Financial Results for year end 31 March 2007

Speaker	Narrative
Mike Brown	Right ladies and gentlemen, we're going to get things kicked off. I'm Mike Brown of the Investor Analyst Society of South Africa. We're being hosted today by Investec. I think in the same audience we've got Investec invitees, we've got the media. The thing is going out live on Summit TV, a local TV station and it is web cast, video conferencing directly with London, teleconferencing and so on and so forth, so it is a big audience. But for the audience here, we are here of course to hear the financial results for year end 31st March 2007. The results are going to be presented initially by Stephan Koseff who is the CEO. He is in London, but we're getting him in video conferencing. Various people will do different parts of the presentation and then we'll come back to Johannesburg for questions and answers and so on. The results came out this morning as we know. We'd like to congratulate Investec for having this presentation so quickly after the results came out. There are no great surprises to us, because we have had Investec presentations on the interims, on the trading updates and now on the finals. So they're setting a good example for South African companies. I think most of us also know that Investec was the winner last year of the overall award which the Investor Analyst Society hands out for excellence in financial reporting and communications. These are their Squirrel Awards, their equivalent of the Oscars, except we hand out golden squirrels rather than Oscars. For those who want to know if Investec has won this year, our 22nd annual dinner for awards will be held on 20th June. So we will see you there if you want to see whether Investec has done it again. May I just thank Investec for hosting us in Johannesburg? They have invited us afterwards to join them for refreshments and so on. And we now only have to wait until London kicks in with the video conferencing, which I hope haven't started yet. So thank you again everybody.
Stephen Koseff	Good morning everybody in London and Johannesburg. I don't know if we're connected to Cape Town, but if we are good morning Cape Town and anyone who is listening in on the web cast and Summit. We're delighted to have you here today. I don't know if they've given you cricket balls in Johannesburg or where ever you are listening from but in London everyone's got a cricket ball because I think the Lords test starts today and Investec is sponsoring the press box in Lords. So if you go and look on TV, watch the West Indies and England you will see our name up in lights. And hope we don't have cricket balls thrown at us. If we just look at our results I think looking at the overall operating environment, we have had a favourable operating environment. We did have some volatility in equity markets but at the end of the day all of the key equity markets in all of the countries we operate in were up quite reasonably or strongly in the case of South Africa and Australia and up about 8% in the case of the UK. We have had a rising interest rate environment in all three markets. Last we spoke to you at the update we said we think it is the end of the rise but obviously we were wrong, and it looks like we'll continue to get some further rises in interest rates, although we believe it is coming to the end of the rising rate cycle. We then had an exceptionally weak Rand in this period. From beginning to end the Rand was 32% weaker, and on average about 17% weaker. And all that has had some impact on the operating results. If you look at what really happened in our business we had a great performance from the UK and Australia. Australia was up 91% pre-tax, and part of that was the Rothschild acquisition, but a lot of it was organic growth. And the UK was up 55% pre-tax, and that is clearly as a consequence of some of the initiatives that we implemented over the last four years. South Africa was up 20% in Rand but only marginally up in Sterling. So right across the spectrum we did have strong performance from all our regions. 42% or 43% - depending on how you round – of our operating profits came from the UK and Australia and 57% or 58% from South Africa, which is quite a big change from last year. We also have continued to leverage off our platforms. I mean our earnings per employee are up significantly

in Australia and the UK and Europe, from £91 000 per head to £121 000 in the case of the UK. And Australia up from £143 000 to £148 000 which is really demonstrating that we leverage off our platforms. South Africa was down, and that is really a consequence of the Rand. Otherwise our profits per employee are roughly what they were in previous years, except we've got a lot more employees this year. We also have continued to gain momentum right across our group through our brand building. I think we're getting much better known than we were when we first listed in London, and clearly we've always been quite well known in South Africa. Certainly for the last ten to fifteen years. And we're getting well known in Australia as well. CNBC asked me this morning, are you a South African group or are you an international group? And I think we responded that we are an international group with our roots in South Africa. I think we are coming of age as an organisation recognised on the international stage.

So in summary, you would have all seen the results. This is some time since the first time you saw them but now we have to announce them at 7 am UK time. Our operating profit overall was up 23% from £388 million to £466 million. However that translated into attributable earnings of 30%, £230 million to £300 million. The detail is all in the book as to how the numbers pan out, so I don't have to go into too much detail. That is just to give you the headline numbers. Adjusted EPS which is a number we measure ourselves against, was up 27.2%, just above the middle of the range that we announced a few weeks ago. Dividends in Sterling turned up 26.4%. For those of you who get dividends in Rand, you've had a bonanza because you're up well into the mid 40's. Average loans and advances were up 23%. We use the average because the average really is your earnings driver as opposed to [unclear] at the end of a particular financial year. And then average third party funds under management up 22%. We have met all our financial objectives. Our growth was 27.2% against a target of UK retail price index plus ten. So for the last three years we have exceeded that growth objective quite comfortably and hopefully we can continue to do that, depending on conditions. Our ROE for the third year running is above the 20% target. UK and Europe was just below 20% (19.6%) and again obviously we still have to push scale a bit to get it above 20%, but we're in touching distance. And in South Africa 37%. If Michael Griste is there, he won't ask that question again. So 37% in South Africa and in Australia 15%. Still trying to build scale. Cost to income ratio was 59% against 58.7%, so a marginal weakening of the cost to income ratio. Some of that is really because we equity account some of our private equity transactions and we end up with some costs that aren't really our costs. If you took them out we'd be roughly the same as last year. Again the UK was 66%. Still got to push scale a bit. South Africa at 52% and Australia at 57%.

