472	(137)	609	>100%
Other income	9 339	13 839	(4 500)	(32.5%)
Admin expenses and depreciation	(9 378)	(12 732)	3 354	(26.3%)
<b>Operating profit before exceptional items and goodwill amortisation - continuing operations</b>	<b>433</b>	<b>970</b>	<b>(537)</b>	<b>(55.4%)</b>
Cost to income ratio	95.6%	92.9%		
Number of people	75	131		(42.8%)
<b>Operating loss before exceptional items and goodwill amortisation - discontinued operations</b>	<b>-</b>	<b>(16 669)</b>	<b>16 669</b>	<b>-</b>

## Divisional review

### Investment Banking

- The group's Investment Banking division – comprising the Corporate Finance, Institutional Research, Sales and Trading, Direct Investments and Private Equity - benefited from the better market environment recording an improved operating profit before exceptional items and amortisation of goodwill, increasing from a profit of £13.5 million to £37.7 million.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Investment Banking</b>				
Net interest income	6 484	4 548	1 936	42.6%
Other income	81 434	59 636	21 798	36.6%
Admin expenses and depreciation	(50 199)	(50 071)	(128)	0.3%
Provision for bad and doubtful debts	–	(589)	589	–
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>37 719</b>	<b>13 524</b>	<b>24 195</b>	<b>&gt;100%</b>
Cost to income ratio	57.1%	78.0%		
Number of employees	276	336		(17.9%)
Corporate Finance	8 206	464	7 742	>100%
Institutional Research, Sales and Trading	4 129	(3 176)	7 305	>100%
Direct Investments	18 635	4 368	14 267	>100%
Private Equity	6 749	11 868	(5 119)	(43.1%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>37 719</b>	<b>13 524</b>	<b>24 195</b>	<b>&gt;100%</b>
Southern Africa	27 147	4 898	22 249	>100%
UK and Europe	2 939	4 297	(1 358)	(31.6%)
Australia	4 312	2 532	1 780	70.3%
Israel	3 066	1 797	1 269	70.6%
USA	255	–	255	–
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>37 719</b>	<b>13 524</b>	<b>24 195</b>	<b>&gt;100%</b>

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

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Corporate Finance and Institutional Research, Sales Trading</b>	<b>12 335</b>	<b>(2 712)</b>	<b>15 047</b>	<b>&gt;100%</b>
<i>Variance explained as follows:</i>				
Net interest income	1 947	5 722	(3 775)	(66.0%)
Net fees and commissions receivable	49 075	34 766	14 309	41.2%
Dealing profits	3 172	4 836	(1 664)	(34.4%)
Other operating income and dividends received	1 922	152	1 770	>100%
Admin expenses and depreciation	(43 781)	(47 599)	3 818	(8.0%)
Provision for bad and doubtful debts	–	(589)	589	–

## Divisional review

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

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

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

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Direct Investments and Private Equity</b>	<b>25 384</b>	<b>16 236</b>	<b>9 148</b>	<b>56.3%</b>
<i>Variance explained as follows:</i>				
Net interest income	4 537	(1 174)	5 711	>100%
Net fees and commissions receivable	2 426	1 375	1 051	76.4%
Dealing profits	20 549	4 397	16 152	>100%
Other operating income and dividends received	4 290	14 110	(9 820)	(69.6%)
Admin expenses and depreciation	(6 418)	(2 472)	(3 946)	>100%
Provision for bad and doubtful debts	–	–	–	–

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

- Net interest income increased as the proportion of interest bearing assets to overall assets increased.
- Net fees and commissions receivable reflect private equity management and success fees earned.
- Dealing profits represent the year to date cumulative increase/decrease in the value of the trading investments held in 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".
  - o Realised gains amounted to approximately £10 million (eg. Growthpoint, AAV (Abacus), NAIL, PG Bison).
  - o Unrealised gains amounted to approximately £10 million (eg. AMB, Cadiz, Growthpoint, Metboard, Chlorchem).
- Other operating income for the year largely comprises dividends received and profits generated on the further realisation of certain investments which were regarded as longer-term in nature. In the prior year, the UK Private Equity division benefited from the partial sale of Focus

## Divisional review

### Developments

#### Corporate Finance

##### UK and Europe

- The more favourable stock market conditions and a reduced cost base in the Investment Banking division in the UK enabled the division to achieve a major turnaround in performance.
- Besides completing its first fund-raising deal since August 2002, the division also concluded two Initial Public Offerings (IPO's) during the second half of the financial year.
- Statistics:
  - The number of merger and acquisition (M&A) deals completed during the period increased to 18 (2003: 13) with the value increasing to £960 million (2003: £826 million).
  - The number of fund raising transactions completed during the period increased to 13 (2003: 10) with the value decreasing to £173.6 million (2003: £449.0 million - included the Telkom capital raising to the value of £323 million).
- The division continues to build both the quality and size of its corporate client list with the addition of 15 clients during the period versus the loss of 15 clients of which 9 were takeovers where a fee was earned for the sale or management buyout of the company.

##### South Africa

- The Corporate Finance division maintained its strong positioning and deal flow with a steady level of activity.
- The division focused on corporate restructuring activities, black economic empowerment (BEE) transactions, de-listings, and two high profile investment banking deals, namely NAIL and AMB.
- All of the division's major clients were retained and several new mandates were gained during the period, particularly for BEE transactions.
- Statistics:
  - The number of corporate finance transactions completed during the period increased to 93 (2003: 55) with the value decreasing to R20 billion (2003: R56.0 billion).
  - The number of sponsor broker deals completed during the period increased to 82 (2003: 45) with the value decreasing to R17.5 billion (2003: R57.8 billion).
- The division was ranked first in the volume of M&A transactions and second in general corporate finance by volume and value in the Dealmakers Magazine Survey for Corporate Finance (March 2004) and was also lead adviser on four of the top ten deals of the year.
- It was also ranked first for advising on the highest value of M&A transactions and second for advising on the highest volume in the Ernst & Young Survey (March 2004).

##### Australia

- The corporate advisory business benefited from the upturn in M&A activity with a strong deal pipeline.
- The division advised on 15 (2003: 20) deals valued at A\$2.7 billion (2003: A\$2.5 billion) during the financial year.

##### US and Israel

- Investment banking activities in the US ceased at the end of May 2003.
- In Israel, domestic market conditions improved during the period with the division participating in three underwriting deals since January 2004.

## Divisional review

### Institutional Research, Sales and Trading

#### UK and Europe

- The division's secondary commissions have benefited from the higher equity market levels.
- The proportion of revenue from the small and mid-cap stocks has improved as a result of the increased activity in the small and mid-cap space in addition to the increased facilitation in the division's market-making stocks.
- Furthermore, the commissions from large cap stocks also increased during the period.
- Rankings of Investec in the UK Small Mid-Cap Survey (2003) were encouraging:
  - Ranked 1st for "Most improved product and service".
  - Ranked 3rd for "Aggregated research team".
  - Individual analysts received Top-3 rankings in five of the sectors covered and Top-5 in nine sectors.

#### South Africa

- The lower average volumes traded on the JSE Securities Exchange of South Africa (JSE) continued to negatively impact the agency business of Investec Securities.
- The Structured Equity Desk also struggled as a result of Rand volatility and uncertain market trends.
- The division's league table recognition has not been accompanied by any commensurate increase in revenue because of the continuing lack of market volumes.
- As a result, the division underwent a restructuring and realignment process in the second half of the financial year with the team downsized and the research focus streamlined.
- Noteworthy client rankings indicate that Investec Securities Limited is well positioned to leverage off the credible platform that has been created.
- BEE is an important weighting in allocation and Investec Securities Limited is regarded as the only BEE firm with a credible full service value proposition.

#### Israel

- The broking business benefited from the continued growth in domestic market volumes.
- During the period, a new securities platform was launched to support the foreign securities business and provide greater functionality for clients.

### Private Equity and Direct Investments

#### UK and Europe

- The Private Equity division did not perform as well as it had in the previous year when it had benefited from a significant realisation in one of the underlying funds.
- The aggregate book value of the Private Equity portfolio was £22.4 million (2003: £23.4 million).

#### South Africa

- The improved equity market levels during the financial year benefited the values of the trading investments held in the division's Private Equity and Direct Investments portfolio's.
- The aggregate book value of the Private Equity portfolio was R207.0 million (2003: R134.0 million).

## Divisional review

### Private Client Activities

- The group's Private Client Activities, comprising the Private Banking and Private Client Portfolio Management and Stockbroking divisions, reported strong growth in operating profit before exceptional items and amortisation of goodwill 58.4% to £53.9 million from £34.0 million.
- The group's Private Banking operations performed particularly well.
- The performance of Carr Sheppards Crosthwaite in the UK benefited from healthy net inflows, largely in discretionary mandates, while the performance of Investec Securities in South Africa was restricted by subdued market volumes.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Private Client Activities</b>				
Net interest income	83 591	70 174	13 417	19.1%
Other income	123 583	101 050	22 533	22.3%
Admin expenses and depreciation	(139 109)	(124 612)	(14 497)	11.6%
Provision for bad and doubtful debts operating	(14 203)	(12 611)	(1 592)	12.6%
<b>Profit before exceptional items and goodwill amortisation</b>	<b>53 862</b>	<b>34 001</b>	<b>19 861</b>	<b>58.4%</b>
Private Banking	59.9%	64.8%		
Private Client Portfolio Management and Stockbroking	85.5%	91.4%		
<b>Cost to income ratio: overall</b>	<b>67.1%</b>	<b>72.8%</b>		
Private Banking	1 106	1 085		1.9%
Private Client Portfolio Management and Stockbroking	463	544		(14.9%)
<b>Number of employees: overall</b>	<b>1 569</b>	<b>1 629</b>		<b>(3.7%)</b>
Private Banking	45 397	29 588	15 809	53.4%
Private Client Stockbroking	8 465	4 413	4 052	91.8%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>53 862</b>	<b>34 001</b>	<b>19 861</b>	<b>58.4%</b>
Southern Africa	19 610	12 722	6 888	54.1%
UK and Europe	30 627	18 884	11 743	62.2%
Australia	3 025	930	2 095	>100%
Israel	600	1 465	(865)	(59.0%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>53 862</b>	<b>34 001</b>	<b>19 861</b>	<b>58.4%</b>



## Divisional review

### Private Banking

- The Private Banking division increased operating profit before exceptional items and amortisation of goodwill by 53.4%, to £45.4 million.
- This performance was driven by a solid growth in total advances and non-interest income.
- Private banking lending book growth since 31 March 2003:
  - UK grew by 14.7% in Pounds Sterling terms to £1 062 million.
  - South Africa grew by 26.4% in Rand terms to R22.5 billion (£1 906 million).
  - Australia grew by 28.7% in Australian Dollar terms to A\$543 million (£225 million).
  - Israel remained relatively stable at NIS1.4 billion (£169 million).

UK GAAP £'000 For the year ended 31 March	UK		South Africa	
	2004	2003	2004	2003
Residential	623		675	462
Commercial	277		631	447
Other sectors	52		–	–
Cash-backed lending	27		–	–
Other private bank loans	97		624	510
<b>Total gross core loans and advances</b>	<b>1 076</b>	<b>937</b>	<b>1 930</b>	<b>1 419</b>
Specific provisions	(3)	(2)	(13)	(9)
General provisions	(11)	(9)	(11)	(8)
<b>Net core loans and advances</b>	<b>1 062</b>	<b>926</b>	<b>1 906</b>	<b>1 402</b>
Gross non-performing loans (NPLs)	13	11	33	16
<b>Asset quality</b>				
Gross NPLs as a % of core loans and advances	1.2%	1.1%	1.7%	1.1%
Specific provisions as a % of gross NPLs	23.1%	18.2%	39.4%	56.3%
Total provisions as a % of gross NPLs	116.9%	107.5%	71.0%	105.1%
General provisions as a % of performing loans	1.0%	1.0%	0.6%	0.5%
<b>Deposit book</b>	<b>1 520</b>	<b>1 387</b>	<b>887</b>	<b>598</b>

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

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Private Banking</b>	<b>45 397</b>	<b>29 588</b>	<b>15 809</b>	<b>53.4%</b>
<i>Variance explained as follows:</i>				
Net interest income	78 914	65 506	13 408	20.5%
Net fees and commissions receivable	62 180	46 449	15 731	33.9%
Dealing profits	6 380	7 812	(1 432)	(18.3%)
Other operating income and dividends received	1 300	234	1 066	>100%
Admin expenses and depreciation	(89 174)	(77 802)	(11 372)	14.6%
Provision for bad and doubtful debts	(14 203)	(12 611)	(1 592)	12.6%

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

- The strong increase in net interest income in South Africa, the UK and Australia has been driven by a healthy growth in advances since 31 March 2003 of 26.4%, 14.7% and 28.7% respectively.
- The solid growth in net fees and commissions receivable is attributable to increased lending turnover in all operations. Furthermore, the division continued to benefit from its diverse nature of activities, with structured and transactional banking fees in South Africa, and specialised lending and fiduciary fees in the UK, experiencing strong growth over the period.
- Dealing profits were positively influenced by the sale of and increase in value of certain investments, respectively, held by the division, which have arisen out of the provision of investment banking services to private clients. The activities of the "Private Client Investment Banking" division are positioned well below the radar screen of the traditional corporate finance and private equity houses, and focus on the active wealthy entrepreneur. Furthermore, the division is well equipped to offer small to medium size businesses the service of partnering their personal and business requirements by providing advisory and asset acquisition services. As a result, the division took certain equity positions in the businesses of these private clients.
- The increase in administration expenses and depreciation is mainly attributable to the South African operations which experienced a 15.0% increase in costs in Rand terms largely as a result of an increase in personnel costs (given an increase in headcount) and an increase in incentive based remuneration in line with strong growth in profitability. Furthermore, the division experienced an increase in marketing costs as a result of a new branding campaign launched in South Africa.
- The increase in provision for bad and doubtful debts was mainly as a result of the solid book growth and appreciation of the Rand against Pounds Sterling over the period.

## Developments

### UK and Europe

- Strong performances were recorded across all of the Private Banking businesses.
- The property lending business continued its sound performance against a backdrop of a somewhat less buoyant property market with a diversified loan portfolio.
- The property book is well-secured and the group believes that loan to value ratios of between 65% to 70% are conservative. Stress testing a fall of 30% in property values could result in a total naked exposure of approximately £18 million. Specifically, a fall of 30% in residential property values could result in a naked exposure of approximately £7 million.
- The division experienced good growth in Private Client Investment Banking transactions.
- The specialised lending and investment management teams produced significant year-on-year growth through focusing on identified niche opportunities.
- The migration of the banking call centre to South Africa was bedded down during the year and the concomitant cost savings realised.

### South Africa

- The Private Bank in South Africa produced strong performance despite the decline in interest rates during the period.
- A particularly good performance was experienced by the Private Client Investment Banking portfolio which has benefited from the sale of certain investments held by the division and the increase in value of others.
- The developments during the period include the following:
  - In December 2003, R1.4 billion of residential mortgage loans were securitised to enhance the effective use of capital.
  - A specialist advisory team was established to focus on advice for high net worth individuals applying for amnesty in excess of \$1 million.
  - The division focused on black economic empowerment transactions as it leverages off the group's empowerment transaction.
- The division was rated the number one private bank for the fourth consecutive year in the PriceWaterhouseCoopers SA Banking Survey (2003).

### Australia

- The private client business performed particularly well as it continues to leverage off the Wentworth brand and client base.
- The division's performance was enhanced by the strong growth within the Property Investment Banking team.
- Developments during the period included focusing on establishing a Private Client Investment Banking unit.

## Private Client Portfolio Management and Stockbroking

- Private Client Portfolio Management and Stockbroking recorded a strong result, earning operating profit before exceptional items and amortisation of goodwill of £8.5 million, increasing by 91.8%.

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

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Private Client Portfolio Management and Stockbroking</b>	<b>8 465</b>	<b>4 413</b>	<b>4 052</b>	<b>91.8%</b>
<i>Variance explained as follows:</i>				
Net interest income	4 677	4 668	9	0.2%
Net fees and commissions receivable	52 456	45 569	6 887	15.1%
Dealing profits	1 137	936	201	21.5%
Other operating income and dividends received	130	50	80	>100%
Admin expenses and depreciation	(49 935)	(46 810)	(3 125)	6.7%
Provision for bad and doubtful debts	–	–	–	–

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

- The business remains susceptible to equity market conditions, although market confidence is improving. Carr Sheppards Crosthwaite (CSC) in the UK, continued to benefit from net inflows of £360 million (period to March 2003: £376 million) largely in discretionary mandates. The Private Client Portfolio Management and Stockbroking business in South Africa, has also benefited from an increase in funds under management, although market volumes on the JSE remain subdued.
- The increase in administration expenses and depreciation is mainly attributable to an increase in incentive based remuneration in CSC in line with improved profitability. The South African operations experienced a decline in costs in Rand terms of 8.8% as the full benefits of the reduction in headcount undertaken over the past two years started to filter through.

## Developments

### UK and Europe

- The division performed well with the operating environment more conducive to investment activity than in the previous financial year.
- Funds under management increased 25.5% to £5.9 billion from £4.7 billion, with £770 million being attributable to market movement. Of the £5.9 billion, £3.7 billion and £2.2 billion were managed on a discretionary and non-discretionary basis, respectively.
- Net new funds under management of £360 million were generated in discretionary mandates.
- The Charities Property Fund experienced another period of solid growth increasing £65 million to £165 million during the period.

### South Africa

- Poor stock market volumes in South Africa restricted the performance of Investec Securities.
- Increased total funds under management by 17.2% to R30.0 billion (£2.5 billion) from R25.6 billion (£2.0 billion) at year-end.
- Many efforts were taken to reduce costs during the period with headcount declining from 144 to 117 at the end of the period.
- During the period, a campaign commenced to increase the awareness of Investec Securities Online with the overall objective to move clients onto the electronic platform as a mechanism of communicating with clients which would provide further cost savings.

