Investec plc (incorporating the results of Investec Limited)ˆ

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

Salient Features

	31 March 2004	% Change	31 March 2003
Operating profit before goodwill amortisation and taxation (£'000)	**132,139**	**54.1**	**85,762**
Earnings before goodwill amortisation and exceptional items (£'000)	**106,082**	**18.3**	**89,668**
Profit/(loss) attributable to shareholders (£'000)	**68,785**	**>100**	**(62,614)**
Earnings per share before goodwill amortisation and exceptional items (pence)	**103.7**	**7.9**	**96.1**
Earnings per share (pence)	**59.9**	**>100**	**(67.6)**
Headline earnings per share (pence)	**103.4**	**15.4**	**89.6**
Dividends per share (pence)	**58**	**7.4**	**54**

Consolidated profit and loss accounts for the year ended 31 March

	2004			2003*		
£'000	Before goodwill and exceptional items	Goodwill and exceptional items	**Total**	Before goodwill and exceptional items	Goodwill and 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)
Net interest income	105,663	–	105,663	110,701	–	110,701
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' fund 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
Other income	455,070	–	455,070	408,566	–	408,566
Total operating income	560,733	–	560,733	519,267	–	519,267
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)
Operating profit/(loss)	132,139	(50,644)	81,495	85,762	(122,302)	(36,540)
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)
Operating profit/(loss)	132,139	(50,644)	81,495	85,762	(122,302)	(36,540)
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 termination and disposal of group operations – continuing	–	13,632	13,632	–	5,800	5,800
Fundamental reorganisation and restructuring costs – continuing	–	–	–	–	(6,073)	(6,073)
Profit/(loss) on ordinary activities before taxation	143,344	(44,247)	99,097	97,112	(152,703)	(55,591)
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)	–	–	–
Profit/(loss) on ordinary activities after taxation	115,523	(44,925)	70,598	91,735	(152,703)	(60,968)
Minority interests – equity	(1,888)	75	(1,813)	(1,646)	–	(1,646)
Profit/(loss) attributable to shareholders	113,635	(44,850)	68,785	90,089	(152,703)	(62,614)
Dividends – including non-equity	(63,709)	–	(63,709)	(53,428)	–	(53,428)
Retained profit/(loss) for the year	49,926	(44,850)	5,076	36,661	(152,703)	(116,042)
Profit/(loss) attributable to shareholders			68,785			(62,614)
Amortisation and impairment of goodwill			50,644			122,302
Profit on termination and disposal of group operations			(13,029)			(5,800)
Provision for losses on termination and disposal of group operations (net of deferred tax)			5,103			28,484
Amortisation of goodwill of associates			2,132			1,644
Fundamental reorganisation and restructuring costs			–			6,073
Preference dividends			(7,553)			(421)
Earnings before goodwill and exceptional items			106,082			89,668
Earnings per share (pence)						
– Basic			59.9			(67.6)
– Diluted			59.5			(67.6)
Excluding goodwill and exceptional items						
– Basic			103.7			96.1
– Diluted			100.7			91.9
Dividends per share (pence)			58.0			54.0
Weighted number of ordinary shares in issue (million)			102.3			93.8

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

	Continuing operations			Discontinued operations	
£'000	**2004**	2003	% change	**2004**	2003*
Net interest income	**105,663**	106,642	(0.9)	**–**	4,059
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' fund in the long-term assurance business	**24,122**	15,551	55.1	**–**	–
Other operating income	**13,028**	28,774	(54.7)	**–**	(994)
Other income	**455,070**	384,038	18.5	**–**	24,528
Total operating income	**560,733**	490,680	14.3	**–**	28 587
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	**–**	–
Operating profit/(loss) before goodwill and exceptional items	**132,139**	102,431	29.0	**–**	(16,669)
Share of income of associated companies before goodwill	**11,205**	11,350	(1.3)	**–**	–
Profit/(loss) on ordinary activities before taxation, goodwill and exceptional items	**143,344**	113,781	26.0	**–**	(16,669)

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

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

£'000	**2004**	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
Actuarial losses recognised on pension fund schemes	(1,294)	(9,707)
Total recognised gains and losses for the year	77,369	(67,926)
Prior year adjustments in respect of changes in accounting policies	(2,226)	
Total gains and losses since last annual report	75,143	

As a result of changes in accounting policies net assets, (other than gains and losses), at 31 March 2003 have been reduced by £54.8m.