We have a very comfortable capital position. Certainly in the UK our ratio is 24%. You'd say that's a bit high but we're growing and you know we need our capital for growth. We were quite active in the non-equity space. We did £130 million perpetual pref and a £350 million accumulative perpetual pref which rank upper tier two. So we bolstered our capital base because we believe that as an organisation we're going to continue to grow. Australia likewise as a consequence of the Rothschild acquisition the capital ratio was up about 23.8%. South Africa was within our target range. Again you have a higher return on equity so you can live closer to the line, as we were able to sustain our growth through internal capital generation. So a comfortable capital position across the spectrum and we believe we are very comfortable for Bar 2 which comes in on 1st January 2008. Looking at the business operationally, again you've seen very, very strong performance from our Treasury and Specialised Finance division which almost doubled its profits in this particular year, and a very strong performance from the private client business, including private banks which were up some 50%. Investment Banking was down marginally and Andy and Brad will talk to that. Last year we doubled our performance in Investment Banking so you know overall very strong performance

Speaker	Narrative
	and Asset Management was up 15%. It was twenty-something percent in stable currency, but the Rand did have a bit impact, because they've got a big business in South Africa. So moving on to the operating divisions. I will deal with some of them and some of our management will deal with the others. I'll start off with the private client portfolio management stock-broking business. This has two parts. It's the private client business in South Africa and Rensburg Sheppard in the UK. I can't talk about Rensburg Sheppard because they have not yet announced. They are only announcing in the middle of June, so we're not allowed to talk about how they performed. Obviously we've had to estimate their results in these numbers, and hopefully we won't be too far wrong. Private client business in South Africa did perform very strongly. It was up substantially, and overall the private client business was up 32%. It has had a number of new product launches. It has had significantly higher asset levels in Rand, increased volumes and there has been a whole change in the structure so there has been a strong focus on efficiency. Cost to income ratio was 61%. That is just the South African business. We have to exclude Rensburg Sheppard on that. And ROE up 44%. In the funds under management we only include Rensburg Sheppard's funds at 30th September because they haven't reported their results yet. So we're not allowed to tell you what their funds under management were at 31st March. But markets were up so hopefully they were up as well. And then on Rensburg Sheppard, they have successfully integrated the two businesses, and I think that has gown off very well. I think they told the market that. And they're now in a different phase which I'll talk about in a moment. They are looking forward to three focus areas to support continued growth. The launch of products that appeal to sophisticated private clients. They always like sexy products that can perform exceptionally well and give higher than average returns. Obviously some of those products may be a little risky if markets turn down, but those are the types of products that appeal to the private clients and they have launched a number of those products. They also re-organised all their front-facing teams so they can have a more aggressive approach to asset gathering, and I think that is important going forward. As long as we see continuation of good market fundamentals, this business will do well. Rensburg Sheppard has now moved from the back foot onto the front foot because they've dealt with all their integration and they are now intending to roll out a growth strategy which I think they also communicated to the market. So that's the private client portfolio management business. I'm going to call on Steve Heilbron who is going to talk about the private bank.
Steve Heilbron	Good morning. Following on from Stephan, if I can draw your attention to the financial performance of the private bank. Operating profit is up 52% to £154.4 million. This takes our five year compounded growth rate to 54%. Drivers include a 32% increase in loans and advances to £8.1 billion in neutral currency. Funds under advice have increased by 56% to £2.9 billion in neutral currency. The cost to income ratio has improved from 60% to 53% and the pre-tax ROE has moved up from 29% to 38%. These results have been achieved through solid performances in South Africa, UK/Europe and Australia, with operating profits being up in excess 50% in all home currencies. We have continued to experience strong growth and a well diversified set of revenues across all areas of specialisation. Net interest income represents 63% of total operating income, providing a strong underpinning to earnings. A year ago we reported £101.5 million in operating profit. In speaking then of consolidation at that level, with an aspiration of growth of around 20%, perhaps we underestimated the level of momentum that has been achieved. This momentum, coupled with a brand that has evolved over time ably into a fresh alternative to the traditional incumbent has supported the private bank's strong performance. This has had a positive and direct impact on the quality and scale of our client acquisitions, together with our ability to attract and retain some amazing

talent. Our mantra remains to out-think as opposed to out-muscle our competitors. Investec's core values fuel the drive for competitive differentiation. We acknowledge that it is not possible to be different in everything that we do, but we can be remembered for the few things that we do that is different. I will now give you a brief insight into the financial performance of each area of specialisation.

Property activities have been supported by favourable but tighter market conditions in all three geographies. Operating income, from structured property finance has continued its positive momentum and is up 56% year on year. This represents 55% of our total operating income. Notable feeders of this growth continue to include an emphasis on client-led cross-border transactions into selected parts of Europe; regional expansion in Manchester, Dublin, Melbourne and Brisbane, and continued growth in South Africa fuels demand for products. The structure property finance team in the UK has built a strong profile and is a respected franchise in the city. The book has proved to be robust. It is well managed. Momentum into 2008 is good, and we have clear earnings visibility. Growth in acquisition finance grew its operating income by 56%. Our activities are driven, targeted at management buy-ins and buy-outs in the owner-managed space. This specialisation accounts for 12% of total operating income, and there were no material re-valuations to the portfolio. During the past year we continued to develop the business profile and deal pipelines in all geographies, with a good number of transactions being concluded and future realisations looking promising. In South Africa the team was particularly active in the black economic empowerment arena. In Australia we had our first exits, having a real impact on revenue. And in the UK the product set was expanded to include asset-based lending with an emphasis on receivables financing.