## Divisional review

### Treasury and Specialised Finance

- The group's Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of £35.8 million, an increase of 77.3% from £20.2 million.
- The UK Treasury and Specialised Finance division achieved a considerable turnaround with operating profit before exceptional items and amortisation of goodwill increasing to £14.0 million from a loss of £5.7 million.
- The South African Treasury and Specialised Finance division, on the other hand, reported a decline in operating profit before exceptional items and amortisation of goodwill from £26.6 million to £18.9 million.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Treasury and Specialised Finance</b>				
Net interest income	41 405	31 892	9 513	29.8%
Net fees and commissions receivable	35 389	24 491	10 898	44.5%
Dealing profits	35 634	35 454	180	0.5%
Other operating income and dividends received	1 414	455	959	>100%
Admin expenses and depreciation	(74 095)	(67 836)	(6 259)	9.2%
Provision for bad and doubtful debts	(3 942)	(4 258)	316	(7.4%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>35 805</b>	<b>20 198</b>	<b>15 607</b>	<b>77.3%</b>
Cost to income ratio	65.1%	73.5%		
Number of employees	477	507		(5.9%)
Banking Activities	33 104	23 242	9 862	42.4%
Financial Markets Activities	2 701	(3 044)	5 745	>100%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>35 805</b>	<b>20 198</b>	<b>15 607</b>	<b>77.3%</b>
Southern Africa	18 887	26 604	(7 717)	(29.0%)
UK and Europe	14 015	(5 659)	19 674	>100%
Australia	436	(865)	1 301	>100%
Israel	2 467	118	2 349	>100%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>35 805</b>	<b>20 198</b>	<b>15 607</b>	<b>77.3%</b>

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

- Net interest income in the UK operations has benefited from the growth in the division's banking and lending businesses albeit off a low base. Furthermore, in Israel the declining rate environment was conducive for both bond and equity markets and the division benefited from the effective management of its bond portfolio. On the other hand, net interest income in South Africa decreased by 12.7% in Rand terms, as a consequence of the declining rate environment, in which this division experienced a margin squeeze resulting from the its assets repricing quicker than its liabilities.
- The substantial increase in net fees and commissions receivable is attributable to the rapid growth and successful performance of the relatively new banking and advisory teams in the UK (acquired Project Finance team in December 2001 and Structured Finance team in July 2002). Following the restructuring of the Treasury and Specialised Finance businesses in the UK, the group has made a concerted effort to grow the banking and advisory businesses. In South Africa, the division experienced good growth in structured finance fees received although deal fees within the Project Finance division declined over the prior period.

## Divisional review

- The UK division reported solid growth in dealing profits, which was offset by a poor trading performance in the South African operations. In South Africa, the trading books were positioned for the decline in interest rate cuts that occurred over the period, but not aggressively enough to cover the margin squeeze that emanated from such a decline. The currency trading desk was negatively impacted by the significant steepening of the US Dollar interest rate curve. In the UK, the division benefited from the restructuring of its trading activities undertaken in the prior year and from an improved performance from the equity derivatives and commodities trading desks. The equity derivatives division benefited from its newly commenced trading in total return equity swaps and from convertible bond arbitrage, whilst the commodities desk posted solid results as a result of an increase in the number of aluminium, copper, nickel and gold trades off the back of increased levels of client business.
- Administrative expenses have increased largely as a result of the appreciation of the Rand against Pounds Sterling over the period.

## Developments

### Banking Activities

- In the UK, the Banking Activities performed particularly well, with the number of successfully concluded transactions significantly above the previous financial year.
- The general slow down in infrastructural finance in South Africa subdued the performance of the Banking Activities.

### Treasury

- Asset creation opportunities in the UK were limited although treasury activity increased due to the overall level of activity in the markets.
- The performance of the South African treasury desk was negatively impacted by the unprecedented interest rate cuts of 5.5% during July 2003 to December 2003 for which the division was incorrectly positioned.

### Financial Products

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

### Structured and Asset Finance

- Strong performance from the structured finance division in the UK with several large transactions concluded during the financial year resulting in significant fee income.
- In South Africa, structured finance increased the size of their core advances book from R7.6 billion to R9.1 billion (£758 million). The division concluded approximately 80 new deals during the period, with particularly strong results from the mezzanine debt team.

### Project and Resource Finance

- The project finance division in the UK focused on building a strong deal pipeline and has become well established in the market.
- The strong Rand and a slowdown in government spending negatively impacted the performance of the division.

## Divisional review

### Trading Activities

- In the UK, the Trading Activities performed considerably better due to an improved market environment for commodities and equities and the division's focus on customer directed flows and not speculative views.
- In South Africa, a number of strategic and structural changes were made during the period with a substantial reduction in proprietary trading and a renewed focus on client flow transactions and structured trade opportunities.

### Interest Rates

- In the UK, trading and hedging opportunities were limited.
- In South Africa, the interest rate desk benefited from the interest rate reductions in the first half of the financial year but liquidity in the derivative markets reduced rapidly during the second half of the financial year as speculators exited the market.

### Foreign Exchange

- In the UK, the strategy of the forex desk was revisited during the period and the desk now focuses on servicing mid tier banks and client flows.
- The forex division in South Africa posted a disappointing performance as a result of the significant trading losses incurred in the first half of the year. Speculative interest rate position taking on this desk has been reduced significantly as the business is more focused on client business.

### Equities Derivatives

- The UK business continues to perform well largely due to the good performance of the convertible bond trading and other structured trades. The desk launched equity linked deposits in Hong Kong in December 2003, where volumes continue to rise.
- Activity continues to be subdued in the South African market and this is reflected in the decline in the volume of warrants. A reduction in market volatility resulted in a decrease in institutional business, which impacted negatively on the index and stock trading books. Large structured transactions will continue to be the area of focus whilst current market conditions persist.

### Commodities

- In the UK, the division has significantly curtailed its speculative trading activities limiting trading to levels required to facilitate client business. The commodities desk performed well as a result of an increase in the number of aluminium, copper, nickel and gold trades off the back of increased levels of client business.
- The strategy of the commodities division was revised with the closure of the desk in South Africa in January 2004.

## Divisional review

### Asset Management

- The Asset Management division delivered operating profit before exceptional items and amortisation of goodwill of £24.6 million, which represented growth of 38.9% in Pounds Sterling terms.
- Assets under management increased by 22.2% in Pounds Sterling terms to £20.6 billion and by 14.0% in Rand terms to R240.0 billion over the year.
- The key features of the year were the continued penetration of the UK pension and IFA channels and strong investment performance across the product range.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Asset Management</b>				
Net interest income	2 900	2 993	(93)	(3.1%)
Net fees and commissions receivable	100 129	85 976	14 153	16.5%
Other income	1 874	738	1 136	>100%
Admin expenses and depreciation	(80 292)	(71 952)	(8 340)	11.6%
Provision for bad and doubtful debts	–	(40)	40	–
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>24 611</b>	<b>17 715</b>	<b>6 896</b>	<b>38.9%</b>
Cost to income ratio	76.5%	80.2%		
Number of employees	784	771		1.7%
Southern Africa	22 740	16 171	6 569	40.6%
UK and Europe	1 614	1 426	188	13.2%
Israel	257	118	139	>100%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>24 611</b>	<b>17 715</b>	<b>6 896</b>	<b>38.9%</b>

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

#### South Africa

- Operating profit of the South African operation in Rands (approximately R273 million) is 12.4% higher than the previous year.
- The South African institutional business recorded inflows from third party clients of R3.9 billion although this was once again negatively impacted by outflows from ex-Fedsure clients of R5.3 billion. Although the year saw a positive turnaround in domestic and international markets, this was off a relatively low base and therefore the market impact on revenue was only slightly positive in comparison to the 2003 financial year. A decrease in ex-Fedsure related revenue (due to the outflows) was partly offset by an increase in performance fee income. Strict cost controls were applied over the period.
- The South African personal investments business started the year in a tough market environment, not conducive for the raising of individual investment products. As a result the business embarked on immediate cost saving initiatives. The more favourable market conditions from May boosted both flows and funds under management, resulting in net inflows for the year of R273 million.

## Divisional review

### UK and Other International Operations

- Operating profit of the UK operations in Pounds Sterling (approximately £1.6 million) is 13.2% higher than the previous year. Revenue increased mainly due to the strong net inflows on the onshore (£284 million) and offshore (£236 million) retail book and the strengthening of the market. Although the institutional book showed net outflows of £50 million, the mix of the book has shifted, in line with the stated strategy, in favour of the higher fee paying pension fund business, which generated new business of £480 million. Cost controls remained tight over the period.

### Review of the year

- Solid investment performance.
- Strengthened presence in core markets.
- Aggressive promotion of South African specialist products on the back of good performance.
- Combining the need to outsource more administrative functions with the low cost advantages of South Africa.

### Market positioning

- An investment specialist, focused on performance and client needs.

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

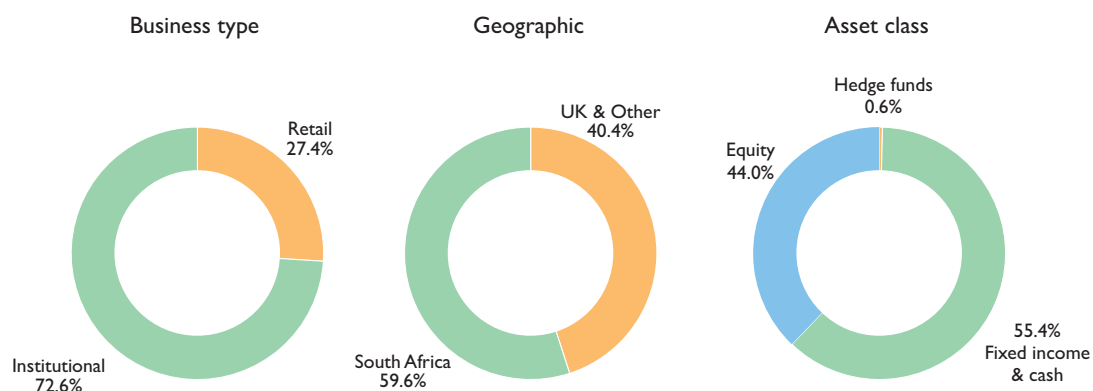
### Market recognition

- Global Investor's Firm to Watch 2004.
- Runner-up, European specialist manager of the year; Financial News.
- Best all rounder over the last three years, Professional Adviser.
- Financial Adviser/LIA five star service award.
- South African fund manager of the year; Plexus.
- Best large manager over one, three and five years, Standard & Poors (SA).
- ACI and Personal Finance Raging Bull awards management company of the year.



## Divisional review

### Funds under management



Total funds under management as at 31 March 2004 £20.6 billion / R240.0 billion

### Movements in funds under management

£'million	Total	Institutional	Retail	UK & Other	SA	SA (Rm)
<b>31 March 2003</b>	<b>16 828</b>	<b>12 478</b>	<b>4 350</b>	<b>7 498</b>	<b>9 330</b>	<b>1 16 744</b>
New clients and funds	2 581	2 487	94	1 402	1 179	14 245
Disinvestments and funds closed	(2 069)	(2 004)	(65)	(1 166)	(903)	(10 777)
Existing client movements	(146)	(666)	520	218	(364)	(4 353)
Market/forex movement	3 374	2 635	739	361	3 013	27 129
<b>31 March 2004</b>	<b>20 568</b>	<b>14 930</b>	<b>5 638</b>	<b>8 313</b>	<b>12 255</b>	<b>142 988</b>
<i>Sale of US Mutual Funds</i>			(79)	(79)		

## Divisional review

### Sales (Gross inflows) (£'million)

Clients	2004	2003	Products	2004	2003
Institutional	2 769	1 714	Fixed interest and cash	3 744	2 580
Retail	3 185	2 221	Equity	1 540	944
	<b>5 954</b>	<b>3 935</b>	Balanced	670	411
				<b>5 954</b>	<b>3 935</b>

### Investment performance

- Excellent South African specialist investment performance (Plexus award for best mutual fund company and dominating specialist surveys)
- South African balanced investment performance
  - o Long term (13 years)                      Excellent, second since inception
  - o Medium term (3-5 years)                  Not yet out of the woods
  - o Short term (1 year)                        Improving (above median)
- Strong three year investment performance in the UK
  - o UK equities                                  1st quartile over 3 years
  - o Global equities                              1st quartile over 3 years
  - o Global fixed income                        1st quartile over 3 years
  - o UK balanced                                 1st quartile over 3 years

Source: Russell/Mellon Pooled Pension Fund surveys, Plexus, Alexander Forbes surveys

### South Africa

- Solid performance from a resilient business.
- Excellent specialist investment performance, with Value, Growth and Equity prominent over all periods.
- Unit trust investment performance particularly good (Plexus and S&P awards).
- Significant new institutional mandates of R3.9 billion impacted by ex-Fedsure outflows of R5.3 billion.
- Successful strengthening of key IFA/fund distributor relationships.
- Outsourced investment administration.

## Divisional review

### Investec in the South African unit trust industry

	31 March 2004	31 March 2003	31 March 2002
Investec Asset Management funds under management (R million)	23 542	18 484	19 965
Total industry size (R million)	243 539	174 075	176 338
Market share (%)	9.7%	10.6%	11.3%
Size ranking in industry	4th of 28	4th of 29	2nd of 29
Industry gross sales (R million)	205 559	142 793	133 908
Investec Asset Management % of gross industry sales	12.2%	12.6%	10.1%

Source: Association of Collective Investment statistics

## UK and Other International Operations

### UK Institutional

- Solid performance and progress continues.
- Shift of book in favour of higher margin pension fund business.
- Outflows from cash clients masks £1.2 billion of new business won (includes £252 million committed business).
- Continued progress with top tier investment consultants.
- Global Investor's "Firm to Watch 2004" award evidences evolution from entrant to competitor in the market.

### UK Retail

- Particularly strong performance.
- Onshore funds under management exceed £1 billion for the first time (from £275 million in 1998).
- Net sales of £284 million into onshore range.
- Continued growth of UK market share.
- Financial Adviser/LIA five star service award (ranked 7th out of 129).

### Offshore

- Strong net sales of £236 million as a result of good sales from Europe and Asia. South Africa sales subdued due to the strength of the Rand.

## Divisional review

### Investec in the UK retail fund industry

	31 March 2004	31 March 2003	31 March 2002
Investec Asset Management funds under management (£ million)	1 128	666	649
Total industry size (£ million)	246 040	188 267	242 281
Size ranking in industry	52nd of 127	58th of 129	62nd of 136
Industry net retail sales (£ million)	8 855	6 842	8 206
Investec Asset Management % of net industry sales	3.2%	2.7%	2.2%
Industry gross retail sales (£ million)	29 766	26 839	27 475
Investec Asset Management % of gross industry sales	1.5%	1.2%	0.9%

Source: Investment Management Association statistics

## Divisional review

### Assurance Activities

- The group's South African life assurance activities, conducted by Investec Employee Benefits (IEB) reported operating profit before exceptional items and amortisation of goodwill of £4.6 million – a decline of 82.9%.
- In the comparative period IEB had generated substantial non-recurring operational earnings from the restructuring and rationalisation of its activities.
- IEB mainly comprises:
  - o A Risk Only business.
  - o An Investment Only business.
- The Risk Only division provides death and disability benefits on a standalone basis where another company is responsible for the member administration. The management of disability claims and the provision of various disability and underwriting services is also offered.
- It is IEB's intention to aggressively grow this line of business and to become a significant player in this market without the legacy of huge administration systems. Investec is confident that this line of business will be successfully integrated into the group as the nature of this business fits into the group's core competencies of risk management. The division has finalised its strategy for the Risk Only business and is currently revising its products and operating procedures in line with client feedback.
- The Investment Only business designs and manufactures specialised investment products together with other divisions within the group who then distribute these products to their clients.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Assurance Activities</b>	<b>4 582</b>	<b>26 830</b>	<b>22 248</b>	<b>(82.9%)</b>
Operational earnings	5 082	27 779	22 697	(81.7%)
Allocation of group central charges	(500)	(949)	(451)	(47.3%)

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

- Investec Employee Benefits generated significant income in the prior year in relation to the restructuring and rationalisation of its activities.

### Developments

- There are opportunities for IEB in this market as the division does not link product to administration and thus does not compete directly with the specialist administrators.
- The objective is to manage and wind down the following discontinued business to protect the maximum value for shareholders and policyholders:
  - o Industrial Business
  - o Guaranteed Funds
  - o Linked Funds – the majority to be transferred to Investec Asset Management.
- The headcount has been significantly reduced to 156 at the end of the year from 490 in the previous year.

## Divisional review

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

UK GAAP £'000	31 March 2004	31 March 2003
<b>Investec Employee Benefits Limited</b>		
<b>The embedded value comprises:</b>		
Net tangible assets of life company including surplus	343 590	273 072
Reallocated to investments in associated undertakings	(58 832)	(50 824)
Elimination of intercompany balances	(27 842)	(120 833)
Value of in-force business	8 399	7 113
	<b>265 315</b>	<b>108 528</b>
<b>Movements in embedded value</b>		
At beginning of year	108 528	67 116
Profit after tax per profit and loss account	5 082	27 779
Return on shareholders' funds	24 122	15 551
Exchange adjustments	12 244	(1 316)
Gain on revaluation of investment properties	4 327	14 949
Reclassification of shareholder assets	111 012	(15 551)
<b>At end of year</b>	<b>265 315</b>	<b>108 528</b>
<b>Income from long-term assurance business comprises</b>		
Premium income	264 423	306 110
Investment income	157 717	13 920
Total income	422 140	320 030
Operating expenses	(19 029)	(21 003)
Policyholder's benefits paid	(416 556)	(419 310)
Decrease in technical provisions	139 280	457 680
Re-insurance premium expense	(115 972)	(277 387)
Operating profit	9 863	60 010
Tax charged to technical account	(5 564)	(8 296)
Surplus attributable to shareholders	4 299	51 714
Value of in-force business	783	(23 935)
<b>Income from long-term assurance business</b>	<b>5 082</b>	<b>27 779</b>

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 £5.25 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 year.