Consolidated cash flow statements for the year ended 31 March

£'000	**2004**	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 inflow/(outflow) 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 year	1,033,902	1,165,175
Cash and demand bank balances at end of year	1,172,894	1,033,902

Consolidated balance sheets at 31 March

£'000	**2004**	2003*
Assets		
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
	15,361,371	14,914,043
Liabilities		
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
	14,015,515	13,955,569
Capital Resources		
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
	15,361,371	14,914,043
Memorandum items		
Commitments	522,879	496,638
Contingent liabilities	172,579	348,906
	695,458	845,544

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2004 or 2003. The auditors have reported on the 2003 accounts for Investec plc; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for 2004 for Investec plc (incorporating the results of Investec Limited) will be finalised on the basis of the financial information presented by the directors in this announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

ˆ The results of Investec Limited (incorporating the results of Investec plc) are the same as the results presented in this announcement.

Investec Limited
(Registration number 1925/002833/06)

JSE Code: INL

ISIN: ZAE000040531

Investec plc
(Registration number 3633621)

JSE Code: INP

ISIN: GB0031773103

Directors: H S Herman (Chairman), S Koseff* (Chief Executive), B Kantor* (Managing). J N Abell, S E Abrahams, G F O Alford, G R Burger*, H Fukuda (OBE), G M T Howe, D E Jowell, I R Kantor, Sir Chips Keswick, M P Malungani, A Tapnack*, P R S Thomas, F Titi. *Executive

Company secretary: S Noik

Investec

Segmental analysis – geographical and business analysis of operating profit before taxation, goodwill amortisation and exceptional items – for the year ended 31 March 2004

£'000	Southern Africa	United Kingdom and Europe	Australia and Asia	Israel	United States of America	Total
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
Investment Banking	27,147	2,939	4,312	3,066	255	37,719
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	–	–	–	–	–	–
	77,428	**38,734**	**9,626**	**5,918**	**433**	**132,139**

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

£'000	Southern Africa	United Kingdom and Europe	Australia and Asia	Israel	United States of America	Discontinued operations	Total
Private Client Activities	12,722	18,884	930	1,465	–	–	34,001
Treasury and Specialised Finance	26,604	(5,659)	(865)	118	–	–	20,198
Investment Banking	4,898	4,297	2,532	1,797	–	–	13,524
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)
	69,479	22,562	5,924	3,496	970	(16,669)	85,762

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

£'000	**2004**	2003*
Balance at the beginning of year	639,968	733,797
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 properites	13 982	18,265
Balance at end of year	808,969	639,968

Reconciliation between UK and SA accounting principles for the year ended 31 March

£'000	**2004**	2003*
Earnings before goodwill and exceptional items under UK GAAP	**106,082**	**89,668**
SA GAAP adjustments:		
Acquisition accounting	3,036	4,300
Employee share option plans	(7,640)	7,143
AC 133 adjustments†	9,230	–
Debenture interest reflected below the line	8,471	6,505
Interest rate swaps	(3,224)	(2,581)
Embedded value earnings	(783)	23,935
Revaluation of investment properties	13,982	18,265
Treasury shares	1,427	–
Preference shares	7,553	421
Other	482	250
Earnings before goodwill and exceptional items under SA GAAP	**138,616**	**147,906**

† AC133 is a South African accounting statement on recognition and measurement of financial instruments. This South African standard is based on international accounting standard IAS39.

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

Overall performance

The financial year was characterised by a more favourable market environment benefiting the activities of the group (comprising Investec plc and Investec Limited) with basic earnings per share (EPS) before exceptional items and goodwill amortisation increasing 7.9% to 103.7 pence from 96.1 pence.