The private bank's wealth management business performed extremely strongly with a 66% increase in operating income. Total funds under advice moved to a three year compounded growth rate of 43%. We have differentiated through the delivery of specialise opportunities and the quality of our independent advice. This business is well on the road to scale. It is at a tipping point, with client word-of-mouth being the largest originator of new mandates. General banking activities account for 20% of total operating income. And they have performed well, with good growth in residential mortgages, deposit taking, foreign exchange, short-term insurance and transactional banking. Let me stress that this specialisation is very important to us. It is hugely client acquisitive, it is brand building and it results in a very stable earnings stream. A concerted effort to grow the general banking activities in the UK and European jurisdictions has commenced. This incorporates a focus on niche residential mortgages, the rollout of online banking functionality and a product imitative in the transactional banking space is currently under view. Healthy pipelines caught all areas of business in this discipline. Lastly, in our trust and fiduciary business, operating income is up 28%, with good performances in both the Channel Islands and in our Swiss-based operations. This has been achieved through efficiencies together with the successful acquisition of Quorum. Trust Group is an integral part of the private bank and it continues to meaningfully support deposit raising and wealth management activities.

In closing then, there are a number of key themes which have impacted the private bank's earnings, namely the explosion of personal wealth over the last decade, rampant growth in property values in our three largest domestic markets, and excess levels of liquidity impacting valuations, transactional pricing and competitive positioning. The focus on the business has been to develop strategies aimed at converting these themes into identified opportunities. With this in mind the private bank has lifted its operating profit by 50% a year every year for the last six years, from £12.5 million to £154.4 million. Assuming that these themes and market conditions can hold, we have momentum going into 2008 and we would look to consolidate around this level with an aspiration for growth. Our focus for the

	year ahead is two-fold. Firstly, re-investment for future growth, and secondly stretching existing strategies in pursuit of scale. And finally, we appreciate that it is absolutely critical for us to retain a culture that promotes an environment that is ambitious, challenging but refreshing, and optimises the potential of our people. Thank you.
Stephen Koseff	Dave Van der Walt is now going to talk about what we used to talk Treasury and Specialised Finance that he now calls Capital Markets.
Dave van der Walt	Morning. The growth and development of our business over the last few years has caused us to reflect on the appropriateness of the name Treasury and Specialised Finance. It is our view that the name does not adequately reflect the breadth of our activities or our core focus areas. In addition there has been some confusion in the market. As a consequence of this we have decided to re-brand ourselves Investec Capital Markets. This does not mean a change in the direction of the business, and we will continue to use our special skills and knowledge to provide financial solutions to our client base, which should enable the bank to achieve above-average returns. Our core focus remains in four areas, which is specialised lending, securitisation, structured derivatives and specialist funds. We have continued to leverage our platforms, and over the last number of years we have embarked on a number of initiatives and new businesses which have started to attain significant traction. As a consequence of this we can report an increase in operating profit of 75.3% from £66.9 million to £117.3 million. Looking at the key developments in our four growth areas, our specialised lending areas continue to perform across the board. Our core loans and advances grew by 18.7% to £3.5 billion in neutral currency. This is despite having some unexpected redemption in the South African market, but is a good indicator of underlying activity levels. During the year we undertook a number of good mandates and structured advisory mandates, and had particularly good performances with our structured finance, project finance and equity finance businesses. Our securitisation and principle finance businesses posted solid results with numerous transactions concluded during the period. In addition we have got a number of mandates which are yet to conclude. We have now established a strong foothold in the UK market, and are in a market-leading positing in South Africa. Our derivatives and structuring teams enjoyed a significantly improved performance during the year on the back of increased volatility, structured client transactions and increased client business. We achieved this through a commitment to innovation and high levels of customer service, and look forward to continued performance in this business. We have as yet not achieved our objectives in the structured or specialist funds base, and we will continue to focus on that initiative, particularly in the resource finance and structured credits markets. We have continued to invest in the business to develop sustainable scale, and during the year our head count grew by 35% to 530 to 715. We have also undertaken a number of new initiatives focussing on people development, hiring of new teams and bolt-on acquisitions. By way of example, we're the primary beneficiary of the acquisition of Rothschild in Australia. This has significantly enhanced our teams in Australia and our franchise in the commodities and resource finance and project finance businesses. In the UK we have recently hired a top equity derivatives team, and we have also commenced a business focussing on corporate foreign exchange. We have over the year employed a number of people in our securitisation and principle finance markets, and in South Africa we have signed a number of joint ventures for the origination of securitisable assets. In Ireland we have recently signed up and launched a non-conforming mortgage lender.