## Divisional review

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

UK GAAP £'000	31 March 2004	31 March 2003
<b>Assumptions</b>		
The economic assumptions are based upon a long-term view of economic activity and are therefore not adjusted for market movements which are considered to be short term. This approach is considered to be the most appropriate given the long-term nature of the portfolio of products. The economic assumptions are derived by adding appropriate long-term risk/equity margins to the benchmark gilt i.e. R153. The principal economic assumptions (relating to the South African economy) which have been used for the periods under review are as follows:		
Risk-adjusted discount rate (%)	12.8	13.4
Return on equities (gross of tax) (%)	11.8	12.4
Return on fixed interest securities (gross of tax) (%)	9.8	10.4
Return on property investments (gross of tax) (%)	10.8	11.4
Return on cash held (gross of tax) (%)	7.3	7.4
Inflation rate (%)	6.3	6.4
<b>Balance sheet</b>	<b>£'000</b>	<b>£'000</b>
<b>The assets of the long-term assurance fund attributable to the shareholder are detailed below:</b>		
Investments	326 264	176 858
Intercompany loans due	27 842	120 833
Other assets	61 207	64 176
Assets of long-term assurance fund attributable to shareholder	415 313	361 867
Current liabilities	(71 723)	(88 795)
<b>Net asset value</b>	<b>343 590</b>	<b>273 072</b>
<b>Investments shown above comprise:-</b>		
Fixed interest securities	40 118	14 034
Stocks, shares and unit trusts	94 448	14 259
Investment properties	76 484	51 468
Associate	58 832	50 824
Deposits	56 382	46 273
	<b>326 264</b>	<b>176 858</b>
Qualifying capital (net of inadmissible assets) (£ millions)	348.07	276.50
Statutory capital adequacy requirement (CAR) (£ millions)	8.83	23.60
CAR cover (times)	39.44	11.72

## Divisional review

### Group Services and Other Activities

#### Other Activities

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

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Group Services and Other Activities</b>				
International Trade Finance	2 725	978	1 747	>100%
Property Worldwide	10 125	5 413	4 712	87.0%
US continuing businesses	178	970	(792)	(81.6%)
UK Traded Endowments	(3 279)	(8 945)	5 666	(63.3%)
	9 749	(1 584)	11 333	>100%
Central Funding	(8 463)	7 161	(15 624)	>(100%)
Central Costs	(25 726)	(15 414)	(10 312)	66.9%
<b>Operating loss before exceptional items and goodwill amortisation</b>	<b>(24 440)</b>	<b>(9 837)</b>	<b>(14 603)</b>	<b>&gt;(100%)</b>

31 March 2004 UK GAAP £'000	South Africa	UK & Europe	Australia	Israel	USA	Total group
International Trade Finance	1 038	1 687	–	–	–	2 725
Property Worldwide	8 604	1 521	–	–	–	10 125
US continuing businesses	–	–	–	–	178	178
UK Traded Endowments	(3 279)	–	–	–	–	(3 279)
Central Funding	(10 680)	(1 615)	4 304	(472)	–	(8 463)
Central Costs	(11 221)	(12 054)	(2 451)	–	–	(25 726)
<b>Operating (loss)/profit before exceptional items and goodwill amortisation</b>	<b>(15 538)</b>	<b>(10 461)</b>	<b>1 853</b>	<b>(472)</b>	<b>178</b>	<b>(24 440)</b>

31 March 2003 UK GAAP £'000	South Africa	UK & Europe	Australia	Israel	USA	Total group
International Trade Finance	211	767	–	–	–	978
Property Worldwide	4 142	1 271	–	–	–	5 413
US continuing businesses	–	–	–	–	970	970
UK Traded Endowments	(8 945)	–	–	–	–	(8 945)
Central Funding	(4 677)	8 034	3 806	(2)	–	7 161
Central Costs	(8 477)	(6 458)	(479)	–	–	(15 414)
<b>Operating (loss)/profit before exceptional items and goodwill amortisation</b>	<b>(17 746)</b>	<b>3 614</b>	<b>3 327</b>	<b>(2)</b>	<b>970</b>	<b>(9 837)</b>



## Divisional review

### International Trade Finance

- The International Trade Finance business, known as ReichmansCapital, offers trade, asset and debtor finance to small and medium sized owner managed businesses. The division provides clients with working capital, funding for the acquisition of assets and to facilitate growth.
- ReichmansCapital produced commendable results with good growth in the division's book to R604 million (March 03: R540 million).
- All three areas of business, particularly Trade Finance which benefited from the lower interest rates and the strong Rand, reported good performances.
- The division will continue its strategy of pursuing organic growth and exploiting opportunities in existing target markets.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>International Trade Finance</b>				
Net interest income	6 216	3 258	2 958	90.8%
Other income	373	3	370	>100%
Admin expenses and depreciation	(2 865)	(1 977)	(888)	44.9%
Provision for bad and doubtful debts	(999)	(306)	(693)	>(100)%
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>2 725</b>	<b>978</b>	<b>1 747</b>	<b>&gt;100%</b>

### Property Division

- The world-wide property divisions continued to perform well posting an operating profit before amortisation of goodwill and exceptional items of £10.1 million (2003: £5.4 million).
- The services provided by the property division in South Africa include management of property investment funds (listed and unlisted), property trading and development, property administration and listed property portfolio management.
- The property division in the UK manages a portfolio of commercial properties inherited from the acquisition of Berkeley Hambro in 1998.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Property Worldwide</b>				
Net interest income	(378)	(1 171)	793	(67.7%)
Other income	21 134	12 964	8 170	63.0%
Admin expenses and depreciation	(10 585)	(6 380)	(4 205)	65.9%
Provision for bad and doubtful debts	(46)	–	(46)	–
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>10 125</b>	<b>5 413</b>	<b>4 712</b>	<b>87.0%</b>

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

- The South African Property division experienced a strong growth in net fees and commissions receivable largely as a result of the significant increase in the total assets under management of 43.8% to R12.5 billion (£1 billion) since March 2003. Furthermore, the division continued to benefit from high levels of activity with dealing revenue increasing from £2.2 million to £4.8 million.
- The Property division in South Africa experienced a 38.2% increase in costs in Rand terms largely as a result of an increase in headcount required to deal with the increased business activity and expanded portfolios.

## Divisional review

### Developments

#### UK

- As at 31 March 2004, the UK property portfolio had a book value of £25.0 million (2003: £29.6 million).
- In the UK, the increases in interest rates during the period appear to have had minimal effect on market activity.
- Investment in commercial property remains popular for private investors diversifying longer-term pension arrangements and institutions are starting to return to the market.
- The property division is increasingly involved in the mezzanine finance for the commercial property lending of the Private Bank with the intention to replace the direct property book with mezzanine finance deals within the next three years.

#### South Africa

- The property division in South Africa continues to perform well with total assets under management increasing by 43.8% to R12.5 billion (£1 billion).
- Developments during the period include:
  - The Primegro and Growthpoint merger.
  - Acquisition and successful integration of Provest.
  - The acquisition by Growthpoint of Investec Sandton and Cape Town properties, which was facilitated by Investec Property Group.
- The property and trading and development division experienced a decline in opportunities for structured transactions during the period but it was successful in developing vacant land on behalf of the funds which IPG manages.
- The property division will continue to focus on increasing the size of existing funds through strategic acquisitions and consequently increase properties under administration and enhance the quality of fund portfolios.

### US Continuing Businesses

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>US continuing businesses</b>				
Net interest income	310	(137)	447	>100%
Other income	9 241	13 838	(4 597)	(33.2%)
Admin expenses and depreciation	(9 373)	(12 731)	3 358	(26.4%)
<b>Operating profit before exceptional items and goodwill amortisation</b>	<b>178</b>	<b>970</b>	<b>(792)</b>	<b>(81.6%)</b>

## Divisional review

### Traded Endowments

- The negative publicity surrounding endowment policies in the UK market seemed to subside towards the end of the financial year although the narrowly based IFA intermediary network remains price sensitive.
- There was a notable turnaround in the retail market for traded endowment policies during the period and retail sales picked up as a result of the improved activity in the second half of the financial year.
- Nevertheless, the trading environment continues to be uncertain and the division remains under strategic review.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>UK Traded Endowments</b>				
Net interest income	163	(857)	1 020	>100%
Other income	1 884	(763)	2 647	>100%
Admin expenses and depreciation	(5 326)	(7 325)	1 999	(27.3%)
Provision for bad and doubtful debts	–	–	–	
<b>Operating loss before exceptional items and goodwill amortisation</b>	<b>(3 279)</b>	<b>(8 945)</b>	<b>5 666</b>	<b>&gt;100%</b>

### 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.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Central Funding</b>				
Net interest income (excluding interest on sub debt and debentures)	10 989	21 749	(10 760)	(49.5%)
Return on shareholders' funds in the long-term assurance business	24 122	15 551	8 571	55.1%
Other income	13 276	6 558	6 718	>100%
	48 387	43 858	4 529	10.3%
Interest paid on sub-debt and debentures	(45 105)	(25 090)	(20 015)	>(100%)
Admin expenses and depreciation	(8 828)	(11 103)	2 275	(20.5%)
Provision for bad and doubtful debts	(2 917)	(504)	(2 413)	>(100%)
<b>Operating (loss) / profit before exceptional items and goodwill amortisation</b>	<b>(8 463)</b>	<b>7 161</b>	<b>(15 624)</b>	<b>&gt;(100%)</b>

## Divisional review

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

- The revenue generated by the Central Funding division is derived from the pool of assets not allocated to any specific division including shareholder assets in the life company. When analysing the performance of this division one should look at all three classes of revenue together.
- Net interest income declined for the following reasons:
  - The life assurance company, Investec Employee Benefits (IEB), experienced a significant increase in shareholders' funds as a result of retained profits (as no dividend has been paid out of IEB), together with a decrease in intercompany loans between IEB and its holding company. In terms of life assurance accounting, the increased return generated on these assets has to be reflected as an increase in the return on shareholders' funds.
  - A switch in funding in the UK, at the time of the London listing, from Dollar debt to more expensive Sterling borrowings to more appropriately match assets and liabilities.
  - A reduction in interest earned on surplus assets in South Africa as a consequence of a significant decline in interest rates over the period.
- Other income comprises approximately £3 million profit earned in respect of the share buy-back undertaken by Insinger in which the group held approximately 8%. The remainder of the income earned is principally attributable to the recovery in market values in investments held by the group.
- Interest on subordinated debt increased by £16.2 million to £36.6 million as a result of the raising of subordinated debt of £44.4 million towards the end of the 2003 financial year and one month's cost of the UK subordinated debt raised.
- Expenses largely include: legal costs associated with transactions relating to corporate assets, capital raisings etc; personnel and other costs relating to the teams which manage the group's central pool of capital.
- Provisions relate to the additional regulatory provisions the group is required to hold on its shareholder assets across all jurisdictions.

## Central Costs

- The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the division's of the group.
- There are certain costs that are strategic in nature which have not been allocated amounting to £25.7 million (2003: £15.4 million).
- South Africa: £11.2 million (2003: £8.5 million)
- UK: £12.0 million (2003: £6.4 million)
- Australia: £2.5 million (2003: £0.5 million)
- **The increase in costs over the period can be explained as follows:**
  - The South African operations experienced an increase in costs mainly as a result of: an increase in insurance, professional and audit fees and an increase in rental charges following the sale of the assets and liabilities of 100 Grayston Drive Property (Pty) Limited and Block E Power Station Properties (Pty) Limited. This accounts for approximately £1.3 million of the variance. Furthermore, the appreciation of the Rand against Pounds Sterling accounts for approximately £1.4 million of the variance.
  - As part of the group's continued rationalisation and restructuring exercise coupled with an effort to retain key employees, the UK operations have incurred additional expenses during the second half of the year mainly in relation to retrenchment costs and additional incentive based remuneration provided. This accounts for approximately £3.6 million of the variance.
  - The UK operations experienced an increase in premises expenses as a result of an increase in municipal rates and a provision against the loss of rent from a sub-tenant following the renegotiation of the lease contract. This accounts for £1 million of the variance.
  - There was an increase in general expenses within the UK operations relating to insurance, business recovery costs and marketing spend. This accounts for approximately £900 thousand of the variance.
  - The Australian operations experienced an increase in costs as a result of expansion of the business. This accounts for £2 million of the variance.

consolidated financial results in UK GAAP Pounds Sterling for the year ended 31 March 2004



03

**financial** performance of Investec plc  
(incorporating the results of Investec Limited)

## Accounting policies and disclosures

### Accounting standards

The group has adopted the following new accounting standards during the period.

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

The group has adopted UITF 37 in respect of own shares held, the impact of which is summarised below:

- Consideration paid for the group's own shares are deducted from shareholders' funds (referred to as 'treasury 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.

#### 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.

The impact of the above changes in accounting policies on prior year earnings is detailed below:

£'000	UITF 37	FRS 17	Total
Interest receivable	-	67	67
Interest payable	(1 813)	-	(1 813)
Net interest income	(1 813)	67	(1 746)
Other operating income	2 748	-	-
Profit on ordinary activities before taxation	935	67	1 002
Taxation	-	(20)	(27)
Profit on ordinary activities after taxation	935	47	975

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

	£'000
Reserves at 31 March 2003 as previously reported	696 968
<b>- UITF 37</b>	<b>(47 827)</b>
- Relating to 2002 opening reserves	(992)
- Relating to 2003 movement in reserves	(46 835)
- Retained profit for the year	935
- Net proceeds on own shares acquired or sold - reflected as a movement in treasury shares	(47 770)
<b>- FRS 17</b>	<b>(9 173)</b>
- Relating to 2002 opening reserves	487
- Relating to 2003 movement in reserves	(9 660)
- Retained profit for the year	47
- Adjustments to actuarial deficit on defined benefit fund	(9 707)
Restated total reserves at 31 March 2003	639 968

## Accounting policies and disclosures

### Restatement to prior year's consolidated profit and loss accounts

In the US business, certain directly attributable variable staff costs were netted against the dealing profits generated therefrom. In the current financial period these costs (£4.9 million) have been included under administrative expenses (staff costs) with a corresponding restatement to the prior year (£8.3 million).

In the prior year income on shareholders' funds within the life assurance business of £15.5 million was reflected as part of interest margin. In the current year, this return on shareholders' funds (£24.1 million) is disclosed as a separate line in the consolidated profit and loss account.

Further, there were some minor reclassifications between income categories so as to reflect the nature of the underlying transactions in a more meaningful manner. Specifically, they relate to interest earned on cash balances held on behalf of third parties (disclosed under net interest income instead of annuity fees and commissions receivable); returns generated on private client investment banking activities (disclosed under dealing profits instead of fees and commissions receivable); income from the group's interest in securitisation schemes (disclosed under net interest income instead of other operating income); income on certain trading positions (included in dealing profits instead of other operating income; and the funding costs associated with scrip lending activities (deducted from fees and commissions receivable instead of net interest income). The net effect of the above was a decrease in net interest income of £3.4 million, a decrease of £0.4 million in net fees and commissions receivable, a decrease in other operating income of £0.2 million, all of which were offset by an increase in dealing profits of £4.0 million.

### Restatement to the weighted average number of shares in issue ("the wanos")

Investec has established a number of share incentive plans that are designed to link the interests of employees with shareholders and long-term organisational interest through performance and risk-based equity grants. These schemes are required to be consolidated into the accounts of the group. However, to the extent that the underlying risks and rewards inherent in these schemes have already vested with the participants, Investec is entitled to recognise its respective pro-rata share of any income and balance sheet items associated with the scheme as being externally generated. This accounting treatment has been consistently applied in the current and prior years.

Historically shares that were not entitled to dividends were not included in the wanos. In order to match the wanos to the group's pro rata share of income associated with such schemes the wanos has been increased by the weighted number of shares vested, notwithstanding no dividend being payable on these shares.

The impact of this change in methodology has resulted in wanos increasing from 90 878 706 to 93 291 446 in the prior period, resulting in comparative earnings per share - pre goodwill and exceptional items decreasing from 98.7 pence (including the effects of UITF 37 and FRS 17 per above) to 96.1 pence.

Had the original methodology been applied in the current period, the wanos would have been 97 330 743 (instead of 102 300 071) and the equivalent earnings per share - pre goodwill and exceptional items would have been 109.0 pence (instead of 103.7 pence) an increase of 13.1% over the prior period.

## Dividend announcement

### Investec Limited

Notice is hereby given that a final dividend (No.97) of 360 cents (2003:356 cents) per ordinary share has been proposed by the board in respect of the year ended 31 March 2004.

The exchange rate used to convert the Investec plc final dividend of 30 pence per ordinary share into cents is £1:R12.00 which represents the average spot rate at 11h00 (SA time) on Wednesday, 26 May 2004.

The relevant dates for the payment of the dividend are:

Last day to trade cum dividend	Friday, 23 July 2004
Shares commence trading ex-dividend	Monday, 26 July 2004
Record date	Friday, 30 July 2004
Payment date	Monday, 23 August 2004

Share certificates may not be dematerialized or rematerialized between Monday, 26 July 2004 and Friday, 30 July 2004, both dates inclusive.

In terms of UK requirements it is necessary for the final dividend to be approved at an Annual General Meeting of members which is scheduled to take place on 19 August 2004.

By order of the board



S Noik  
Company Secretary

27 May 2004



# Dividend announcement

## Investec plc

Notice is hereby given that a final dividend (No.4) of 30 pence (2003:28 pence) per ordinary share has been proposed by the board in respect of the year ended 31 March 2004.

The relevant dates for the payment of the dividend are:

**Last day to trade cum dividend**

- |   |                       |
|---|-----------------------|
| - On the London Stock Exchange                | Tuesday, 27 July 2004 |
| - On the JSE Securities Exchange South Africa | Friday, 23 July 2004  |

**Shares commence trading ex-dividend:**

- |   |                         |
|---|-------------------------|
| - On the London Stock Exchange                | Wednesday, 28 July 2004 |
| - On the JSE Securities Exchange South Africa | Monday, 26 July 2004    |

**Record date:**

- |   |                      |
|---|----------------------|
| - On the London Stock Exchange                | Friday, 30 July 2004 |
| - On the JSE Securities Exchange South Africa | Friday, 30 July 2004 |

**Payment date:**

- |                           |                        |
|---------------------------|------------------------|
| - United Kingdom register | Monday, 23 August 2004 |
| - South African register  | Monday, 23 August 2004 |

Share certificates on the South African branch register may not be dematerialised or rematerialised between Monday, 26 July 2004 and Friday, 30 July 2004 both dates inclusive, nor may transfers between the UK and SA registers take place between Monday, 26 July 2004 and Friday, 30 July 2004, both dates inclusive.

Shareholders registered on the South African register are advised that the final dividend of 30 pence, equivalent to 360 cents per share, has been arrived at using the Rand/Sterling conversion rate, as determined at 11h00 (SA time) on Wednesday, 26 May 2004.

The Annual General Meeting of members at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 19 August 2004.