Salient features of the 2004 financial year were:

- 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 SA Treasury and Specialised Finance activities and the decline in income from the SA life assurance activities.
- Investec plc and its subsidiaries accounted for 41.4% (2003: 19%) 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). Investec was recognised by BusinessMap as the "Most Progressive Established Company of the Year" for its black economic empowerment and transformation initiatives in SA.
- 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 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.

Presentation of financial information

Investec plc and Investec Limited

In July 2002, Investec Group Limited (now Investec Limited), which is headquartered in South Africa, implemented a Dual Listed Companies (DLC) structure. The group's Southern African and Mauritius operations were listed on the JSE Securities Exchange of South Africa (JSE) and its principal non-Southern African operations were listed on the London Stock Exchange. For further information, see Investec's web site **www.investec.com/investorrelations.**

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of shareholders of the companies are maintained in relative equilibrium. The directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by consolidating the results and financial position of both companies using merger accounting principles.

Accordingly, the preliminary results for Investec plc present the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling. In the commentary below, all references to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

Investec, for the year ended 31 March 2003, reported its consolidated results in accordance with SA GAAP, denominated in Rands and UK GAAP, denominated in Pounds Sterling. In terms of the new JSE Securities Exchange South Africa (JSE) listing requirements the group is now 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 publishes a high-level reconciliation and summary of the principal differences.

The financial information contained in the "Commentary" section is prepared in accordance with UK GAAP. Rand values included in the "Commentary" section are translated into Pounds Sterling - in the case of the profit and loss accounts, at the weighted average rate for the relevant year and, in the case of the balance sheets, at the relevant year-end rate. Reuters quotes the average Rand/Pounds Sterling exchange rate at 12.02 and 15.04 for the year ended 31 March 2004 and 31 March 2003, respectively. This represents some 20.0% appreciation of the Rand during the period under review.

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

Dividend declaration

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

Commentary

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

Business Unit Review

Investment Banking

The group's Investment Banking division benefited from the better market environment recording a much improved operating profit before exceptional items and amortisation of goodwill of £37.7 million from £13.5 million.

In the UK, the more favourable stock market conditions and a reduced cost base in the division enabled it to achieve a major turnaround in performance. The level of corporate activity increased and the division concluded a number of Initial Public Offerings during the period. Secondary commissions also benefited from the higher equity market levels. Furthermore, the rankings of Investec in the UK Small Mid-Cap Survey (2003) were encouraging, with a number one ranking for the "Most Improved Product and Service".

In SA, the Investment Banking division benefited from a significant improvement in the performance of its trading investments held within the direct investment and private equity portfolios. Corporate Finance maintained its strong positioning and deal flow with a steady level of activity comprising corporate restructuring activities, black economic empowerment transactions, de-listings, fair and reasonable opinions and two high profile investment banking transactions. Lower volumes were traded on Investec Securities' agency business and the structured equity desk was affected by the volatility of the Rand and uncertain markets.

In Australia, the Investment Banking division, Investec Wentworth, benefited from an upturn in merger and acquisition activity. The private equity business also performed particularly well with two realisations and a number of notable investments made during the year.

Private Client Activities

The group's Private Client Activities, comprising the Private Banking and Private Client Portfolio Management and Stockbroking divisions, reported strong growth in operating profit before exceptional items and amortisation of goodwill of 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 improved net inflows, largely in discretionary mandates, while the performance of Investec Securities in SA was impacted by subdued market volumes.

Private Banking

Operating profit before exceptional items and amortisation of goodwill of the Private Banking division increased by 53.4%, to £45.4 million. This performance was driven by a solid growth in total advances and non-interest income. During the period under review, the group's private client lending book in SA grew by 26.9% to R22.5 billion (£1.9 billion), and the private client lending book in the UK grew by 14.8% to £1.1 billion.