Speaker	Narrative
	Looking forward, the strategy has not changed. We continue to remain a focused specialist business, targeting markets where we can be distinctive and competitive, focussing on our core value drivers. In the UK and South Africa we will continue to strive for greater penetration in our markets. In Australia we will look for opportunities to broaden the franchise. Securitisation and capital markets are a key focus and in particular we will look to originate assets in higher margin niche areas to be funded through securitisation in the capital markets. We will continue to pursue our strategy around specialist funds. In general momentum in the business is good and markets remain favourable. We are therefore looking to target growth in excess of the groups' targets. In addition to this we will continue to invest in the business for growth in the medium term, with a particular focus on creating an environment for the businesses that we've taken on board to perform. In summary I'd just like to thank our staff for their significant contribution for what has been a good year for us. I'd now like to call on Andy Leith in South Africa, so if we can switch over to South Africa.
Andy Leith	Thanks Dave from capital markets. I think in looking at the investment banking performance I'd just like to put it in context, because over the last few years we have concentrated on improving the quality of our people, our clients and our investment portfolios, leveraging the franchise across three geographies and the USA. This has created strong, integrated platforms with a growing market presence, enabling us to leverage a core competence in leveraging capital to core opportunities outside of South Africa. This has resulted in improved sustainability of earnings and good performance from a balanced portfolio. In reviewing the numbers it is important to recognise the high level of activity in all the underlying businesses in all our geographies. For the most part investment banking has performed well. Corporate finance delivered another good performance, benefiting from a strong deal pipeline, increasing its earnings 37% over the previous year. The underlying investments within the private equity and direct investments portfolio continued to perform well. However, the opportunistic investment component of the direct investment portfolio wasn't as active as the previous year, mainly as a result of fewer realisations. I think this performance needs to be seen in context, because last year the investment banking performance was up 114% year on year. Given the quality of our deal pipeline and investment portfolio we are confident – barring unforeseen circumstances in the markets – the performance of this business continues to be sustainable. I will be talking about the South African investment banking business, and Brad will be covering the integrated securities business in the UK. If we turn to South Africa, investment banking in South Africa earned £60.6 million, representing a decrease of 8% over last year's performance. However, the Rand result was an increase of 7.4% higher than the previous year. The mix in earnings was split between corporate finance and advisory business at 30% and direct investments and private equity at 70%. If we turn to corporate finance in South Africa we had a very strong performance from corporate finance, up in excess of 100% over the previous year. We continue to be ranked number one in the deal maker's survey for transaction volume and sponsor activity, and completed a number of high profile transactions in the MNA, BEE and IPO space. We continue to develop sector specialisation as an integrated group, and we've had good success in sectors like mining. We continue to grow our market share, advising a number of new corporates during the course of the year. And if we look forwards, a strong pipeline of BEE, IPO's and private equity transactions should continue to sustain momentum going forward. If we turn to direct investments and private equity, I want to take a second to explain what we mean by that. Direct investment is a set of opportunistic investments sourced from our dominant presence in our markets, as well as our

investments in our BEE platforms. While private equity we mean investments in leveraged, unlisted players. We have always had a strategy of quality versus quantity, leveraging off making these investments off our own balance sheet. We have always had a very disciplined approach to these investments, and we are never pressurised to make investments in a situation that we're not comfortable with. If we look at our performance in this area in 2007, we had a strong performance from the underling investment portfolio and added a number of quality investments to both the direct investments and private equity portfolios. Given the market conditions, as I've said, and I think Stephan mentioned as well, the opportunistic side of the direct investors has not been as active this year as compared to the previous years. But I must make the point that opportunities in this part of the business tend to arise in weaker stock market conditions. Looking forward in this area for the year ahead, we continue to build value independently of realisations and stock market conditions by material debt and equity investments in our underlying portfolios. We regularly consider maximisation opportunities and continue to look for new BEE platforms as well as exercising opportunities to maximise the value of our investments in our existing BEE platforms with our black partners.

If I turn to Australia, investment banking in Australia earned £7.3 million, representing an increase of 35% over last year's performance, with good levels of MNA activity and a quality client base. We expanded our presence into Melbourne and Brisbane, and experienced strong cross border activity between Australia and the group. One of the key values to Investec is the link between Australia, South Africa and the UK in sectors like resources and renewable energy. The private equity funds continue to outperform and additional private equity capital was raised during the year. Looking forward in Australia with our increasing brand awareness, the growing Australian national platform will continue to provide a solid base for growth opportunities in the future. At this point I'd like to hand over to Brad in the UK to cover his section of the presentation.

Bradley Fried

Good morning ladies and gentlemen. My comments will focus initially on the securities business, which we run across South Africa, the UK and the United States on an integrated basis. And then we will move to the progress we have made in the corporate direct investment and private equity markets in the UK. The year under review saw our securities business experience very healthy market volumes, growth in the depth and quality of our professionals, and overall progress across the entire client base. In South Africa, where the operating results increased by 47% this year, our people have made very strong progress in diversifying the revenue streams, growing our prime broking business from R72 million to R2.1 billion in funds, launching a contract for difference offerings, enhancing our algorithmic and arbitrage trading businesses, strengthening our US distribution for South African products. Furthermore in South Africa we have made a significant investment into research, ending the year with very significantly enhances sector coverage and mid-market presence. We believe that our South African business is very well positioned to capitalise on the current market conditions. Our selective use of capital should enable greater market share in the mid-market, complementing our leading market share in the dual listed. We look forward to continued expansion of the product suite, including USADR trading, deepening diversification of revenue streams and an ongoing drive to increase the distribution of South African products to international investors, both in the UK and the United States.