By order of the board



R Vardy  
Company Secretary

27 May 2004

## Consolidated profit and loss accounts

UK GAAP £'000	Year to 31 March 2004			Year to 31 March 2003*		
	Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	Goodwill & exceptional items	Total
Interest receivable- interest income arising from debt securities	91 845	–	91 845	171 066	–	171 066
Interest receivable- other interest income	588 067	–	588 067	678 615	–	678 615
Interest payable	(574 249)	–	(574 249)	(738 980)	–	(738 980)
<b>Net interest income</b>	<b>105 663</b>	<b>–</b>	<b>105 663</b>	<b>110 701</b>	<b>–</b>	<b>110 701</b>
Dividend income	3 450	–	3 450	3 597	–	3 597
Fees and commissions receivable	340 528	–	340 528	330 959	–	330 959
- annuity	272 718	–	272 718	287 199	–	287 199
- deal	67 810	–	67 810	43 760	–	43 760
Fees and commission payable	(22 155)	–	(22 155)	(54 768)	–	(54 768)
Dealing profits	91 015	–	91 015	57 668	–	57 668
Income from long-term assurance business	5 082	–	5 082	27 779	–	27 779
Return on shareholders' funds in the long-term assurance business	24 122	–	24 122	15 551	–	15 551
Other operating income	13 028	–	13 028	27 780	–	27 780
<b>Other income</b>	<b>455 070</b>	<b>–</b>	<b>455 070</b>	<b>408 566</b>	<b>–</b>	<b>408 566</b>
<b>Total operating income</b>	<b>560 733</b>	<b>–</b>	<b>560 733</b>	<b>519 267</b>	<b>–</b>	<b>519 267</b>
Administrative expenses	(395 188)	–	(395 188)	(400 780)	–	(400 780)
Depreciation and amortisation	(12 448)	(50 644)	(63 092)	(14 417)	(122 302)	(136 719)
- tangible fixed assets	(12 448)	–	(12 448)	(14 417)	–	(14 417)
- amortisation and impairment of goodwill	–	(50 644)	(50 644)	–	(122 302)	(122 302)
Provision for bad and doubtful debts	(20 958)	–	(20 958)	(18 308)	–	(18 308)
<b>Operating profit/(loss)</b>	<b>132 139</b>	<b>(50 644)</b>	<b>81 495</b>	<b>85 762</b>	<b>(122 302)</b>	<b>(36 540)</b>
Operating profit/(loss) from continuing operations	132 139	(50 644)	81 495	102 431	(116 599)	(14 168)
Operating loss from discontinued operations	–	–	–	(16 669)	(5 703)	(22 372)

\* Restated for changes to accounting policies and disclosures.

## Consolidated profit and loss accounts

UK GAAP £'000	Year to 31 March 2004			Year to 31 March 2003*		
	Before goodwill & exceptional items	Goodwill & exceptional items	Total	Before goodwill & exceptional items	Goodwill & exceptional items	Total
<b>Operating profit/(loss)</b>	<b>132 139</b>	<b>(50 644)</b>	<b>81 495</b>	<b>85 762</b>	<b>(122 302)</b>	<b>(36 540)</b>
Share of income of associated companies	11 205	(2 132)	9 073	11 350	(1 644)	9 706
Exceptional items	–	8 529	8 529	–	(28 757)	(28 757)
Provision for losses on termination and disposal of group operations – discontinued	–	(5 103)	(5 103)	–	(9 437)	(9 437)
Losses on termination and disposal of group operations - discontinued	–	(24 328)	(24 328)	–	(16 493)	(16 493)
Less provision made last year	–	19 225	19 225	–	7 056	7 056
Impairment of goodwill on discontinued operations	–	–	–	–	(19 047)	(19 047)
Profit on disposal of group operations - continuing	–	13 632	13 632	–	5 800	5 800
Fundamental reorganisation and restructuring costs - continuing	–	–	–	–	(6 073)	(6 073)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>143 344</b>	<b>(44 247)</b>	<b>99 097</b>	<b>97 112</b>	<b>(152 703)</b>	<b>(55 591)</b>
Tax on profit on ordinary activities	(27 821)	(678)	(28 499)	(5 377)	–	(5 377)
Tax on profit on ordinary continuing activities	(27 821)	–	(27 821)	838	–	838
Tax on loss on ordinary discontinued activities	–	–	–	(6 215)	–	(6 215)
Tax on termination and disposal of group operations - continuing	–	(678)	(678)	–	–	–
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>115 523</b>	<b>(44 925)</b>	<b>70 598</b>	<b>91 736</b>	<b>(152 703)</b>	<b>(60 968)</b>
Minority interests-equity	(1 888)	75	(1 813)	(1 646)	–	(1 646)
<b>Profit/(loss) attributable to shareholders</b>	<b>113 635</b>	<b>(44 850)</b>	<b>68 785</b>	<b>90 089</b>	<b>(152 703)</b>	<b>(62 614)</b>
Dividends—including non-equity	(63 709)	–	(63 709)	(53 428)	–	(53 428)
<b>Retained profit/(loss) for the year</b>	<b>49 926</b>	<b>(44 850)</b>	<b>5 076</b>	<b>36 661</b>	<b>(152 703)</b>	<b>(116 042)</b>

\* Restated for changes to accounting policies and disclosures.

## Consolidated profit and loss accounts

UK GAAP £'000	Continuing operations			Discontinuing operations	
	Year to 31 March 2004	Year to 31 March 2003*	% Change	Year to 31 March 2004	Year to 31 March 2003*
<b>Net interest income</b>	<b>105 663</b>	<b>106 642</b>	<b>(0.9%)</b>	–	<b>4 059</b>
Dividend income	3 450	3 597	(4.1%)	–	–
Net fees and commissions receivable	318 373	249 708	27.5%	–	26 483
Dealing profits	91 015	58 629	55.2%	–	(961)
Income from long-term assurance business	5 082	27 779	(81.7%)	–	–
Return on shareholders' funds in the long-term assurance business	24 122	15 551	55.1%	–	–
Other operating income	13 028	28 774	(54.7%)	–	(994)
<b>Other income</b>	<b>455 070</b>	<b>384 038</b>	<b>18.5%</b>	–	<b>24 528</b>
<b>Total operating income</b>	<b>560 733</b>	<b>490 680</b>	<b>14.3%</b>	–	<b>28 587</b>
Administrative expenses	(395 188)	(356 468)	10.9%	–	(44 312)
Depreciation	(12 448)	(13 473)	(7.6%)	–	(944)
Provision for bad and doubtful debts	(20 958)	(18 308)	14.5%	–	–
<b>Operating profit/(loss) before goodwill and exceptional items</b>	<b>132 139</b>	<b>102 431</b>	<b>29.0</b>	–	<b>(16 669)</b>
Share of income of associated companies before goodwill	11 205	11 350	(1.3%)	–	–
<b>Profit/(loss) on ordinary activities before taxation, goodwill and exceptional items</b>	<b>143 344</b>	<b>113 781</b>	<b>26.0%</b>	–	<b>(16 669)</b>

## Consolidated statements of recognised gains and losses

UK GAAP £'000	31 March 2004	31 March 2003*
Profit/(loss) for the year attributable to shareholders	68 785	(62 614)
Currency translation differences on foreign currency net investments	(4 104)	(13 870)
Unrealised surplus on revaluation of investment properties	13 982	18 265
Transfer to pension fund deficit	(1 294)	(9 707)
<b>Total recognised gains and losses for the year</b>	<b>77 369</b>	<b>(67 926)</b>
Prior year adjustments in respect of changes in accounting policies	(2 226)	–
<b>Total gains and losses since last annual report</b>	<b>75 143</b>	–

\* Restated for changes to accounting policies and disclosures.

## Consolidated balance sheets

UK GAAP £'000	31 March 2004	31 March 2003*
<b>Assets</b>		
Cash and balances at central banks	363 862	348 343
Treasury bills and other eligible bills	332 208	243 019
Loans and advances to banks	1 704 715	2 758 797
Loans and advances to customers	6 345 848	4 883 903
Debt securities	1 466 437	1 931 265
Equity shares	418 254	147 638
Interests in associated undertakings	70 006	62 422
Other participating interests	9 135	–
Intangible fixed assets	251 508	299 773
Tangible fixed assets	146 326	205 982
Own shares	43 780	52 223
Other assets	1 081 131	1 211 441
Prepayments and accrued income	81 511	124 390
Long-term assurance business attributable to the shareholder	265 315	108 528
	12 580 036	12 377 724
Long-term assurance assets attributable to policyholders	2 781 335	2 536 319
	<b>15 361 371</b>	<b>14 914 043</b>
<b>Liabilities</b>		
Deposits by banks	1 233 609	2 129 292
Customer accounts	7 211 292	6 354 867
Debt securities in issue	621 857	1 089 756
Other liabilities	1 969 855	1 580 881
Accruals and deferred income	185 600	254 413
Pension fund liability	11 967	10 041
	11 234 180	11 419 250
Long-term assurance liabilities attributable to policyholders	2 781 335	2 536 319
	<b>14 015 515</b>	<b>13 955 569</b>
<b>Capital Resources</b>		
Subordinated liabilities (including convertible debt)	497 858	279 702
Minority interests – equity	39 029	38 804
Called up share capital	165	158
Share premium account	1 020 890	980 321
Treasury shares	(52 102)	(40 987)
Shares to be issued	2 666	2 428
Perpetual preference shares	126 698	–
Revaluation reserves	43 142	29 160
Other reserves	(168 402)	(166 907)
Profit and loss account	(164 088)	(164 205)
Shareholders' funds	808 969	639 968
- equity	682 271	639 968
- non-equity	126 698	–
	1 345 856	958 474
	<b>15 361 371</b>	<b>14 914 043</b>

\* Restated for changes to accounting policies and disclosures.

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

UK GAAP £'000	31 March 2004	31 March 2003*
<b>Balance at the beginning of year</b>	<b>639 968</b>	<b>733 797</b>
- As previously reported	696 968	734 302
- Changes in accounting policies		
Adoption of full requirements of FRS 17 : Retirement benefits	(9 173)	487
Adoption of UITF 37 : Purchase and sale of own shares	(47 827)	(992)
Foreign currency adjustments	(4 104)	(13 870)
Retained profit/(loss) for the year	5 076	(116 042)
Transfer to pension fund deficit	(1 294)	(9 707)
Reduction of shareholding in associate	(1 056)	–
Issue of ordinary shares/shares to be issued	45 995	112 588
Issue of perpetual preference shares	127 484	–
Share issue expenses	(2 031)	(32 213)
Movement in treasury shares	(15 051)	(47 772)
Cancellation of shares	–	(5 079)
Conversion of debentures	–	1
Revaluation of investment properties	13 982	18 265
<b>Balance at the end of year</b>	<b>808 969</b>	<b>639 968</b>

## Consolidated cash flow statements

UK GAAP £'000	31 March 2004	31 March 2003*
Net cash (outflow)/inflow from operating activities	(589 773)	93 215
Net cash outflow from return on investments and servicing of finance	(52 663)	(25 511)
Taxation	(31 917)	(21 151)
Net cash inflow/(outflow) from capital expenditure and financial investment	398 238	(111 527)
Net cash (outflow)/inflow from acquisitions and disposals	80 226	(9 629)
Ordinary share dividends paid	(52 810)	(54 335)
Net cash inflow/(outflow) from financing	387 691	(2 335)
Increase/(decrease) in cash	138 992	(131 273)
Cash and demand bank balances at beginning of the year	1 033 902	1 165 175
<b>Cash and demand bank balances at end of the year</b>	<b>1 172 894</b>	<b>1 033 902</b>

\* Restated for changes to accounting policies and disclosures.

additional information

04

**financial** performance of Investec plc  
(incorporating the results of Investec Limited)

## 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	31 March 2004	31 March 2003	Variance	% Change
<b>Net interest income</b>	<b>105 663</b>	<b>110 701</b>	<b>(5 038)</b>	<b>(4.6%)</b>
<i>Variance explained as follows:</i>				
Investment Banking	6 484	4 548	1 936	42.6%
Private Banking	78 914	65 506	13 408	20.5%
Private Client Portfolio Management and Stockbroking	4 677	4 668	9	0.2%
Treasury and Specialised Finance	41 405	31 892	9 513	29.8%
Asset Management	2 900	2 993	(93)	(3.1%)
Group Services and Other Activities	(28 717)	(2 965)	(25 752)	>(100%)
Discontinued Operations	–	4 059	(4 059)	–

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

- The solid increase in net interest income in the South African, UK and Australian Private Banking operations has been driven by a healthy growth in advances since 31 March 2003 of 26.4%, 14.7% and 28.7% respectively.
- The UK Treasury and Specialised Finance operations have benefited from growth in the banking and lending businesses albeit off a low base. Furthermore, in Israel the declining rate environment was conducive for both bond and equity markets and the division benefited from the effective management of its bond portfolio. On the other hand, net interest income in the South African Treasury and Specialised Finance operations decreased by 12.7% in Rand terms, as a consequence of the declining rate environment in which this division experienced a margin squeeze resulting from its assets repricing quicker than its liabilities.
- The decline in net interest income in Group Services and Other Activities was largely attributable to the significant increase in interest on subordinated debt of £16.2 million. The group raised £44.4 million of subordinated debt in South Africa towards the end of the 2003 financial year and a further £200 million in the UK in February 2004. Furthermore, net interest income was negatively affected by the replacement of a large portion of US Dollar debt with more expensive Sterling borrowings in the UK operations and a significant decline in interest rates that occurred in South Africa over the period.



UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Net fees and commissions receivable</b>	<b>318 373</b>	<b>276 191</b>	<b>42 182</b>	<b>15.3%</b>

Variance explained as follows:

Investment Banking	51 501	36 141	15 360	42.5%
Private Banking	62 180	46 449	15 731	33.9%
Private Client Portfolio Management and Stockbroking	52 456	45 569	6 887	15.1%
Treasury and Specialised Finance	35 389	24 491	10 898	44.5%
Asset Management	100 129	85 976	14 153	16.5%
Group Services and Other Activities	16 718	11 082	5 636	50.9%
Discontinued Operations	–	26 483	(26 483)	–

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

- The corporate finance operations in South Africa, UK and Australia have performed well. The solid growth in net fees and commissions receivable is largely attributable to the significant turnaround in the group's UK operations which have benefited from an increase in commissions on market making stocks and have witnessed a strong increase in advisory fees received.
- The solid growth in net fees and commissions receivable in the Private Banking division is attributable to increased lending turnover in all operations. Furthermore, the division continued to benefit from its diverse nature of activities, with structured and transactional banking fees in South Africa, and specialised lending and fiduciary fees in the UK, experiencing strong growth over the period.
- The Private Client Portfolio Management and Stockbroking businesses remain susceptible to equity market conditions, although market confidence is improving. Carr Sheppards Crosthwaite in the UK, continued to benefit from net inflows of £360 million (to March 2003: £376 million) largely in discretionary mandates. In South Africa the division has also benefited from an increase in funds under management, although market volumes on the JSE remain subdued.
- The substantial increase in net fees and commissions receivable in the Treasury and Specialised Finance division is attributable to the rapid growth and successful performance of the relatively new banking and advisory teams in the UK (acquired Project Finance team in December 2001 and Structured Finance team in July 2002). Following the restructuring of the Treasury and Specialised Finance businesses in the UK, the group has made a concerted effort to grow the banking and advisory businesses. In South Africa, the division experienced good growth in structured finance fees received although deal fees within the Project Finance division declined over the prior period.
- In South Africa, the Asset Management division reported an increase in net fees and commissions receivable of 1.7% in Rand terms and thus the appreciation of the Rand against Pounds Sterling accounts for approximately £10 million of the variance. In the UK operations net fees and commissions receivable increased mainly due to the strong net inflows on the onshore (£284 million) and offshore (£236 million) retail book and the strengthening of the market. Although the institutional book showed net outflows of £50 million, the mix of the book has shifted in favour of pension fund business, which generated new business of £480 million.
- Group Services and Other Activities enjoyed a strong growth in net fees and commissions receivable largely as a result of the significant increase in the South African Property division's total assets under management of 43.8% to R12.5 billion (£1 billion) since March 2003.

## Profit and loss account variance analysis

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Dealing profits (trading income)</b>	<b>91 015</b>	<b>57 668</b>	<b>33 347</b>	<b>57.8%</b>
<i>Variance explained as follows:</i>				
Investment Banking	23 721	9 233	14 488	>100%
Private Banking	6 380	7 812	(1 432)	(18.3%)
Private Client Portfolio Management and Stockbroking	1 137	936	201	21.5%
Treasury and Specialised Finance	35 634	35 454	180	0.5%
Asset Management	1 736	722	1 014	>100%
Group Services and Other Activities	22 407	4 472	17 935	>100%
Discontinued Operations	–	(961)	961	–

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

- Dealing profits represent the year to date cumulative increase/decrease in the value of the trading investments held in 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".
  - Realised gains amounted to approximately £10 million (eg. Growthpoint, AAV (Abacus), NAIL, PG Bison).
  - Unrealised gains amounted to approximately £10 million (eg. AMB, Cadiz, Growthpoint, Metboard, Chlorchem,).
- The UK Treasury and Specialised Finance division reported solid growth in dealing profits, which was offset by a poor trading performance in the South African operations. In South Africa, the trading books were positioned for the decline in interest rate cuts that occurred over the period, but not aggressively enough to cover the margin squeeze that emanated from such a decline. The currency trading desk was negatively impacted by the significant steepening of the US Dollar interest rate curve. In the UK the division benefited from the restructuring of its trading activities undertaken in the prior year and from an improved performance from the equity derivatives and commodities trading desks. The equity derivatives division benefited from its newly commenced trading in total return equity swaps and from convertible bond arbitrage, whilst the commodities desk posted solid results as a result of an increase in the number of aluminium, copper, nickel and gold trades off the back of increased levels of client business.
- The Group Services and Other Activities division reported a significant increase in dealing profits as a result of: an increased return on certain investments held in the corporate portfolio; a more favourable operating environment experienced by the UK Traded Endowments business and a solid performance from the South African Property division.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Income from long-term assurance business</b>	<b>5 082</b>	<b>27 779</b>	<b>(22 697)</b>	<b>(81.7%)</b>

- Investec Employee Benefits generated significant income in the prior year in relation to the restructuring and rationalisation of its activities.

## Profit and loss account variance analysis

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Return on shareholders' funds in the long-term assurance business</b>	<b>24 122</b>	<b>15 551</b>	<b>8 571</b>	<b>55.1%</b>

- The substantial growth in the return on shareholders' funds in the long-term assurance business conducted through Investec Employee Benefits (IEB) is as a result of the increase in long-term assurance assets attributable to shareholders' from £108.5 million to £265.3 million. The large increase in net asset value was as a result of retained profits (as no dividend has been paid out of IEB), together with a decrease in intercompany loans between IEB and its holding company. This return requires separate disclosure in line with life assurance reporting. A natural consequence thereof is a decline in the yield generated by the Central Funding division.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Other operating income</b>	<b>13 028</b>	<b>27 780</b>	<b>(14 752)</b>	<b>(53.1%)</b>

*Variance explained as follows:*

Investment Banking	5 904	12 654	(6 750)	(53.3%)
Private Banking	1 213	234	979	>100%
Private Client Portfolio Management and Stockbroking	130	50	80	>100%
Treasury and Specialised Finance	(1 458)	341	(1 799)	>(100%)
Asset Management	138	16	122	0.1%
Group Services and Other Activities	7 101	15 479	(8 378)	(54.1%)
Discontinued Operations	–	(994)	994	–

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

- In the Investment Banking division other operating income for the year largely comprises dividends received and profits generated on the further realisations of certain investments which were regarded as longer-term in nature. In the prior year, the UK Private Equity division benefited from the partial sale of Focus.
- Other operating income in the Group Services and Other Activities division comprises approximately £3 million profit earned in respect of the share buy-back undertaken by Insinger in which the group held approximately 8%. The remainder of the income earned is principally attributable to the recovery in market values in investments held by the group. The negative variance is explained in relation to the variance on the return on shareholders' funds (as explained above).