In the UK, strong performances were recorded across all of the Private Banking businesses. The property lending business continued its sound performance against the backdrop of a less buoyant market with a well-spread loan book. While there is a strong bias in the overall lending book towards commercial and residential property, the book is well-secured and the group believes that loan to value ratios are conservative enough to provide a cushion for all but an unexpectedly severe downturn.

In SA, the Private Bank increased operating profit through strong growth in advances and structured and transactional banking fees as well as a noteworthy contribution from the private client investment banking portfolio.

In Australia, the Private Client group performed well, with particularly strong growth from the Structured Property Finance unit, as the business continues to leverage off the Investec Wentworth brand and client base. During the period a new initiative was undertaken to establish a Private Client Investment Banking business to target those clients that fall below the radar of the major investment banks.

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, an increase of 91.8% on the previous year.

In the UK, Carr Sheppards Crosthwaite performed well with total funds under management increasing by 25.5% to £5.9 billion from £4.7 billion. Net new inflows of £360 million were generated largely in discretionary mandates.

Poor stock market volumes in SA restricted the performance of Investec Securities, although total funds under management increased by 17.2% to R30.0 billion (£2.5 billion) from R25.6 billion (£2.0 billion). Investec Securities continues to focus on reducing costs and during the period a campaign was launched to increase the awareness of Investec Securities Online, which should provide further cost savings.

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. A strong performance from the UK operation was partially offset by a weaker performance from the SA operation.

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 division benefited from the restructuring of its trading activities undertaken in the previous financial year and from a solid performance from the stock lending and commodities trading desks during the period. Furthermore, an increasing focus on higher margin, less capital intensive transactions and customer flows, in addition to the growth and creditable performance of its Banking Activities enhanced the division's performance.

The SA Treasury and Specialised Finance division's operating profit before exceptional items and amortisation of goodwill declined from £26.6 million to £18.9 million. A weak performance by the currency and interest rate desks together with a margin squeeze – which was inadequately hedged by the positioning of the interest rate book – were the key causes of the decline in operating profit. The general slow down in infrastructural finance moderated the performance of the Banking Activities although the division experienced sound growth in structured finance fees.

Asset Management

The Asset Management division delivered operating profit before exceptional items and amortisation of goodwill of £24.6 million, which represented an uplift of 38.9% in Pounds Sterling terms and 11.1% in Rand 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 Independent Financial Advisory channels and strong investment performance across the product range.

The UK retail funds enjoyed sound growth and continued expansion in market share with net inflows for the year amounting to £284 million. Funds under management now exceed £1 billion (68.8% year-on-year growth). This contributed to market share of net retail industry sales increasing to 3.2%. The offshore fund range also achieved strong net inflows of £236 million largely as a result of the sales efforts in Asia and in the UK. Flows from SA slowed due to the strength in the Rand. The UK institutional team continued to penetrate the pension market, which represents a shift in the book towards the pension fund business. The UK Institutional business saw outflows from cash as investors shifted allocations. During 2004, Investec Asset Management won the Global Investor's "Firm to Watch" award.

The SA business once again showed resilience with a solid performance. Most notable, the excellent retail and specialist investment performance resulted in Investec Asset Management achieving first place in the Plexus survey, and winning the Standard & Poors' "Best Large Manager" award over one, three and five years. Balanced investment performance has improved over the past year although further progress is required. Investec Asset Management continues to establish leadership in specialist products, and was appointed to manage significant new mandates. The SA business generated net inflows of R4.4 billion excluding the structural outflows from the Investec Employee Benefits (ex-Fedsure) book.

Assurance Activities

The group's SA life assurance activities, conducted by Investec Employee Benefits (IEB) did not have the benefit of the substantial operational earnings from the restructuring and rationalisation of its activities of the previous period and reported operating profit before exceptional items and amortisation of goodwill of £4.6 million – a decline of 82.9%.