In the United Kingdom the securities industries has faced substantial regulatory challenges, specifically during this year. Unbundling, a very significant trend, driving large cash flows to the biggest commission sharing houses and an overall margin decline in the broker market. This margin decline has been in progress for

	some years. We have actively re-positioned our UK business model to take advantage of the opportunities presented. Initiatives we have taken include, firstly, further enhancing our research quality, achieving the number one overall starmine ranking for FTSE 52 recommendations and the number one overall investors chronicle AIM ranking. Secondly, ongoing investment in our distribution capacity, strengthening our team in London, establishing a US distribution platform for our UK product and finally deepening our client relationships. To complete our business model we continue to make meaningful investments into our trading and execution capacity. We work tirelessly towards our goal of being the highest quality UK mid-market broker. We believe that the current year will see the final building blocks being put in place to realise that vision. Our UK corporate advisory business grew the income marginally over a very solid 2006. The mix of income, however, changed quite fundamentally. The spread of revenues, and there is a significantly greater spread of revenues, spans corporate MNA, IPO and secondary offerings, with private equity advisory gaining significant momentum. We have made, and we continue to make, a number of selective high into this market place, recognising that cultural fit is absolutely key. As we review our pipelines, they are strong across several sectors and the momentum is in place to materially build free income. Last year, looking back at our notes for the previous year, we advised you that we would be building capacity and pipeline in our UK private equity and direct investment business and in our Hong Kong based pre-IPO investment business. Over the course of this year we have invested extensively in this area. Experienced professionals now focus full time on public and private investment opportunities in London and in Hong Kong. Whilst the overall results for the UK and Hong Kong direct investment and private equity business is down from £14.9 to £13.1 million, we have had no significant realisations at all in the year under review, and the outlook for 2008 is that we expect this business to make significant progress with potential exits planned for. Andy and I have touched on the key themes that have moved our business ahead over the year. Stable and dedicated teams, increased size and quality of our client base, increased market penetration and our brand moving ahead significantly in our target markets. In conclusion ladies and gentlemen, our group managing director Bernard Kanter patiently and constantly reminds us that markets come and markets go, and constantly and perhaps a bit more volubly talks to us and warns us against complacency. In that context our role is to build deep foundations and quality, enduring businesses. Going into 2008 that remains the primary mission of the investment banking business. Thank you. I hand over to Hendrik from Asset Management.
Hendrik du Toit	Ladies and gentlemen, the time of the cycle is probably the only thing that worries one when everything goes well, but let's enjoy the moment. I was talking to the chairman this morning about it. Let's enjoy the moment because we know looking ahead the world can't be as good as it was the last fifteen years. The results of the previous year continue to support our position as a specialist provider of high alpha investment product. They also confirm our ability to attract substantial flows across the board in a high quality product set. The quality of the product is essentially a function of the quality and stability of the teams of people we employ and have. And I must say the one piece of good news I can report is the solid and stable human resource platforms we have to face the future. We successfully widened our global sales reach on the back of confidence in the quality and positioning of our product range. Therefore we are pleased to announce an earnings growth of 14.7%, coming off a high base of 63.6% last year and a five year compound growth rate of about 29%. Our pre-tax profits have risen to £68.1 million. Average assets under management were up 12% to just over £31 billion and on the revenue side operating revenues

	grew by 10%, a 23% growth in the UK and international business primarily driven by solid net inflows of about £1.2 billion. In South Africa the increase in funds under management supported revenue growth as well. 21% in rand however translates into 2.3% in Sterling. Cost controls at this time of the cycle remain an absolute priority or this business. We've seen what happened in the asset management industry in the previous up cycle when they lost control of their costs, so I'm glad to report a cost rise of a mere 7.5%, which is largely attributed to profit related variable remuneration and a designed increase in head count. This increase is largely affected by the strengthening of our sales capability across a number of new markets. The long-term investment performance remains very good. In South Africa Standard and Spoors has named us the best large mutual fund group over one, three and five years. By the way we topped the five year ranking for the seventh year running. In Europe and Asia we also won accolades. A particularly interesting one is Lipper's best large equity group available to Swiss investors. Performance costs as a percentage of total revenues remained rather stable at about 10% which reflects the benchmark-beating results in relevant areas. It is noteworthy ladies and gentlemen that 90% of our institutional products have beaten their benchmark over the last five years. And if you want to break it down geographically you get 92% and 89% if I look at our two major geographic areas. So it has been pretty consistent. And that is the key to success in this industry. In South Africa our business achieved a record profit of £50.6 million. The retail fund business performed strongly and we see growth in that area. Besides the previously mentioned loss of about R12 billion or close to £1 billion of institutional business from Fedsure which was transferred to Liberty we have suffered additional outflows. And it is absolute priority that over the coming year we get that business back into positive net flows. The UK and international business has grown earnings by 66%, up from around 100% last year – from £10.6 to £17.5 million, taking this to about 26% of our world-wide business up from 18% a year ago. We have the momentum and the motivation ladies and gentlemen to take this business to the next level over the coming years. In conclusion we are in the business of building a significant global asset management operation where professionals feel at home to operate and deliver value for their clients. Over the past 16 years we have grown from a start up to a business which now counts as among the hundred largest third-party managers in the world. These businesses take long to establish but once they mature they deliver very significant cash flows to those equity backers that were there in the early days. Strategically we are exactly where we want to be. Over the coming year our focus will be on turning our track records into money and into market position, while nurturing a number of very exciting new initiatives which will have to implement in a fast changing industry. We remain focussed on a few things: performance, clients and innovation, as well as the nurturing of our unique culture. Because without our people who have worked so well over the past years we will achieve nothing. We believe that the outlook for 2008 is good. Today our business is better and stronger than every before. It is up to us to implement and deliver for you over the coming year. Thank you very much.
Stephen Koseff	Right I'll just deal briefly with property activities and then wrap up. I think the property business, although the earnings per client is about 23%, the operational side of the business as opposed to the investment side was up in Rand about a third. And it did continue to perform well. There are still strong property and equity fundamentals. We have significantly higher funds under management in Rand terms. It is still by and large a South African business. We obviously have mentioned that we have launched initiatives to build this business outside of South Africa, but there is not much talk about that yet. And we did have quite a few