## Profit and loss account variance analysis

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Administrative expenses</b>	<b>(395 188)</b>	<b>(400 780)</b>	<b>5 592</b>	<b>(1.4%)</b>
<i>Variance explained as follows:</i>				
Investment Banking	(49 636)	(49 164)	(472)	1.0%
Private Banking	(86 176)	(75 290)	(10 886)	14.5%
Private Client Portfolio Management and Stockbroking	(48 899)	(45 487)	(3 412)	7.5%
Treasury and Specialised Finance	(72 837)	(66 577)	(6 260)	9.4%
Asset Management and Assurance Activities	(79 794)	(71 896)	(7 898)	11.0%
Group Services and Other Activities	(57 846)	(48 054)	(9 792)	20.4%
Discontinued Operations	–	(44 312)	44 312	–

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

- The increase in expenses in the Private Banking division is mainly attributable to the South African operations which experienced a 15.0% increase in costs in Rand terms largely as a result of an increase in personnel costs (given an increase in headcount) and an increase in incentive based remuneration in line with strong growth in profitability. Furthermore, the division experienced an increase in marketing costs as a result of a new branding campaign launched in South Africa.
- Carr Sheppards Crosthwaite reported an increase in expenses as a result of an increase in incentive based remuneration in line with improved profitability. The South African Private Client Portfolio Management and Stockbroking operations experienced a decline in costs in Rand terms of 8.8% as the full benefits of the reduction in headcount undertaken over the past two years started to filter through.
- Expenses in the Treasury and Specialised Finance division have increased largely as a result of the appreciation of the Rand against Pounds Sterling over the period.
- Asset Management and Assurance Activities have experienced an increase in expenses largely as a result of the appreciation of the Rand against Pounds Sterling. The South African Asset Management operations experienced a decline in costs of 3.9% in Rand terms.
- The increase in expenses in Group Services and Other Activities is as a result of:
  - The South African operations experienced an increase in costs mainly as a result of: an increase in insurance, professional and audit fees and an increase in rental charges following the sale of the assets and the liabilities of 100 Grayston Drive Property (Pty) Limited and Block E Power Station Properties (Pty) Limited. This accounts for approximately £1.3 million of the variance. Furthermore, the appreciation of the Rand against Pounds Sterling accounts for approximately £1.4 million of the variance.
  - The Property division in South Africa experienced a 38.2% increase in costs in Rand terms largely as a result of an increase in headcount required to deal with the increased business activity and expanded portfolios. This accounts for approximately £4 million of the variance.
  - As part of the group's continued rationalisation and restructuring exercise coupled with an effort to retain key employees, the UK operations have incurred additional expenses during the second half of the year mainly in relation to retrenchment costs and additional incentive based remuneration provided. This accounts for approximately £3.6 million of the variance.
  - The UK operations experienced an increase in premises expenses as a result of an increase in municipal rates and a provision against the loss of rent from a sub-tenant following the renegotiation of the lease contract. This accounts for £1 million of the variance.
  - There was an increase in general expenses within the UK operations relating to insurance, business recovery costs and marketing spend. This accounts for approximately £900 thousand of the variance.
  - The Australian operations experienced an increase in costs as a result of expansion of the business. This accounts for £2 million of the variance.
  - The UK Traded Endowments business and US continuing business reflected a decline in costs in line with the rationalisation and restructuring that has taken place in these areas. This offsets the increase in costs (explained above) by approximately £5.4 million.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Provision for bad and doubtful debts</b>	<b>(20 958)</b>	<b>(18 308)</b>	<b>(2 650)</b>	<b>14.5%</b>

Variance explained as follows:

Investment Banking	–	(589)	589	–
Private Banking	(14 203)	(12 611)	(1 592)	12.6%
Private Client Portfolio Management and Stockbroking	–	–	–	–
Treasury and Specialised Finance	(3 942)	(4 258)	316	(7.4%)
Asset Management and Assurance Activities	–	(40)	40	–
Group Services and Other Activities	(2 813)	(810)	(2 003)	>(100%)
Discontinued Operations	–	–	–	–

Significant variances over the period can be explained as follows:

- The increase in provision for bad and doubtful debts was mainly as a result of solid book growth and the appreciation of the Rand against Pounds Sterling over the period.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Goodwill amortisation and impairments</b>	<b>(50 644)</b>	<b>(122 302)</b>	<b>71 658</b>	<b>(58.6%)</b>

Variance explained as follows:

Investment Banking	(5 841)	(6 795)	954	(14.0%)
Private Banking	(3 740)	(13 469)	9 729	(72.2%)
Private Client Portfolio Management and Stockbroking	(607)	–	(607)	–
Treasury and Specialised Finance	(2 658)	177	(2 835)	>(100%)
Asset Management and Assurance Activities	(23 754)	(74 419)	50 665	(68.1%)
Group Services and Other Activities	(14 044)	(22 093)	8 049	(36.4%)
Discontinued Operations	–	(5 703)	5 703	–

- The charge for goodwill amortisation and impairment decreased significantly from £122.3 million to £51.1 million. The prior year figure included £49.6 million relating to additional impairments of the business acquired through the Fedsure acquisition. Included in the current period is an amount of £8.1 million relating to an impairment of the Traded Endowments business acquired through Fedsure.

## Profit and loss account variance analysis

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Exceptional items</b>	<b>8 529</b>	<b>(28 757)</b>	<b>37 286</b>	<b>&gt;100%</b>

Variance explained as follows:

Provision for losses on termination and disposal of group operations - discontinued	(5 103)	(9 437)	4 334	>(100%)
Impairment of goodwill on discontinued operations	–	(19 047)	19 047	–
Profit on disposal of group operations - continuing	13 632	5 800	7 832	>100%
Fundamental reorganisation and restructuring costs - continuing	–	(6 073)	6 073	–

### For the year-ended 31 March 2004:

- The group has made a final exceptional charge for losses on termination of its operations in the US amounting to £5.1 million including future run-off costs. To the extent that any costs are incurred in future periods in excess of this charge they will be treated as non-exceptional operating expenses.
- The £13.6 million profit on disposal of group operations largely represents the sale of the assets and liabilities of 100 Grayston Drive Property (Pty) Limited and Block E Power Station Properties (Pty) Limited at market value.

UK GAAP £'000	31 March 2004	31 March 2003	Variance	% Change
<b>Taxation</b>	<b>(28 499)</b>	<b>(5 377)</b>	<b>(23 122)</b>	<b>&gt;(100%)</b>

Variance explained as follows:

Southern Africa	(16 291)	(9 967)	(6 324)	63.4%
UK and Europe	(6 300)	13 684	(19 984)	>(100%)
Australia	(2 833)	(2 452)	(381)	15.5%
Israel	(3 474)	(427)	(3 047)	>100%
USA	399	–	399	–
Discontinued Operations	–	(6 215)	6 215	–

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

- The effective tax rate in South Africa has risen from 14.3% in 2003 to 21.0% in 2004 as the group utilises its assessed losses.
- The effective tax rate in the UK of 16.3% has increased significantly. In 2003 the group's UK operation booked an £8 million corporation tax credit, as an adjustment to prior years, and additionally reversed £8 million of deferred tax provisions.
- The effective tax rate in Australia of 29.4% (2003: 41.4%) has decreased and now mirrors the corporate tax rate. In 2003 additional tax was raised in respect of under provisioning in prior years.
- The effective tax rate in Israel has risen significantly from 12.2% in 2003 to 58.7% because taxation is paid on inflation-adjusted earnings, which have been larger than nominal earnings in this period due to the negative inflation rate.
- Taxation in the US has declined as a result of the sale and closure of the majority of the operations in the region. In the prior year a net charge of £6.2 million arose due to the write off of all deferred tax assets as a result of the group's reduced potential to generate sizeable profits in the continuing businesses which would absorb these tax losses.

## Dividends and earnings per share

UK GAAP	Year to 31 March 2004	Year to 31 March 2003*
<b>Ordinary dividends - pence per share</b>		
Interim	28.0	26.0
Final	30.0	28.0
	58.0	54.0
<b>Ordinary dividends</b>		
	<b>£'000</b>	<b>£'000</b>
Interim	25 277	27 539
Final	30 879	25 468
	56 156	53 007
Preference dividends	7 553	421
Total dividends	63 709	53 428
<b>Earnings per share - pence per share</b>		
Basic earnings/(loss) 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 year:		
	59.9	(69.4)
<b>Earnings per share - £'000</b>		
	<b>£'000</b>	<b>£'000</b>
Group profit/(loss) attributable to the shareholders per profit and loss account	68 785	(62 614)
Preference dividends	(7 553)	(421)
<b>Group profit/(loss) attributable to ordinary shareholders</b>	<b>61 232</b>	<b>(63 035)</b>
<b>Diluted earnings per share - pence per share</b>		
Group profit/(loss) attributable to ordinary shareholders	61 232	(63 035)
Diluted earnings/(loss) 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 year 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 year:		
	62.9	(69.4)
<b>Weighted average number of shares</b>		
Weighted average number of shares in issue during the year	1 14 884 639	1 07 559 259
Weighted average number of own shares and treasury shares	(12 584 568)	(14 267 814)
	1 02 300 071	93 291 446
<b>Weighted average number of shares resulting from future dilutive potential shares</b>		
	-	-
<b>Weighted average number of shares resulting from future dilutive convertible instruments</b>		
	-	-
<b>Adjusted weighted number of shares potentially in issue</b>	<b>1 02 300 071</b>	<b>93 291 446</b>

\* Restated for changes to accounting policies and disclosures.

## Earnings per share

UK GAAP	Year to 31 March 2004	Year to 31 March 2003*
<b>EPS excluding goodwill amortisation and exceptional items - pence per share</b>		
Basic earnings per share excluding goodwill and exceptional items are calculated by dividing the profit before deducting goodwill amortisation and impairment and exceptional items attributable to the ordinary shareholders in Investec plc by the weighted average number of ordinary shares in issue during the year:	103.7	96.1
	<b>£'000</b>	<b>£'000</b>
Group profit/(loss) attributable to ordinary shareholders	61 232	(63 035)
Amortisation and impairment of goodwill	50 644	122 302
Profit on termination and disposal of group operations - continuing	(13 029)	(5 800)
Provision for losses on termination and disposal of group operations (net of deferred tax)	5 103	9 437
Impairment of goodwill on discontinued operations	–	19 047
Amortisation of goodwill of associates	2 132	1 644
Fundamental reorganisation and restructuring costs - continuing	–	6 073
<b>Earnings attributable to ordinary shareholders excluding goodwill and exceptional items</b>	<b>106 082</b>	<b>89 668</b>
<b>Headline EPS - pence per share</b>		
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."	103.4	89.6
	<b>£'000</b>	<b>£'000</b>
Group profit/(loss) attributable to ordinary shareholders	61 232	(63 035)
Amortisation and impairment of goodwill	50 644	122 302
Profit on termination and disposal of group operations - continuing	(13 029)	(5 800)
Provision for losses on termination and disposal of group operations (net of deferred tax)	5 103	9 437
Impairment of goodwill on discontinued operations	–	19 047
Amortisation of goodwill of associates	2 132	1 644
Profit on sale of investment equities	(330)	–
<b>Headline earnings attributable to ordinary shareholders</b>	<b>105 752</b>	<b>83 595</b>

\* Restated for changes to accounting policies and disclosures.



## Reconciliation of the number of shares in issue for EPS purposes

UK GAAP	Transaction date	Actual (mn)	Weighted for EPS (mn)
Total number of shares in issue at 31 March 2003		113	113
Shares issued in Investec Limited		5.6	1.9
		<u>118.6</u>	<u>114.9</u>
Less: weighted average number of own shares	various	–	(12.6)
Number of shares in issue for EPS purposes as at 31 March 2004			<u>102.3</u>

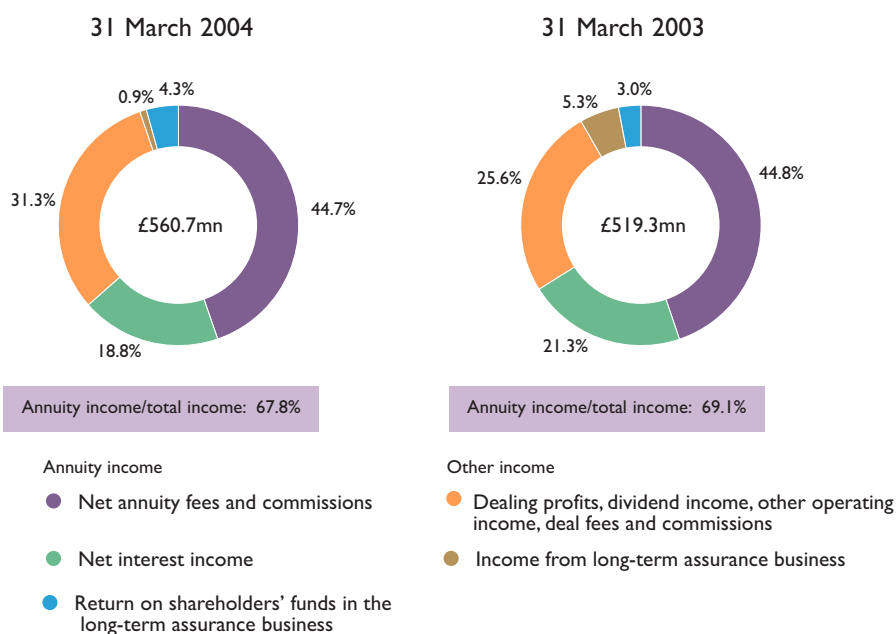
## An analysis of operating income

UK GAAP £'000	Year to 31 March 2004	Year to 31 March 2003*	% Change
Net interest income	105 663	110 701	(4.6%)
Dividend income	3 450	3 597	(4.1%)
Fees and commissions receivable	318 373	276 191	15.3%
- annuity (net of fees payable)	250 563	232 431	7.8%
- deal	67 810	43 760	55.0%
Dealing profits	91 015	57 668	57.8%
Income from long-term assurance business	5 082	27 779	(81.7%)
Return on shareholders' funds in the long-term assurance business	24 122	15 551	55.1%
Other operating income	13 028	27 780	(53.1%)
<b>Operating income</b>	<b>560 733</b>	<b>519 267</b>	<b>8.0%</b>

\* Restated for changes to accounting policies and disclosures.

## Quality of earnings

UK GAAP



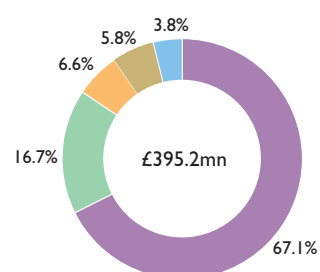
## An analysis of administrative expenses

UK GAAP £'000	Year to 31 March 2004	Year to 31 March 2003*	% Change
Staff costs (including directors' remuneration)	265 234	265 437	(0.1%)
Business expenses	65 924	74 628	(11.7%)
Equipment (excluding depreciation)	22 838	25 569	(41.6%)
Premises (excluding depreciation)	26 248	22 303	17.7%
Marketing expenses	14 944	12 843	16.4%
<b>Administrative expenses</b>	<b>395 188</b>	<b>400 780</b>	<b>(1.4%)</b>

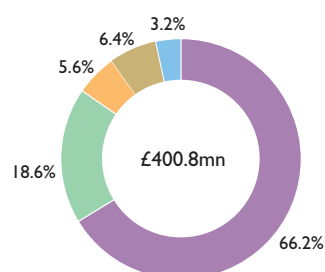
\* Restated for changes to accounting policies and disclosures.

### UK GAAP

31 March 2004



31 March 2003



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

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

For the year ended 31 March 2004

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Ops	Total group
<b>Profit and Loss Account Salient Information</b>							
Net interest income	37 513	43 594	13 210	10 874	472	–	105 663
Other income	220 708	200 520	12 871	11 632	9 339	–	455 070
Dividend income	3 162	249	12	27	–	–	3 450
Net fees & commissions receivable	121 422	172 334	12 571	10 026	2 020	–	318 373
Dealing profits	59 034	23 981	277	977	6 746	–	91 015
Income from long-term assurance business	5 082	–	–	–	–	–	5 082
Return on shareholders' funds in the long-term assurance business	24 122	–	–	–	–	–	24 122
Other operating income	7 886	3 956	11	602	573	–	13 028
<b>Total operating income</b>	<b>258 221</b>	<b>244 114</b>	<b>26 081</b>	<b>22 506</b>	<b>9 811</b>	<b>–</b>	<b>560 733</b>
Administrative expenses	(158 149)	(197 079)	(15 824)	(14 911)	(9 225)	–	(395 188)
Depreciation–tangible fixed assets	(5 898)	(5 204)	(259)	(934)	(153)	–	(12 448)
Provision for bad and doubtful debts	(16 746)	(3 097)	(372)	(743)	–	–	(20 958)
<b>Operating profit before exceptional items and amortisation of goodwill</b>	<b>77 428</b>	<b>38 734</b>	<b>9 626</b>	<b>5 918</b>	<b>433</b>	<b>–</b>	<b>132 139</b>
Share of income/(loss) of associated companies	9 249	–	(300)	(17)	141	–	9 073
<b>Profit on ordinary activities before taxation</b>	<b>86 677</b>	<b>38 734</b>	<b>9 326</b>	<b>5 901</b>	<b>574</b>	<b>–</b>	<b>141 212</b>
Taxation	(16 291)	(6 300)	(2 833)	(3 474)	399	–	(28 499)
Minority interests–equity	(1 267)	(41)	–	(505)	–	–	(1 813)
<b>Profit on ordinary activities after taxation</b>	<b>69 119</b>	<b>32 393</b>	<b>6 493</b>	<b>1 922</b>	<b>973</b>	<b>–</b>	<b>110 900</b>
Amortisation and impairment of goodwill	(31 673)	(12 919)	(6 052)	–	–	–	(50 644)
Other exceptional items	13 632	–	–	–	–	(5 103)	8 529
<b>Selected Returns and Key Statistics</b>							
Net intercompany interest (£'000)	10 259	(8 787)	(369)	–	(1 103)	–	–
Cost to income ratio (%)	63.5%	82.9%	61.7%	70.4%	95.6%	–	72.7%
Staff compensation to operating income ratio (%)	39.9%	55.0%	47.5%	39.8%	69.3%	–	47.3%
Effective tax rate (%)	21.0%	16.3%	29.4%	58.7%	(92.1%)	–	21.6%
Number of employees	2 627	1 431	112	213	75	–	4 458