Group Services and Other Activities

Group Services and Other Activities posted an operating loss of £24.4 million compared to the prior period loss of £9.8 million. This was largely attributable to an increase in interest paid on subordinated debt following the raising of £44.4 million of subordinated debt in SA towards the end of the 2003 financial year and of a further £200 million in the UK in February 2004. The loss was exacerbated by the increase in costs within the Central Services divisions, mainly as a result of: the appreciation of the Rand against Pounds Sterling, an increase in incentive based remuneration in the UK operations given an increase in profitability, and expansion of the Australian operations.

Investec

This result was partially offset by a significant increase in dealing income, with the group benefiting from an increased return on a number of investments and a better performance from the loss-making UK Traded Endowments business. In addition, the group's Property Activities in SA continued to perform well, with total assets under management increasing by 43.8% to R12.5 billion (£1 billion).

Geographic Performance

Investec plc and Investec Limited earned 41.4% (2003: 19.0%) and 58.6% (2003: 81.0%), respectively of the group's operating profit before exceptional items and amortisation of goodwill excluding discontinued operations.

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

Southern Africa

The SA businesses 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 strong performance was offset by a poor performance from the Treasury and Specialised Finance division and a decline in the earnings of the group's Assurance Activities and Central Funding division, explained earlier in this report.

UK

The UK businesses 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 increased corporate activity and streamlined cost base but without the benefit from any significant private equity realisations.

Australia

The Australian operating profit before exceptional items and amortisation of goodwill increased by 62.5% to £9.6 million as a result of favourable market conditions. 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 a favourable long-term deposit and issuer rating of Baa2 from Moody's enabling the group to enhance its funding base.

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 Israeli Desk in the US. Investec Bank (Israel) continues to grow market share in the Mutual Fund Custody business with assets under management increasing by 104% to NIS20.2 billion (£2.4 billion) from NIS9.9 billion (£1.3 billion).

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 run-off related activities, all other businesses in Investec USA and Investec Inc. ceased operating as of 31 May 2003.

Financial statements analysis

Operating income

Operating income of £560.7 million increased by 8.0%. The movements in total operating income are analysed further below.

Net interest income of £105.7 million declined by 4.6%. The group reported sound growth in its Private Banking lending portfolios and in its UK Treasury and Specialised Finance banking and lending businesses. This however, was partially offset by the increase in interest paid on subordinated debt. Furthermore, net interest income was negatively affected by a significant decline in interest rates that occurred in South Africa over the period.

Net fees and commissions increased by 15.3% to £318.4 million. This was largely attributable to increased lending turnover in the Private Banking businesses, the growth and strong performance of the UK Treasury and Specialised Finance banking and advisory activities, and the turnaround in the group's Corporate Finance operations in the UK. Furthermore, the appreciation of the Rand had a positive impact on this growth, particularly in the Asset Management division.

Dealing profits (trading income) increased by 57.8% to £91.0 million as a result of the strong performances of the UK Treasury and Specialised Finance trading activities and the SA property business, and an improved performance in the loss making UK Traded Endowments business. Furthermore, the trading investments held in the Investment Banking and Private Equity portfolios and certain other investments held in the group's corporate portfolio benefited from improved equity market levels. This was partially offset by the poor trading performance of the SA Treasury and Specialised Finance division.

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

The substantial growth in 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.

In addition to the decline explained in the paragraph above, other operating income also declined because the Investment Banking division had benefited from a significant realisation in the UK Private Equity division in the prior year.

Overall, annuity income as a percentage of total operating income declined from 69.1% to 67.8%.

Administrative expenses

Total administrative expenses decreased by 1.4% from £400.8 million to £395.2 million principally due to the rationalisation of the group's activities in the US and in its UK Investment Banking operations undertaken during the 2003 financial year. This was largely offset by an increase in costs expressed in Pounds Sterling due to the appreciation of the Rand and the continued expansion of the group's Australian operations.

Investec Limited experienced a 1.0% decline in expenses in Rand terms, whilst the expenses of Investec plc declined by 9.0% in Pounds Sterling terms.