	realisations in this period. However there was a negative impact from our property investment portfolio which was due to increased funding costs as a consequence of rising interest rates. But overall the business fundamentals are still very solid and we continue to make pretty good progress. Looking forward we do have a lot of very good trading stock. We have refocused our activities on trading fund management where we manage a whole host of property listed funds and private equity-style funds which we are starting to launch. For our efforts we also get an over and above carry which we have not historically done in our property business. We are also concentrating on building a border property business outside of South Africa as I mentioned earlier where we are going to be offering our private clients a spectrum of global products, capitalising on the skills across the group, which we do have significant property skills across the group. Moving on to our other group services it made a marginal loss this year. I think if we had to explain where it came through, we sold off our assurance business and we still had some revenue that was coming through. That has almost dried up. This year it dropped from £11.5 million to £1.6 million. Very little impact at the bottom line effect because last year we also had tax of £10 million against that same revenue stream but no tax this year. So at an operating level it has an impact but at bottom line very low impact. Our international trade finance business continues to perform well, up 21% in Sterling to £5.5 million. And central funding performed a little better than we expected when we gave you the investor briefing, and that was up marginally from £66.8 million to £67 million. Central costs were also up, and that is really variable remuneration, which obviously goes up and which we don't allocate back to the divisions, based on the overall performance of the group. About £16 million of that would be in the form of variable remuneration for the support services in the organisation increased over the previous year. Looking at asset quality, we have had a marginal uptake in gross default lines. We have redefined default in terms of the new bar rules and we have broken it out in our books into three categories. They are all well covered by provisions. Some of them came across from Rothschild where we brought across provisions, so not really our doing but from a previous transaction. But overall we're not seeing any stress in our loan portfolios at this point in time. Our effective tax rate was down from 27.3% to 26.3%. That was in essence in the UK where we overprovided a little in previous years as a consequence of some settlements with inland revenue. And our weighted number of shares is probably bang on what we said at the time of the briefing. The earnings attributable to minority shareholders were affected by the income in the consolidated private equity unit, and we eliminate that on consolidation, so it is £10 million. There was a sale of investment portfolio which eliminates £2.2 million, and then opposite to that and what we had last year, the translation of our preferred securities. We had a loss in the operating line and a profit at the minority line. It is actually neutral bottom line, but it does cause people complications. It's just an accounting aberration. Looking at the organisation strategically I think again our balance portfolio businesses again come through with private clients generating 37%. You can see the mix between investment banking and treasury where they swap over every now and then as to who is the bigger contributor. And that business will be more volatile than the private client and the asset management businesses. Private client and asset management generate about 52% of our operating profit. Our business model is still in sync. I think you've seen strong growth in net interest income in the last year up 33%. That is now 30% of our operating profit as we have leveraged our platforms. If we went back about four or five years ago that was below 20%. And it was a conscious decision to leverage our platform by building up our loan portfolios. The principle transactions were more or less flat. I think Andy has explained the investment banking side of that, which would have the biggest impact there. And then net fees and commissions across the group were up 18%, giving 48% of the total. So more or less a comfortable position. A bit

more from the proprietary and risk side than from the agency and fee side, but still nicely in balance.

If we look at our crocodile jaws ratio the crocodile is opening its mouth quite wide as we continue to get the benefit of faster income growth than cost growth. You can see what has happened since March 2003 when we reorganised the business, and how we have actually built up scale. It is coming through in this particular ratio. So we have had a compound growth rate in the top line of 13.6% and in the expense of 11.2%, and that 2.4% gap does create quite a nice picture. Going forward, I think if we look at the UK and Europe we have continued to push our organic growth. I think that is an important driver of our growth is that we have people out there constantly trying to bring in clients and increase revenue. and we will continue to actively seek bolt-on acquisitions. Last year in Australia we made the Rothschild acquisition. Private bank made a little acquisition in the trust business, but clearly it is an area that we continue to look at. We look at many things and don’t do too many because we have quite tough criteria. In Australia the strong platform is starting to reap benefits. We have very good people there. We are benefiting from organic growth opportunities and again we are always looking for potential acquisitions, but they don’t’ come every day. It’s a very tight market. In South Africa we don’t make acquisitions, we just grow organically. And we should continue to benefit from an economy which is still quite strong. It’s growing at about 5% and is expected to grow at that level or even higher over the next few years. Our role there is to deepen our presence and continue to grow. We have had quite a lot of head count into the capital markets business and the private bank, and those are front-facing people that generate revenue. And that is basically our strategy for growth there.

So if we come back to outlook and before I conclude on outlook I think Dave breached the rule and thanked his people. It’s my job to thank all the people at Investec this year for a great effort right across the board in all the geographies and all the divisions. We really have an organisation which is very harmonious at the moment and is all facing in the same direction, and everyone is making a hell of an effort to deliver. And I think right from the executive, from my colleague Bernard who is always out there prodding and pushing…we always forget about Bernard because he doesn’t stand up front here, but Bernard Kanter is our Managing Director. For the management team, all the people who have spoken today and the rest of the Investec team, thank you very much for your effort this year. We’ve had a good run for the last few years. We came from a tough period back in 2002 and we have really shown our mettle coming through, clearly aided by good markets but really a sterling job by everybody and thank you for that. And also to our non-executive directors I know I’m thanking a lot of people today, they also make a sterling contribution and help us as an organisation and take us where we need to go.