<sup>^</sup> The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the group. There are certain costs that are strategic in nature which have not been allocated amounting to £25.7 million (2003: £15.4 million)

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

For the year ended 31 March 2003\*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Ops	Total group
<b>Profit and Loss Account Salient Information</b>							
Net interest income	31 652	56 359	7 817	10 951	(137)	4 059	110 701
Other income	186 772	163 657	10 236	9 534	13 839	24 528	408 566
Dividend income	3 083	305	192	17	–	–	3 597
Net fees & commissions receivable	92 468	136 075	9 987	7 852	3 326	26 483	276 191
Dealing profits	35 203	11 290	(7)	1 958	10 185	(961)	57 668
Income from long-term assurance business	27 779	–	–	–	–	–	27 779
Return on shareholders' funds in the long-term assurance business	15 551	–	–	–	–	–	15 551
Other operating income	12 688	15 987	64	(293)	328	(994)	27 780
<b>Total operating income</b>	<b>218 424</b>	<b>220 016</b>	<b>18 053</b>	<b>20 485</b>	<b>13 702</b>	<b>28 587</b>	<b>519 267</b>
Administrative expenses	(130 863)	(187 599)	(11 501)	(14 525)	(11 980)	(44 312)	(400 780)
Depreciation-tangible fixed assets	(5 193)	(6 205)	(196)	(1 127)	(752)	(944)	(14 417)
Provision for bad and doubtful debts	(12 889)	(3 650)	(432)	(1 337)	–	–	(18 308)
<b>Operating profit/(loss) before exceptional items and amortisation of goodwill</b>	<b>69 479</b>	<b>22 562</b>	<b>5 924</b>	<b>3 496</b>	<b>970</b>	<b>(16 669)</b>	<b>85 762</b>
Share of income/(loss) of associated companies	9 689	–	–	(35)	52	–	9 706
<b>Profit on ordinary activities before taxation</b>	<b>79 168</b>	<b>22 562</b>	<b>5 924</b>	<b>3 461</b>	<b>1 022</b>	<b>(16 669)</b>	<b>95 468</b>
Taxation	(9 967)	13 684	(2 452)	(427)	–	(6 215)	(5 377)
Minority interests–equity	(153)	(1 033)	–	(460)	–	–	(1 646)
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>69 048</b>	<b>35 213</b>	<b>3 472</b>	<b>2 574</b>	<b>1 022</b>	<b>(22 884)</b>	<b>88 445</b>
Amortisation and impairment of goodwill	(87 392)	(23 979)	(5 195)	(33)	–	(5 703)	(122 302)
Other exceptional items	5 080	(5 353)	–	–	–	(28 484)	(28 757)
<b>Selected Returns and Key Statistics</b>							
Net intercompany interest (£'000)	5 049	942	(902)	–	(3 158)	(1 931)	–
Cost to income ratio (%)	62.3%	88.1%	64.8%	76.4%	92.9%	>100%	80.0%
Staff compensation to operating income ratio (%)	38.7%	58.5%	49.8%	42.8%	76.4%	84.0%	51.1%
Effective tax rate (%)	14.3%	(60.7%)	41.4%	12.2%	0.0%	(37.3%)	6.3%
Number of employees	2 897	1 509	103	234	131	–	4 874

\* Restated for changes to accounting policies and disclosures.

<sup>^</sup> The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the group. There are certain costs that are strategic in nature which have not been allocated amounting to £25.7 million (2003: £15.4 million).

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

For the year ended 31 March 2004

UK GAAP £'000	IB*	PC*	TSF*	AM*	GSO*	Disc. Ops*	Total group
<b>Profit and Loss Account Salient Information</b>							
Net interest income	6 484	83 591	41 405	2 900	(28 717)	–	105 663
Other income	81 434	123 583	72 437	107 085	70 531	–	455 070
Dividend income	308	87	2 872	–	183	–	3 450
Net fees & commissions receivable	51 501	114 636	35 389	100 129	16 718	–	318 373
Dealing profits	23 721	7 517	35 634	1 736	22 407	–	91 015
Income from long-term assurance business	–	–	–	5 082	–	–	5 082
Return on shareholders' funds in the long-term assurance business	–	–	–	–	24 122	–	24 122
Other operating income	5 904	1 343	(1 458)	138	7 101	–	13 028
<b>Total operating income</b>	<b>87 918</b>	<b>207 174</b>	<b>113 842</b>	<b>109 985</b>	<b>41 814</b>	<b>–</b>	<b>560 733</b>
Administrative expenses	(49 636)	(135 075)	(72 837)	(79 794)	(57 846)	–	(395 188)
Depreciation–tangible fixed assets	(563)	(4 034)	(1 258)	(998)	(5 595)	–	(12 448)
Provision for bad and doubtful debts	–	(14 203)	(3 942)	–	(2 813)	–	(20 958)
<b>Operating profit/(loss) before exceptional items and amortisation of goodwill</b>	<b>37 719</b>	<b>53 862</b>	<b>35 805</b>	<b>29 193</b>	<b>(24 440)</b>	<b>–</b>	<b>132 139</b>
Share of (loss)/income of associated companies	–	–	(300)	9 373	–	–	9 073
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>37 719</b>	<b>53 862</b>	<b>35 505</b>	<b>38 566</b>	<b>(24 440)</b>	<b>–</b>	<b>141 212</b>
Amortisation and impairment of goodwill	(5 841)	(4 347)	(2 658)	(23 754)	(14 044)	–	(50 644)
Other exceptional items	–	–	–	–	13 632	(5 103)	8 529
<b>Selected Returns and Key Statistics</b>							
Net intercompany interest	(5 447)	(89 585)	169 311	185	(74 464)	–	–
Cost to income ratio (%)	57.1%	67.1%	65.1%	73.5%	>100%	–	72.7%
Staff compensation to operating income ratio (%)	36.0%	40.9%	36.9%	45.2%	>100%	–	47.3%
Number of employees	276	1 569	477	940	1 196	–	4 458

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

<sup>^</sup> The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the group. There are certain costs that are strategic in nature which have not been allocated amounting to £25.7 million (2003: £15.4 million).

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

For the year ended 31 March 2003\*\*

UK GAAP £'000	IB*	PC*	TSF*	AM*	GSO*	Disc. Ops*	Total group
<b>Profit and Loss Account Salient Information</b>							
Net interest income	4 548	70 174	31 892	2 993	(2 965)	4 059	110 701
Other income	59 636	101 050	60 400	114 493	48 459	24 528	408 566
Dividend income	1 608	–	114	–	1 875	–	3 597
Net fees & commissions receivable	36 141	92 018	24 491	85 976	11 082	26 483	276 191
Dealing profits	9 233	8 748	35 454	722	4 472	(961)	57 668
Income from long-term assurance business	–	–	–	27 779	–	–	27 779
Return on shareholders' funds in the long-term assurance business	–	–	–	–	15 551	–	15 551
Other operating income	12 654	284	341	16	15 479	(994)	27 780
<b>Total operating income</b>	<b>64 184</b>	<b>171 224</b>	<b>92 292</b>	<b>117 486</b>	<b>45 494</b>	<b>28 587</b>	<b>519 267</b>
Administrative expenses	(49 164)	(120 777)	(66 577)	(71 896)	(48 054)	(44 312)	(400 780)
Depreciation tangible fixed assets	(907)	(3 835)	(1 259)	(1 005)	(6 467)	(944)	(14 417)
Provision for bad and doubtful debts	(589)	(12 611)	(4 258)	(40)	(810)	–	(18 308)
<b>Operating profit/(loss) before exceptional items and amortisation of goodwill</b>	<b>13 524</b>	<b>34 001</b>	<b>20 198</b>	<b>44 545</b>	<b>(9 837)</b>	<b>(16 669)</b>	<b>85 762</b>
Share of (loss)/income of associated companies	(23)	(11)	(1)	9 693	48	–	9 706
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>13 501</b>	<b>33 990</b>	<b>20 197</b>	<b>54 238</b>	<b>(9 789)</b>	<b>(16 669)</b>	<b>95 468</b>
Amortisation and impairment of goodwill	(6 795)	(13 469)	177	(74 419)	(22 093)	(5 703)	(122 302)
Other exceptional items	(3 066)	(595)	4 355	–	(967)	(28 484)	(28 757)
<b>Selected Returns and Key Statistics</b>							
Net intercompany interest	(2 625)	(54 766)	73 971	(14 322)	(327)	(1 931)	–
Cost to income ratio (%)	78.0%	72.8%	73.5%	62.1%	>100%	>100%	80.0%
Staff compensation to operating income ratio (%)	47.9%	44.5%	39.6%	37.6%	>100%	84.0%	51.1%
Number of employees	336	1 629	507	1 261	1 141	–	4 874

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

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

<sup>^</sup> The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the group. There are certain costs that are strategic in nature which have not been allocated amounting to £25.7 million (2003: £15.4 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 year ended 31 March 2004

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Ops	Total group
Investment Banking	27 147	2 939	4 312	3 066	255	–	37 719
Private Client Activities	19 610	30 627	3 025	600	–	–	53 862
Treasury and Specialised Finance	18 887	14 015	436	2 467	–	–	35 805
Asset Management	22 740	1 614	–	257	–	–	24 611
Assurance Activities	4 582	–	–	–	–	–	4 582
Group Services and Other Activities	(15 538)	(10 461)	1 853	(472)	178	–	(24 440)
Discontinued Operations	–	–	–	–	–	–	–
<b>Total group</b>	<b>77 428</b>	<b>38 734</b>	<b>9 626</b>	<b>5 918</b>	<b>433</b>	<b>–</b>	<b>132 139</b>

For the year ended 31 March 2003\*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Ops*	Total group
Investment Banking	4 898	4 297	2 532	1 797	–	–	13 524
Private Client Activities	12 722	18 884	930	1 465	–	–	34 001
Treasury and Specialised Finance	26 604	(5 659)	(865)	118	–	–	20 198
Asset Management	16 171	1 426	–	118	–	–	17 715
Assurance Activities	26 830	–	–	–	–	–	26 830
Group Services and Other Activities	(17 746)	3 614	3 327	(2)	970	–	(9 837)
Discontinued Operations	–	–	–	–	–	(16 669)	(16 669)
<b>Total group</b>	<b>69 479</b>	<b>22 562</b>	<b>5 924</b>	<b>3 496</b>	<b>970</b>	<b>(16 669)</b>	<b>85 762</b>

\* Restated for changes to accounting policies and disclosures.

<sup>^</sup> The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the group. There are certain costs that are strategic in nature which have not been allocated amounting to £25.7 million (2003: £15.4 million).



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

For the year ended 31 March 2004

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Ops	Total group
Investment Banking	28 112	4 828	4 320	4 563	255	–	42 078
Private Client Activities	22 808	33 937	3 044	2 347	–	–	62 136
Treasury and Specialised Finance	24 016	16 194	439	3 649	–	–	44 298
Asset Management	24 370	2 020	–	475	–	–	26 865
Assurance Activities	5 082	–	–	–	–	–	5 082
Group Services and Other Activities	(27 148)	(18 271)	1 850	(5 016)	265	–	(48 320)
Discontinued Operations	–	–	–	–	–	–	–
<b>Total group</b>	<b>77 240</b>	<b>38 708</b>	<b>9 653</b>	<b>6 018</b>	<b>520</b>	<b>–</b>	<b>132 139</b>

For the year ended 31 March 2003\*

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Ops*	Total group
Investment Banking	5 871	6 915	2 711	1 797	–	–	17 294
Private Client Activities	14 473	23 273	1 700	1 465	–	–	40 911
Treasury and Specialised Finance	31 411	(2 850)	(728)	118	–	–	27 951
Asset Management	17 715	1 646	–	118	–	–	19 479
Assurance Activities	27 779	–	–	–	–	–	27 779
Group Services and Other Activities	(27 769)	(6 475)	2 293	(2)	970	–	(30 983)
Discontinued Operations	–	–	–	–	–	(16 669)	(16 669)
<b>Total group</b>	<b>69 480</b>	<b>22 509</b>	<b>5 976</b>	<b>3 496</b>	<b>970</b>	<b>(16 669)</b>	<b>85 762</b>

\* Restated for changes to accounting policies and disclosures.

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

UK GAAP £'000	31 March 2004			31 March 2003*		
	Pre Central Costs	Central Costs	Post Central Costs	Pre Central Costs	Central Costs	Post Central Costs
<b>Investment Banking</b>						
Corporate Finance	9 097	(891)	8 206	3 365	(2 901)	464
Institutional Research and Sales and Trading	7 353	(3 224)	4 129	(2 807)	(369)	(3 176)
Direct Investments	18 743	(108)	18 635	4 604	(236)	4 368
Private Equity	6 885	(136)	6 749	12 132	(264)	11 868
	<u>42 078</u>	<u>(4 359)</u>	<u>37 719</u>	<u>17 294</u>	<u>(3 770)</u>	<u>13 524</u>
<b>Private Client Activities</b>						
Private Banking	51 923	(6 526)	45 397	34 637	(5 049)	29 588
Private Client Portfolio Management and Stockbroking	10 213	(1 748)	8 465	6 274	(1 861)	4 413
	<u>62 136</u>	<u>(8 274)</u>	<u>53 862</u>	<u>40 911</u>	<u>(6 910)</u>	<u>34 001</u>
<b>Treasury and Specialised Finance</b>						
Trading Activities	5 959	(3 258)	2 701	542	22 700	23 242
Banking Activities	38 339	(5 235)	33 104	27 409	(30 453)	(3 044)
	<u>44 298</u>	<u>(8 493)</u>	<u>35 805</u>	<u>27 951</u>	<u>(7 753)</u>	<u>20 198</u>
Asset Management	26 865	(2 254)	24 611	19 479	(1 764)	17 715
Assurance Activities	5 082	(500)	4 582	27 779	(949)	26 830
<b>Group Services and Other Activities</b>						
International Trade Finance	2 925	(200)	2 725	1 123	(145)	978
Property Worldwide	10 894	(769)	10 125	5 986	(573)	5 413
US Continuing Activities	266	(88)	178	1 041	(71)	970
UK Traded Endowments	(3 203)	(76)	(3 279)	(8 945)	–	(8 945)
	<u>10 882</u>	<u>(1 133)</u>	<u>9 749</u>	<u>(795)</u>	<u>(789)</u>	<u>(1 584)</u>
Central Funding	(11 446)	2 983	(8 463)	7 283	(122)	7 161
Central Costs	(47 756)	22 030	(25 726)	(37 471)	22 057	(15 414)
	<u>(48 320)</u>	<u>23 880</u>	<u>(24 440)</u>	<u>(30 983)</u>	<u>21 146</u>	<u>(9 837)</u>
Discontinued Operations	–	–	–	(16 669)	–	(16 669)
<b>Total group</b>	<b>132 139</b>	<b>–</b>	<b>132 139</b>	<b>85 762</b>	<b>–</b>	<b>85 762</b>

\* Restated for changes to accounting policies and disclosures.

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

UK GAAP £'000	31 March 2004	2H04	1H04	31 March 2003*
<b>Investment Banking</b>				
Corporate Finance	8 206	3 056	5 150	464
Institutional Research and Sales and Trading	4 129	2 982	1 147	(3 176)
Direct Investments	18 635	6 747	11 888	4 368
Private Equity	6 749	4 857	1 892	11 868
	<u>37 719</u>	<u>17 642</u>	<u>20 077</u>	<u>13 524</u>
<b>Private Client Activities</b>				
Private Banking	45 397	23 625	21 772	29 588
Private Client Portfolio Management and Stockbroking	8 465	5 161	3 304	4 413
	<u>53 862</u>	<u>28 786</u>	<u>25 076</u>	<u>34 001</u>
<b>Treasury and Specialised Finance</b>				
Trading Activities	2 701	1 996	705	23 242
Banking Activities	33 104	18 431	14 673	(3 044)
	<u>35 805</u>	<u>20 427</u>	<u>15 378</u>	<u>20 198</u>
<b>Asset Management</b>	<u>24 611</u>	<u>13 748</u>	<u>10 863</u>	<u>17 715</u>
<b>Assurance Activities</b>	<u>4 582</u>	<u>2 384</u>	<u>2 198</u>	<u>26 830</u>
<b>Group Services and Other Activities</b>				
International Trade Finance	2 725	1 629	1 096	978
Property Worldwide	10 125	6 152	3 973	5 413
US Continuing Activities	178	16	162	970
UK Traded Endowments	(3 279)	(1 248)	(2 031)	(8 945)
	<u>9 749</u>	<u>6 549</u>	<u>3 200</u>	<u>(1 584)</u>
Central Funding	(8 463)	(1 576)	(6 887)	7 161
Central Costs	(25 726)	(13 941)	(11 785)	(15 414)
	<u>(24 440)</u>	<u>(8 968)</u>	<u>(15 472)</u>	<u>(9 837)</u>
Discontinued Operations	–	–	–	(16 669)
<b>Total group</b>	<u>132 139</u>	<u>74 019</u>	<u>58 120</u>	<u>85 762</u>

\* Restated for changes to accounting policies and disclosures.

<sup>^</sup> The group has implemented a policy of allocating costs that are housed in the centre that are in effect performing a function for the group. There are certain costs that are strategic in nature which have not been allocated amounting to £25.7 million (2003: £15.4 million).

## Segmental geographic analysis - balance sheet

For the year ended 31 March 2004

UK GAAP £'million	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Cash and balances at central banks	104	9	3	248	–	364
Treasury bills and other eligible bills	187	7	138	–	–	332
Loans and advances to banks	551	953	65	131	5	1 705
Loans and advances to customers	3 476	2 425	253	192	–	6 346
- Core advances	2 979	1 636	253	192	–	5 060
- Cash and cash equivalents	497	789	–	–	–	1 286
Debt securities	678	638	–	133	17	1 466
Equity shares	159	255	2	–	2	418
Interests in associated undertakings	67	1	1	–	1	70
Participating interests	–	9	–	–	–	9
Intangible fixed assets	95	145	12	–	–	252
Tangible fixed assets	113	18	1	13	1	146
Own shares	44	–	–	–	–	44
Other assets	618	527	5	11	2	1 163
Long-term assurance assets	3 046	–	–	–	–	3 046
<b>Total assets</b>	<b>9 138</b>	<b>4 987</b>	<b>480</b>	<b>728</b>	<b>28</b>	<b>15 361</b>

For the year ended 31 March 2003\*

UK GAAP £'million	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Cash and balances at central banks	90	13	2	243	–	348
Treasury bills and other eligible bills	175	–	68	–	–	243
Loans and advances to banks	401	2 143	31	153	31	2 759
Loans and advances to customers	2 648	1 825	174	236	1	4 884
- Core advances	2 180	1 318	174	236	1	3 909
- Cash and cash equivalents	468	507	–	–	–	975
Debt securities	702	1 077	–	141	11	1 931
Equity shares	85	59	1	–	3	148
Interests in associated undertakings	58	4	–	–	–	62
Intangible fixed assets	119	165	16	–	–	300
Tangible fixed assets	168	20	1	16	1	206
Own shares	52	–	–	–	–	52
Other assets	1 034	286	7	24	(15)	1 336
Long-term assurance assets	2 645	–	–	–	–	2 645
<b>Total assets</b>	<b>8 177</b>	<b>5 592</b>	<b>300</b>	<b>813</b>	<b>32</b>	<b>14 914</b>

\* Restated for changes to accounting policies and disclosures.