The ratio of total operating expenses to total operating income decreased from 80.0% to 72.7%. The cost to income ratio in SA increased from 62.3% to 63.5%. The ratio in the prior period was positively affected by the substantial restructuring profits generated by the group's Assurance Activities. The cost to income ratio for Investec plc's operations decreased from 89.7% to 78.4% as a result of the rationalisation and restructuring of these operations and the improvement in operating profit of the plc businesses.

Goodwill amortisation

The charge for goodwill amortisation and impairment decreased significantly from £122.3 million to £50.6 million. The prior year figure included £49.6 million relating to additional impairments of the business acquired from Fedsure Holdings Limited. Included in the current period is an amount of £8.1 million relating to an impairment of the Traded Endowments business acquired through Fedsure.

Provision for bad and doubtful debts

The bad and doubtful debts charge in the income statement increased by 14.5% to £20.9 million.

The percentage of gross non-performing loans (NPLs) to core loans and advances increased from 1.5% to 1.7%. Total provision coverage remains conservative both as a percentage of gross NPLs and net NPLs (gross NPLs net of security), at 99.9% and 354.6% respectively. In addition, the group's general provision coverage as a percentage of net loans and advances decreased marginally to 1.1%.

Taxation

The operational effective tax rate of the group (excluding the tax effect on exceptional items) increased from 6.3% to 21.1%. 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. This resulted in a net reduction of the effective tax rate in the prior year. The effective tax rate in SA increased from 14.3% to 21.0% as the group utilises its assessed losses. Furthermore, the effective tax rate in Israel increased significantly from 12.2% to 58.7% because taxation is paid on inflation-adjusted earnings, which exceeded nominal earnings during the year given the negative inflation rate.

Share of income of associated companies

The group's principal associate is Capital Alliance Limited (CAL). An amount of R134 million (£11.2 million) was accrued, representing Investec's share in CAL's estimated operating earnings for the year ended 31 March 2004.

Exceptional items

Exceptional items fall into two categories, namely:

- Losses on termination of the group's operations in the US amounted to £5.1 million. The group made a final exceptional charge (including future run-off costs) for the closure of these operations. Any future costs incurred in excess of this charge, will be treated as non-exceptional operating expenses.
- Profit of £13.7 million was realised on disposal of group operations largely relating to the sale of the companies, 100 Grayston Drive Property (Pty) Limited and Block E Power Station Properties (Pty) Limited, at market value.

Capital resources

Total capital resources increased by 40.4% to £1.3 billion.

Total shareholders' funds increased by £169.0 million during the period under review mainly as a result of the issue of R1.5 billion (£127.5 million) in non-cumulative, non-redeemable and non-participating preference shares and 5.6 million ordinary shares (£46.0 million) in Investec Limited.

Net tangible assets (excluding non-equity shareholders' funds) grew from £340.2 million to £430.8 million.

The return on average tangible equity shareholders' funds increased from 26.0% to 27.5% and the return on average total equity shareholders' funds, inclusive of goodwill increased from 13.1% to 16.0%.

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

Total assets under administration

Total assets under administration increased by 17.9% from £40.6 billion to £47.8 billion. This was mainly attributable to growth in assets under management of £6.8 billion across all ranges of third party funds, due to improved equity values and the appreciation of the Rand against Pounds Sterling.

Accounting policies and disclosures

Accounting standards

The group has adopted the following new UK 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	–	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
– UITF 37	(47,827)
– 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)
– FRS 17	(9,173)
– 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

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 10.4% over the prior period.

Prospects

The operational health of the group's activities is sound with significant measures taken to address the non-performing elements of the business, and through vigilant management of costs. The group is now leaner and more focused and in a better position to deal with external market and economic conditions which remain uncertain. The group strives to continue to build distinctive businesses in its core areas of operation focusing in regions where it believes it can compete effectively.

On behalf of the boards of Investec Limited and Investec plc

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

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. If approved, payment will be made on Monday, 23 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. If approved, payment will be made on Monday, 23 August 2004.

By order of the board

R Vardy

Company Secretary 27 May 2004

Further Information

Information provided on the Company's website at www.investec.com includes:

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

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

Investec