From an outlook point of view we continue to have good underlying momentum in the business. We are very active across all our geographies. We have had the benefit of recent rating upgrades. It is something we have been striving for for a number of years. We’ve good Moodies upgrades by a couple of notches in all three geographies, and that obviously helps us on the capital markets side because it means that some of our money will come cheaper. Although we have grown expenses that it because we have invested for growth, but we do have a disciplined approach to expense management. We have an experience management team who are experts in their field. And we believe that our brand is becoming well recognised. The levels of activity have continued into the new financial year. We believe we have increased the scale and market penetration in all geographies and we believe that will continue to support our results. Markets remain favourable and our economists tell us they do expect market conditions to remain in their current form for a while and we believe we should be able to beat

	our growth and financial return objectives. So thank you all. That's the end of the formal presentation. We now have some time for questions. We will start off in London. Any questions in London? No questions? One at the back there. Why does he get coffee?
Neil Welsh	Just a question. Neil Welsh from [unclear]. The reason for the question is really to talk about geographies. You mentioned in the past a little bit about Asia and nothing's come up there. But also Australia is seen as a very high growth area going forward. Can you give us an idea of sort of the timeline, the development there and what the sort of expectations are as a proportion in the group in the future?
Stephen Koseff	Australia went from 4% to 6%, and in Asia we have a platform that distributes asset management products into Hong Kong and Taiwan and we have a small investment banking boutique that looks for pre-IPO opportunities. So at the moment it's slowly, slowly. Obviously it's a big place. We also are active in certain elements of the Indian market. We have some large Indian corporate clients. In the airline finance industry and one or two other things. But our style is to get to know the environment to operate like pigeons flying in and out and once we get comfortable then we will see if we are going to put roots down. But in the mean time we want to deepen our positions in our current geographies. Really we do believe we have a very good team in Australia. We've built our brand. The Rothschild acquisition was very good for us and we think we can leverage on the people we have there and the fact that we're still quite small.
Speaker	A question while I've got the mike which is on capital in South Africa. The range, I think, you're happy with, goes down to about 13%. If you needed to support the growth within South Africa, what options do you currently have in terms of developing the capital base?
Stephen Koseff	Well our capital is 47% higher than the regulatory minimum. But clearly we have access to the capital market. So we can, you know, we have quite high generation of tier 1, 37% return on equity and that's including return on intangibles, it goes to higher, you're retaining in excess of 20%, so you can grow at 20% sustainability, even double that because you can always pull upwards of tier 2 capitals. Capital markets do accept you know, you can issue some debt, perpetual preps, we've issued a lot of perpetual preps, which you don't really do much in the UK. Where you never repay them, you just issue them and you pay a dividend for ever, with no end date. So we've done quite a bit of that and that's a fairly active market. And obviously at the end if you're issuing ordinary capital, but we've avoided doing that for a while. Just one more thing I should have mentioned, I haven't mentioned. We do have a business in Ireland that has performed particularly well. I don't know if Michael Cullen and his team are watching, but Ireland doubled its profits this year. It almost makes £20 million contribution but because it's a branch of the UK we never show it visibly and we really had a fantastic performance in the Irish office and that is really a business that has done pretty well over the last few years. I just want to also make a special mention to, I nearly forgot Michael but I remembered at the end, to the Irish team for their efforts in this particular year. They do make a big contribution to the group. In fact they're not that much smaller than Australia at this point in time. Ok, did I forget something else? I answered that. I didn't answer; did I answer you acceptably on the development of Australia?
Speaker	I took it as an indication…you said the contribution of 4% to 6%, just an indication

Speaker	Narrative
	that you're getting that sort of contribution growth to the overall profit results going forwards and Australia is still high growth relative to the group but in terms of the time I would be interested to know how you think that business can grow. The UK is now an established brand. Australia's activities are more refined or niche maybe.
Stephen Koseff	There are three businesses. We haven't yet done anything on the asset management side. We have the private bank, investment bank and the capital markets business in Australia. The capital market got a big boost from the Rothschild acquisition and therefore you know, it has now established a strong presence. We've opened up offices in Perth, Brisbane, Melbourne, we've just appointed a new branch manager to Melbourne to try and leverage up on those platforms so we follow a similar style to that originally followed in South Africa, we start opening up these branch offices and try and leverage them up because Australia's quite diverse from a geographic point of view. We believe that we can push it, it's an economy 3.5 times the size of the South African economy but obviously very competitive. But we think there is a space for us to grow. And it should get a lot bigger over time. More questions in London?
Chris Smith Oriel Securities	Good morning, it's Chris Smith, Oriel Securities. Just a question going back to the asset management business. Does it intrigue, about the South African flow? It appears that other than the one year track record, you're three and five years been excellent. I see there's been some restructuring. What lies behind that flow which is a bit disappointing given the performance?
Stephen Koseff	We've had very strong flows into retail funds and the institutional funds, if I'm saying the wrong thing you shout at me but I don't think I'll say the wrong thing here. In the institutional side there's obviously been the restructuring in the balance side. The balance performance hasn't been as strong as it should be. We've had very strong specs performance and then we sold a part of our life assurance business that we bought back in 2000 and we had structural outflows as a consequence of that sale. So the bulk of the outflows would have been from the sale of the life assurance business where we had R12 billion of outflows.
Chris Smith Oriel Securities	Yeah, I see that but if you took that out though, it still, you'd have thought it might be better than it has been.
Stephen Koseff	I think the key answer is on the balance side funds are moving more towards specialisation and clearly you don't get all the money back but you get higher reward from specialisation. So it's going through a similar process that the UK went through. I don't know if you've got anything else to add Hendrik.
Hendrik du Toit	In South African specialist equity mandates, a number of the big funds that we're very visible or strong in the big fund market have started re-waiting. In other words you might have actually achieved your benchmark, and they still weight you down with slowly reducing the equity position of the market prices, that is one and one particular specialist strategy where we were quite strong did not deliver the kind of quality work we expected over the last two years and we lost one or two mandates, that was it. Now I think you should look at the year ahead in sort of a different way, but you're right to pick up a little more than Fedsure.
Stephen Koseff	Bernard just points out to me that I didn't welcome and thank Australia because I