## Goodwill analysis - balance sheet information

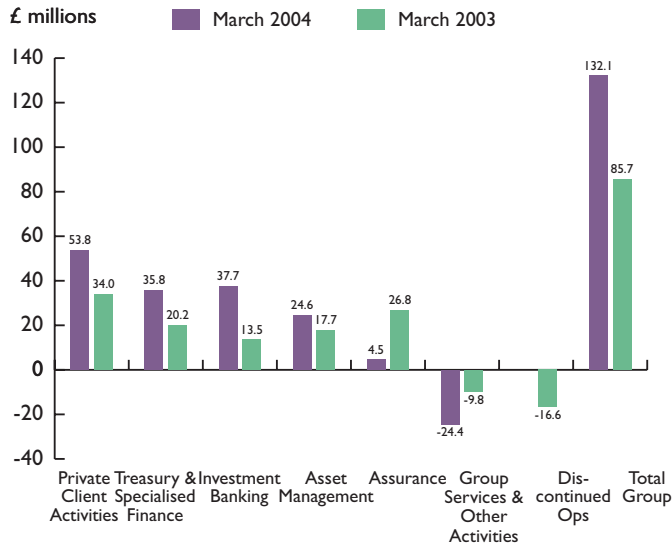
UK GAAP £'million	Year to 31 March 2004	Year to 31 March 2003
<b>South Africa</b>	<b>95</b>	<b>119</b>
Private Client Activities	1	3
Asset Management	78	90
Group Services and Other Activities	16	26
<b>UK and Europe</b>	<b>145</b>	<b>165</b>
Investment Banking	7	9
Private Client Activities	25	34
Treasury and Specialised Finance	12	14
Asset Management	95	101
Group Services and Other Activities	6	7
<b>Australia</b>	<b>12</b>	<b>16</b>
Investment Banking	12	16
<b>Total group</b>	<b>252</b>	<b>300</b>

# Segmental analysis - geographical and business analysis

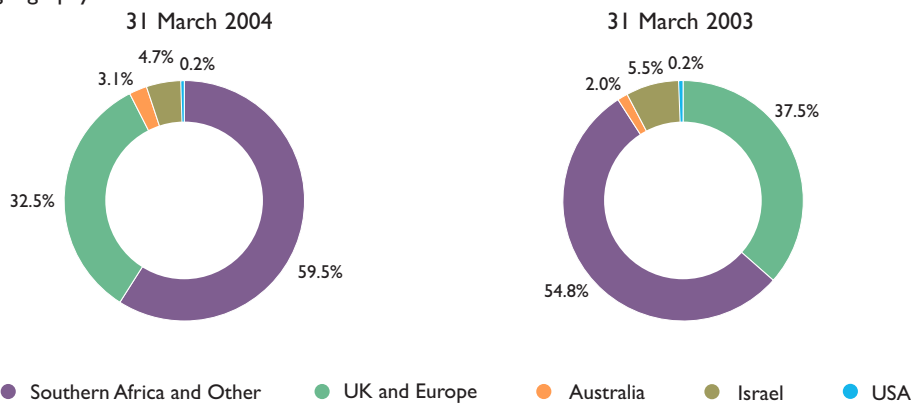
Operating profit before taxation, exceptional items and amortisation of goodwill by geography  
UK GAAP



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



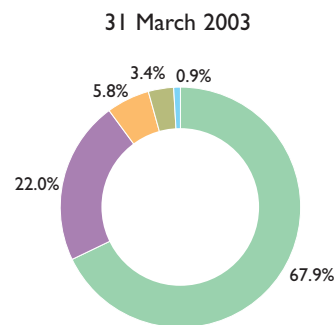
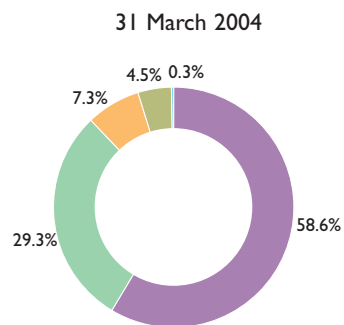
Assets by geography  
UK GAAP



## Segmental analysis - geographical and business analysis

Operating profit before taxation, exceptional items and amortisation of goodwill by geography (excluding discontinued operations)

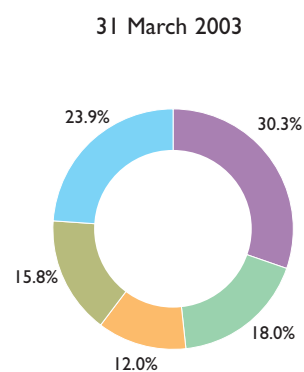
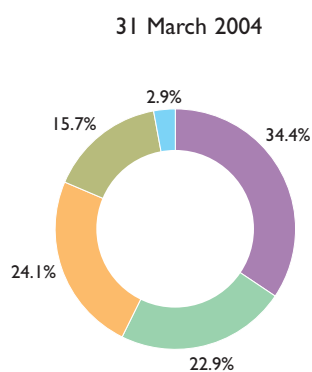
UK GAAP



● Southern Africa and Other
 ● UK and Europe
 ● Australia
 ● Israel
 ● USA

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

UK GAAP



● Private Client Activities
 ● Treasury and Specialised Finance
 ● Investment Banking
 ● Asset Management
 ● Assurance Activities

## Asset quality

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

### Asset quality, specific and general provisions

UK GAAP £ million	31 March 2004	31 March 2003
Total loans and advances to customers (gross of provisions)	6 436	4 967
Less: Cash equivalent debtors	(1 286)	(975)
Core loans and advances to customers	5 150	3 992
Managed book	(134)	(107)
<b>Net loans and advances to customers</b>	<b>5 016</b>	<b>3 885</b>
Consolidated profit and loss provision charge	21	18
Specific provisions	30	31
General provisions	60	52
<b>Total provisions</b>	<b>90</b>	<b>83</b>
Gross non-performing loans	90	61
Less: Security	(65)	(36)
<b>Net non-performing loans</b>	<b>25</b>	<b>25</b>
<b>Adequacy of provisions</b>		
Specific provisions as a % of core loans and advances to customers	0.58%	0.77%
General provisions as a % of net loans and advances to customers	1.14%	1.34%
Total provisions as a % of core loans and advances to customers	1.75%	2.08%
Specific provisions as a % of gross non-performing loans	33.33%	50.82%
Specific provisions as a % of net non-performing loans	120.00%	124.00%
Total provisions as a % gross non-performing loans	99.87%	136.76%
Total provisions as a % of net non-performing loans	354.63%	338.09%
Gross non-performing loans as a % of core loans and advances to customers	1.75%	1.52%
Consolidated profit and loss provision charge as a % of average core loans and advances to customers	0.46%	0.49%

\* Restated for changes to accounting policies and disclosures.



## Asset quality

31 March 2004 UK GAAP £ million	Core loans & advances	General provisions	Specific provisions	Total provisions	Gross NPLs	Security held against NPLs	Net NPLs
Southern Africa	3 036	37	19	57	67	47	20
UK and Europe	1 658	19	4	23	14	9	5
Australia	256	3	1	3	1	1	–
Israel	200	2	6	7	8	8	–
<b>Total group</b>	<b>5 150</b>	<b>60</b>	<b>30</b>	<b>90</b>	<b>90</b>	<b>65</b>	<b>25</b>

31 March 2003 UK GAAP £ million	Core loans & advances	General provisions	Specific provisions	Total provisions	Gross NPLs	Security held against NPLs	Net NPLs
Southern Africa	2 231	30	20	50	30	10	20
UK and Europe	1 340	18	4	22	17	14	4
Australia	176	2	1	3	5	6	(1)
Israel	244	2	7	9	8	6	2
<b>Total group</b>	<b>3 992</b>	<b>52</b>	<b>31</b>	<b>83</b>	<b>61</b>	<b>36</b>	<b>25</b>

## Assets under administration

UK GAAP £ million	Southern Africa & Other	UK, Australia Israel & USA	Total group
<b>As at 31 March 2004</b>			
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	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	9 138	6 223	15 361
<b>Total assets under administration</b>	<b>24 558</b>	<b>23 247</b>	<b>47 805</b>

**As at 31 March 2003\***

Retail	2 224	1 994	4 218
Institutional	5 877	5 630	11 507
Private clients	2 066	6 306	8 372
- Private clients - discretionary	364	2 681	3 045
- Private clients - non-discretionary	1 702	3 625	5 327
Properties managed for third parties	423	14	437
Acceptances on behalf of clients	–	2	2
Scrip lending	–	1 109	1 109
<b>Total third party assets</b>	<b>10 590</b>	<b>15 055</b>	<b>25 645</b>
On balance sheet assets	8 177	6 737	14 914
<b>Total assets under administration</b>	<b>18 767</b>	<b>21 792</b>	<b>40 559</b>

\* Restated for changes to accounting policies and disclosures.

## Net asset value per share

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

UK GAAP £'000	31 March 2004	31 March 2003*	Notes
A Shareholders' funds	808 969	639 968	Per the balance sheet
B Less: preference shares	(126 698)	–	
C Convertible debt included in subordinated liabilities	38 258	51 635	Debt component of CCD's (included in equity under SA GAAP) relating to unsecured, Class "A", Class "A" Series 11, Class "B" and Class "C" subordinated CCD's. Refer to a more detailed explanation of the difference between SA GAAP and UK GAAP on page 85.
D CCD's issued by Investec Limited included in in subordinated liabilities	3 447	4 189	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	(251 508)	(299 773)	Per the balance sheet.
F Add: Final dividend accrued but not paid	30 879	25 468	
<b>Tangible net asset value</b>	<b>503 347</b>	<b>421 487</b>	
Number of shares in issue	118.6	113.0	
CCD's	3.6	3.6	Relates to C above.
CCD's	0.1	0.2	Allocated in terms of D above.
Less: Treasury shares	(5.8)	(4.3)	
<b>Number of shares in issue to this calculation (millions)</b>	<b>116.6</b>	<b>112.4</b>	
<b>Tangible NAV per share (pence)</b>	<b>431.8</b>	<b>374.9</b>	

\* Restated for changes to accounting policies and disclosures.

## ROE by country and business

### Return on capital by segment

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

UK GAAP £'000	Year to 31 March 2004	Year to 31 March 2003*	Average
Calculation to average shareholders' funds			
Shareholders' funds (including minorities) per balance sheet	721 298	678 772	700 035
Add: Convertible debt included in subordinated liabilities	41 705	55 824	48 764
Final dividend declaration	30 879	25 468	28 174
Adjusted shareholders' funds	793 882	760 064	776 973
Goodwill per balance sheet	(251 508)	(299 773)	(275 641)
<b>Adjusted tangible shareholders' funds</b>	<b>542 374</b>	<b>460 291</b>	<b>501 332</b>
Operating profit before amortisation of goodwill and exceptional items	132 139	85 762	
Share of associated companies before goodwill	11 205	11 350	
Revised operating profit	143 344	97 112	
Tax on ordinary activities	(27 821)	(5 377)	
<b>Revised operating profit after tax</b>	<b>115 523</b>	<b>91 735</b>	
Pre-tax return on average adjusted shareholders' funds	18.4%	11.3%	
Pre-tax return on average adjusted tangible shareholders' funds	28.6%	18.8%	
Post-tax return on average adjusted shareholders' funds	14.9%	10.6%	
Post-tax return on average adjusted tangible shareholders' funds	23.0%	17.8%	

\* Restated for changes to accounting policies and disclosures.

## ROE by business

For the year ended 31 March

£'000	IB*	PB*	PCSB*	TSF*	AM*	ASU*	GSO*	Disc. Ops*	Total group
Total operating profit**	37 719	45 397	8 465	35 807	24 611	4 582	(13 235)	–	143 344
Notional return on regulatory capital	2 903	23 182	693	26 232	1 433	1 731	(56 174)	–	–
Cost of subordinated debt	(1 709)	(13 093)	(410)	(13 994)	(823)	(851)	30 880	–	–
Absorbtion of additional residual costs <sup>^</sup>	(4 020)	(2 567)	(83)	(3 030)	(1 350)	(550)	11 600	–	–
<b>Adjusted earnings/(losses) - 2004</b>	<b>34 893</b>	<b>52 919</b>	<b>8 665</b>	<b>45 013</b>	<b>23 871</b>	<b>4 912</b>	<b>(26 929)</b>	<b>–</b>	<b>143 344</b>
Adjusted earnings/(losses) - 2003	15 409	41 287	5 052	35 757	16 817	24 721	(25 317)	(16 614)	97 112
Adjusted shareholders' funds - 2004	42 760	231 041	17 862	215 233	171 694	16 989	98 303	–	793 882
Adjusted shareholders' funds - 2003	49 503	218 836	22 788	206 254	191 846	31 759	36 851	2 227	760 064
<b>Adjusted average shareholders' funds</b>	<b>46 132</b>	<b>224 939</b>	<b>20 325</b>	<b>210 744</b>	<b>181 770</b>	<b>24 374</b>	<b>67 577</b>	<b>1 114</b>	<b>776 973</b>
Adjusted tangible shareholders' funds - 2004	23 663	215 533	6 903	203 934	9 782	5 353	77 206	–	542 374
Adjusted tangible shareholders' funds - 2003	24 406	197 727	7 577	192 207	16 057	16 575	3 515	2 227	460 291
<b>Adjusted average tangible shareholders' funds</b>	<b>24 035</b>	<b>206 630</b>	<b>7 240</b>	<b>198 071</b>	<b>12 920</b>	<b>10 964</b>	<b>40 361</b>	<b>1 114</b>	<b>501 333</b>
Return on adjusted average shareholders' funds - 2004	75.6%	23.5%	42.6%	21.4%	13.1%	20.2%	(39.8%)	–	18.4%
Return on adjusted average shareholders' funds - 2003 <sup>^^</sup>	29.8%	19.6%	20.6%	18.1%	7.8%	74.9%	(22.6%)	<(100%)	11.3%
Return on adjusted average tangible shareholders' funds - 2004	>100%	25.6%	>100%	22.7%	>100%	44.8%	(66.7%)	–	28.6%
Return on adjusted average tangible shareholders' funds - 2003 <sup>^^</sup>	66.8%	22.1%	70.6%	19.7%	>100%	>100%	(33.5%)	<(100%)	18.8%

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

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

<sup>^</sup> 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> As disclosed in the prior year as 2002 figures were not restated.

## ROE by business

For the year ended 31 March

£'000	Year to 31 March 2004	Year to 31 March 2003
<b>Explanation of the GSO category</b>		
Adjusted losses of GSO	(26 929)	(25 317)
Unrealised surplus on revaluation of investment properties	13 982	18 265
<b>Revised earnings</b>	<b>(12 947)</b>	<b>(7 052)</b>
<b>Analysed as follows:</b>		
Central costs remaining in the centre	(14 126)	(15 414)
Traded Endowments	(3 279)	(8 945)
Property Worldwide	10 125	5 413
International Trade Finance	2 725	978
US continuing businesses	178	970
Short-term Insurance Activities	981	933
Liquidation Activities	1 244	755
Remaining surplus generated from central capital	(10 795)	8 258
	<b>(12 947)</b>	<b>(7 052)</b>

## ROE by country

For the year ended 31 March

£'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc Ops*	Total group
Total operating profit	77 428	38 734	9 626	5 918	433	-	132 139
Share of income of associated companies	11 381	-	(300)	(17)	141	-	11 205
Tax on profit on ordinary activities	(15 613)	(6 300)	(2 833)	(3 474)	399	-	(27 821)
<b>Profit on ordinary activities after taxation - 2004</b>	<b>73 196</b>	<b>32 434</b>	<b>6 493</b>	<b>2 427</b>	<b>973</b>	<b>-</b>	<b>115 523</b>
Profit on ordinary activities after taxation - 2003	70 845	36 246	3 472	3 034	-	(21 862)	91 735
Adjusted shareholders' funds - 2004	303 829	395 770	49 854	43 019	1 410	-	793 882
Adjusted shareholders' funds - 2003	283 140	381 358	42 243	51 096	-	2 227	760 064
<b>Adjusted average shareholders' funds</b>	<b>293 484</b>	<b>388 564</b>	<b>46 049</b>	<b>47 058</b>	<b>705</b>	<b>1 113</b>	<b>776 973</b>
Adjusted tangible shareholders' funds - 2004	208 385	251 443	38 116	43 019	1 410	-	542 374
Adjusted tangible shareholders' funds - 2003	164 294	216 489	26 184	51 096	-	2 227	460 290
<b>Adjusted average tangible shareholders' funds</b>	<b>186 340</b>	<b>233 966</b>	<b>32 150</b>	<b>47 058</b>	<b>705</b>	<b>1 113</b>	<b>501 332</b>
Pre tax return on average tangible shareholders' funds - 2004	47.7%	16.6%	29.0%	12.5%	81.4%	-	28.6%
Pre tax return on average tangible shareholders' funds - 2003^^	41.8%	9.1%	24.2%	7.2%	*	<(100%)	18.8%
Pre tax return on average shareholders' investment - 2004	30.3%	10.0%	20.3%	12.5%	81.4%	-	18.4%
Pre tax return on average shareholders' investment - 2003^^	24.5%	5.2%	13.9%	7.2%	*	<(100%)	11.3%
Post tax return on average tangible shareholders' funds - 2004	39.3%	13.9%	20.2%	5.2%	138.0%	-	23.0%
Post tax return on average tangible shareholders' funds - 2003^^	36.6%	14.8%	14.2%	6.3%	*	<(100%)	17.8%
Post tax return on average shareholders' investment - 2004	24.9%	8.3%	14.1%	5.2%	138.0%	-	14.9%
Post tax return on average shareholders' investment - 2003^^	21.4%	8.3%	8.2%	6.3%	*	<(100%)	10.6%

\*The calculations for the US for the year ended 31 March 2003 are based on the numbers for the continuing and discontinued operations and the resultant returns are shown for the US operations as a whole.

^^ As disclosed in the prior year as 2002 figures were not restated.

## Number of employees

As at	March 2004	March 2003	March 2002	March 2001
<b>Investment Banking</b>				
South Africa and Other	102	105	116	147
UK and Europe	114	101	156	140
Australia	21	16	30	–
USA	–	68	111	3
Israel	39	46	49	54
<b>Total</b>	<b>276</b>	<b>336</b>	<b>462</b>	<b>344</b>
<b>Private Banking</b>				
South Africa and Other	675	628	571	542
UK and Europe	334	329	293	319
Australia	43	55	43	74
USA	–	–	–	–
Israel	54	73	51	97
<b>Total</b>	<b>1 106</b>	<b>1 085</b>	<b>958</b>	<b>1 032</b>
<b>Private Client Stockbroking and Portfolio Management</b>				
South Africa and Other	117	144	148	164
UK and Europe	346	400	415	402
Australia	–	–	–	–
USA	–	–	292	430
Israel	–	–	–	–
<b>Total</b>	<b>463</b>	<b>544</b>	<b>855</b>	<b>996</b>
<b>Private Client Activities Total</b>				
South Africa and Other	792	772	719	706
UK and Europe	680	729	708	721
Australia	43	55	43	74
USA	–	–	292	430
Israel	54	73	51	97
<b>Total</b>	<b>1 569</b>	<b>1 629</b>	<b>1 813</b>	<b>2 028</b>
<b>Treasury and Specialised Finance</b>				
South Africa and Other	258	283	271	300
UK and Europe	134	156	166	128
Australia	8	10	11	–
USA	43	33	7	–
Israel	34	25	48	13
<b>Total</b>	<b>477</b>	<b>507</b>	<b>503</b>	<b>441</b>



## Number of employees

As at	March 2004	March 2003	March 2002	March 2001
<b>Asset Management</b>				
South Africa and Other	517	490	512	413
UK and Europe	257	267	245	252
Australia	–	–	–	–
USA	–	–	6	5
Israel	10	14	–	–
<b>Total</b>	<b>784</b>	<b>771</b>	<b>763</b>	<b>670</b>
<b>Assurance Activities</b>				
	<b>156</b>	<b>490</b>	<b>576</b>	
<b>Group Services and Other Activities</b>				
South Africa and Other	802	757	815	678
UK and Europe	246	256	235	176
Australia	40	22	–	–
USA	32	30	272	421
Israel	76	76	90	78
<b>Total</b>	<b>1 196</b>	<b>1 141</b>	<b>1 412</b>	<b>1 353</b>
<b>Total number of employees</b>	<b>4 458</b>	<b>4 874</b>	<b>5 529</b>	<b>4 836</b>
<b>By Geography</b>				
South Africa and Other	2 627	2 897	3 009	2 244
UK and Europe	1 431	1 509	1 510	1 417
Australia	112	103	84	74
USA	75	131	688	859
Israel	213	234	238	242
<b>Total number of employees</b>	<b>4 458</b>	<b>4 874</b>	<b>5 529</b>	<b>4 836</b>

## Shareholder analysis as at 31 March 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 disclosed below.

### Investec plc - 74.6 million shares in issue

Beneficial owner	No. of shares	% holding
1 Fintique III (BVI)*	7 388 741	9.90%
2 Public Investment Commissioner (SA)	7 356 351	9.90%
3 Old Mutual Life Assurance (SA)	3 997 137	5.24%
4 Spurwing Investments Ltd (CI)	3 220 000	4.31%
5 Investec Ltd Security Purchase and Option 2002 (SA)	2 700 000	3.62%
6 Citigroup Global Markets UK Equity (UK)	2 015 260	2.70%
7 Legal and General Pooled Index Fund (UK)	1 838 911	2.46%
8 Momentum Life Assurance (SA)	1 622 227	2.17%
9 Liberty Life (SA)	1 415 552	1.90%
10 Sanlam (SA)	1 265 511	1.70%
<b>Cumulative total</b>	<b>32 819 690</b>	<b>43.86%</b>

The top 10 beneficial shareholders account for 43.8% 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 - 44.0 million shares in issue

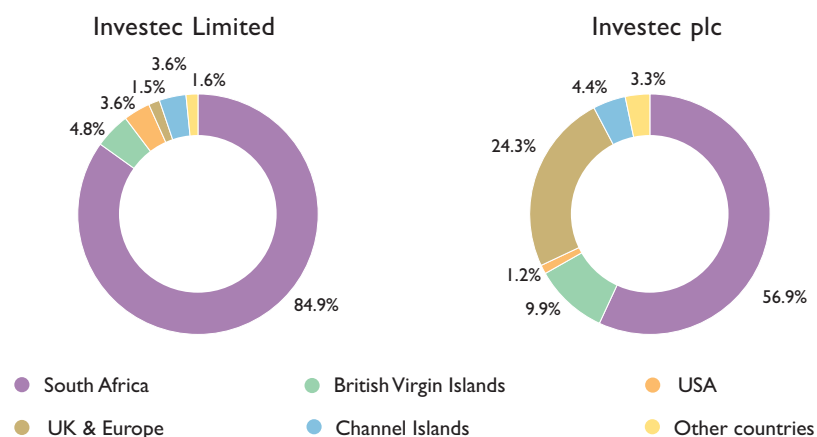
Beneficial owner	No. of shares	% holding
1 Public Investment Commissioner (SA)	5 390 850	12.25%
2 Ed Trust International Investments CP (SA)	2 800 000	6.36%
3 Tiso International Investment Pty Ltd (SA)	2 800 000	6.36%
4 Old Mutual Life Assurance (SA)	2 366 830	5.36%
5 Fintique III (BVI)*	2 111 259	4.80%
6 Peu international Investments Pty Ltd CP (SA)	2 611 111	5.94%
7 Sanlam (SA)	1 375 072	3.13%
8 Spurwing Investments Ltd (CI)	915 000	2.08%
9 Momentum Life Assurance (SA)	906 673	2.06%
10 Investment Solutions (SA)	853 086	1.94%
<b>Cumulative total</b>	<b>22 129 881</b>	<b>50.28%</b>

The top 10 beneficial shareholders account for 50.28% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

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

## Shareholder analysis

### Geographic holding by beneficial owner as at 31 March 2004



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

## Share statistics

### Investec Limited ordinary shares in issue

For the year ended 31 March	2004	2003
Closing market price per share (cents)		
- period end	12 530	7 650
- highest	15 100	17 440
- lowest	7 750	7 650
Number of ordinary shares in issue (million)	44.0	38.4
Market capitalisation (R' million)*	14 860	8 645
Monthly average volume of shares traded on JSE Securities Exchange South Africa (million)	98.99	

\* The JSE Securities Exchange of South Africa have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 118.6 million shares in issue

### Investec plc ordinary shares in issue

For the year ended 31 March	2004	2003
Closing market price per share (pence)		
- period end	1 089	615
- highest	1 181	960
- lowest	6 125	607
Number of ordinary shares in issue (million)	74.6	74.6
Market capitalisation (£' million)**	812	459
Monthly average volume of shares traded ('000)	99.56	69.3

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

## Capital adequacy statement

Investec plc and Investec Limited are well capitalised and capital adequacy ratios exceed the minimum regulatory requirements. The capital adequacy ratio applying South African Reserve Bank rules to Investec Limited's capital base is 15.1% (March 2003: 12.2%). The capital adequacy ratio applying Financial Services Authority rules to Investec plc's capital base is 17.3% (March 2003: 14.2%).

	Investec Bank Limited R million	Investec Limited R million	Investec Bank (UK) Limited £ million	Investec plc £ million
Net qualifying capital	10 585	7 532	513	507
Risk-weighted assets	53 313	49 686	2 652	2 934
Capital adequacy ratio (%)	19.9	15.1	19.3	17.3

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

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

The results as presented on pages 42 to 46 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 year under review are summarised below.

£'000	Notes	31 March 2004	31 March 2003
<b>Earnings before goodwill amortisation and exceptional items under UK GAAP</b>		<b>106 082</b>	<b>89 668</b>
SA GAAP adjustments			
Acquisition accounting	1	3 036	4 300
Employee share option plans	2	(7 640)	7 143
AC 133 adjustments	3	9 230	–
Debenture interest reflected below the line	4	8 471	6 505
Interest rate swaps	5	(3 224)	(2 581)
Embedded value earnings	6	(783)	23 935
Revaluation of investment properties	7	13 982	18 265
Treasury shares	8	1 427	–
Perpetual preference shares	9	7 553	–
Other		482	–
<b>Earnings before goodwill amortisation and exceptional items under SA GAAP</b>	<b>7</b>	<b>138 616</b>	<b>147 235</b>

# Reconciliation of principal differences between UK GAAP and SA GAAP

## Notes

- <sup>1</sup> 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.
- <sup>2</sup> Investec has established a number of employee share incentive schemes, some of which place greater residual risk in the hands of the participants. During the current year, a change in accounting policy in respect of staff share schemes for SA GAAP purposes was implemented with the result that the general staff share schemes are now consolidated, rendering the treatment of these particular schemes consistent with UK GAAP convention. However, 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 is not 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 are unwound as a greater percentage of the scheme vests with the participants with the result that a greater proportion of interest is recognised under UK GAAP towards the end of the scheme, effectively giving rise to timing differences between the two conventions. During 2004, a net reversal of interest arises as these schemes approach termination in December 2004.
- <sup>3</sup> AC133 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 AC133 under SA GAAP has resulted in a further difference between SA and UK GAAP.
- <sup>4</sup> 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.
- <sup>5</sup> Differences arising on the accrual of certain income items eg. 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.
- <sup>6</sup> Under UK GAAP the shareholders' interest in the in-force life assurance and fund pensions policies of the long-term assurance fund are valued at the net present value of the profits inherent in such policies (embedded value). Under SA GAAP the value of these profits is not recognised.
- The revaluation on investment properties is recognised in earnings pre goodwill 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
- <sup>8</sup> 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.
- <sup>9</sup> Under UK GAAP, the dividends payable to holders of the perpetual preferences shares issued by Investec Bank Limited during the year 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.
- <sup>10</sup> The exchange rate used in the above reconciliation was based on the actual rates ruling on the date of the transactions.

**Annexure I** a brief overview of Investec and its dual listed companies structure

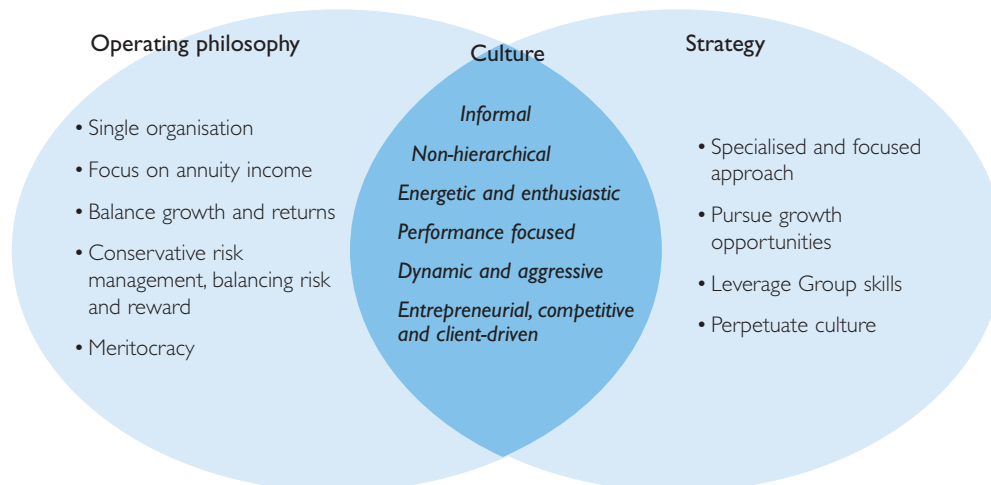
# Investec in perspective

## Profile

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

## Mission statement

"We strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values."



## History - three stages of genesis

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

Over 12 years ago, Investec recognised that the opening of South Africa to foreign banking institutions was inevitable and that if it were to maintain its position in the domestic market and grow, it would have to internationalise its operations.

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

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

## Investec in perspective

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

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

## Implementation of a Dual Listed Companies Structure

### Introduction

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

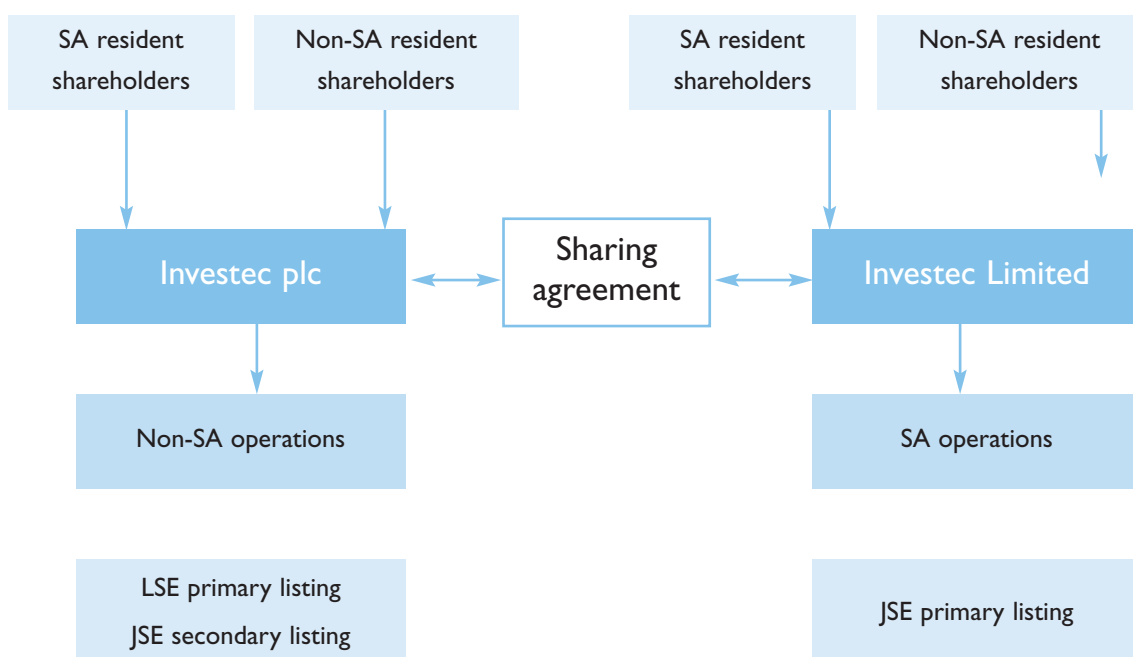
- The Investec Holdings (Inhold) pyramid structure, which had been in place since Investec Group Limited (IGL) listed on the JSE Securities Exchange South Africa (JSE) in 1988, was not considered appropriate under the changed circumstances, and Inhold unbundled its entire shareholding in IGL to Inhold members. At the record date, Inhold members received 86.04 IGL ordinary shares for every 100 Inhold ordinary shares held. With effect from 19 July 2002 Inhold ordinary shares were suspended on the JSE and the delisting of Inhold from the JSE took place on 26 July 2002.
- In terms of the DLC structure, IGL has retained all its businesses in continental Southern Africa and Mauritius and its primary listing on the JSE. Furthermore, as at 31 March 2004 the UK Traded Endowments business was still owned by Investec Limited.
- IGL has been renamed Investec Limited.
- IGL's other businesses were placed into a UK company, Investec plc, and were unbundled from IGL after the close of business on 19 July 2002. The mechanics of the IGL unbundling were arranged in such away that for every 100 ordinary shares held by an IGL shareholder, he/she received 37 IGL (Investec Limited) and 63 Investec plc shares i.e. 100 instruments.
- Investec plc was listed on the London Stock Exchange on 22 July 2002 and has a secondary listing on the JSE.
- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms. The agreements are designed to ensure, insofar as possible, that the economic and therefore, market value, of a share in one company will be the same as the economic and market value of a share in the other.
- The companies have the same Boards of Directors and management - the implementation of the DLC structure did not in any way change the way in which Investec manages its business.
- Investec continues to operate as if it were a single unified economic enterprise.



## Implementation of a Dual Listed Companies Structure

- Shareholders have common economic and voting interests as if Investec Limited and Investec plc were a single company:
  - Equivalent dividends on a per share basis.
  - Joint electorate and class right voting.
- Creditors are however ring-fenced to either Investec Limited or Investec plc as there are no cross guarantees between the companies.
- Regulation of the DLC structure:
  - The SARB is the lead regulator of the group.
  - The UK Financial Services Authority is the regulator of Investec plc while the SARB is the regulator of Investec Limited.
  - The Memorandum of Understanding between the two regulators sets out that the role of the lead regulator would change if 70% or more of the on and off balance sheet assets are held by Investec plc.

### A simplified illustration of the DLC structure



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



## Definitions UK GAAP

Term	Definition
Annuity income as a percentage of operating income	Net interest income and annuity commissions receivable net commissions payable expressed as a percentage of operating income.
Assets under administration	Includes third party assets under administration and on-balance sheet assets.
Cost to income ratio	Administrative expenses and depreciation divided by operating income.
Dividend cover	Earnings per ordinary share pre exceptional items and amortisation of goodwill divided by dividends per ordinary share.
Earnings pre exceptional items and goodwill amortisation	As per calculation on page 56.
Headline Earnings	As per calculation on page 56.
Market capitalisation	Number of shares in issue, multiplied by the closing share price of Investec plc on the London Stock Exchange.
Net interest income	Interest receivable less interest payable.
Non-performing loans (NPL)	An exposure is classified as an NPL when there is prospect of non-recovery of interest or it is deemed imprudent to bring interest to account.
Number of shares in issue on a fully converted basis	Based on the number of shares in issue assuming conversion of all debentures and convertible preference shares.
Operating income	All income less interest payable and fees and commission payable.
Operating profit	Operating income less administrative expenses, provisions for bad and doubtful debts and depreciation of tangible fixed assets.
Operating profit: Southern Africa & Other	Operating profit earned in South Africa, Mauritius and Botswana.
Operating profit: Non-Southern Africa & Other	Operating profit earned in UK and Europe, USA, Israel and Australia.
Return on average shareholders' funds	Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average shareholders' funds.
Return on average tangible shareholders' funds	Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average tangible shareholders' funds i.e. excluding goodwill.
Total core loans and advances	Loans and advances to customers less cash and short-term funds included therein.
Total capital resources	Includes shareholders' funds, subordinated liabilities and minority interests.
Weighted number of shares in issue	The number of ordinary shares in issue at the beginning of the year; increased by shares issued during the year; weighted on a time basis for the period during which they have participated in the income of the group.