Speaker	Narrative
	don't believe they're on video. For those Australians on the web cast welcome and thank you for your efforts this year. Any more questions in London? Can I switch to Johannesburg? Any questions? Next question.
Mike Brown Satrix	Morning Stephen, its Mike Brown from Satrix. Can I just ask a broad question, from a strategic point of view? You say in South Africa that your focus will be on organic growth more than acquisitions and that you want to deepen your penetration in the markets. Does that perhaps include looking more broadly at retail opportunities in South Africa? I know you've got the private bank, but if I remember rightly you put up your fee substantially which looks like you might want to narrow your client base rather than broaden it. Is there retail opportunity in South Africa, number one, and number two are you looking at possibilities of expanding elsewhere into Africa from the South African base? Thank you.
Stephen Koseff	Just on those fees, you don't pay transaction by transaction you pay a flat fee, and if you look at it it's a pretty good product. But nevertheless, Bernard will tell me don't get defensive. When we say 'deepen', it doesn't mean to say we're going to go broader. We will maintain our current focus. We're not intending to go more retail that we currently are. We start off in South Africa with the emerging affluent. We're not going any lower than that. That's our target market and that's our strategy is to continue in that particular space. So we will just continue to concentrate on building our brand, building our headcount to service our client base better and to find new clients. That's what we've been trying to do over quite a while. So it's very much more the same and but pushing very hard. With regards to Africa, we obviously have, we transact in Africa, and we have an office in Botswana but it's an asset management office and we have an asset management office in Namibia but we don't have offices anywhere else other than the bank in Mauritius which is part of SADC and its part of Africa. We think that we can adequately service what we do in the rest of Africa from Johannesburg or Mauritius. So I don't see us opening up branches or banks in those countries but we do operate there and we are active there. Any more questions, is that it? Mike, you Ok?
Ross	Stephen I just wanted to ask about the UK private bank. Just two questions there. Firstly the influence that exit fees on property deals has had. I am under the impression that the profitability of those deals has gone up quite a bit and I wanted to understand the degree to which you see that as sustainable, whether it's a geographic move or particularly big deals. We think play quite a big role in your very strong results this year. Then just a comment about rolling out a model more similar to South Africa around broader retail banking if I can call it that. What do you think the cost impact of that is going to be, is it material to the results going forward?
Stephen Koseff	Sorry I didn't catch your last question.
Ross	Just the rollout of the broader retail offering, your card business, and home loans, that sort of thing. Is that going to be material, from a cost perspective?
Hendrik Du Toit	I asked Steve the question. The cost of it's not going to be that material.
Stephen Koseff	I think on our second question, our cost of entry from a transactional banking perspective is obviously significantly reduced. So we would leverage off the

Speaker	Narrative
	infrastructure that we already have and this would have to be supported by a very strong business case. It's not a case of one size fits all. As I said this is currently under review. As for the property question I think one of the tings that maybe didn't come through clearly from my presentation is the fact that we have significantly increased the distribution capability. So there are two things that are bolstering earnings. One is increased distribution capability, the other one is obviously some good exits, but I would say that the exits are becoming more part of the ordinary business. A bigger impact would be the set of economic conditions that support activities more so than one of exits. You got it from the horse's mouth Mike. Sorry I used your name instead of Ross I think earlier on so I apologise for that and I see Ursula nodding her head. I don't know if Ross is there, I meant to say Ross. I said Michael. Sorry Mike. Where have they gone? We've still got more questions in South Africa. Have we lost them? Can you put them back? There we go. Ok. Now, in the front. Probably Wilhelm. Rubie?
Rubie	Good morning Mr Koseff. My point is addressed to Mr Leith regarding the comment on investment banking and the reason for the 18% reduction in direct investment profit. On the side of this slide is a last bullet point, stating that it's the entrepreneurial investment component that generated less revenue. The wording puzzles me. Does this seem to suggest that if that component were not entrepreneurial then we would have had a better profit, and if the component remains entrepreneurial can we expect a further 18% reduction next year?
Stephen Koseff	Now Rubie you're lucky you're not in London because in London here everyone's got a cricket ball. Who do you want to answer that, me or Mr Leith?
Andy Leith	I think he's tired of you over the years now. First of all I would like to point out that that is language from England and not from South Africa. Maybe what it means in England is very different to what it means here. So let me try and tell you what it means here. What it means here is that that side of the business is very opportunistic and in order to take advantage of opportunities I presume you have to be entrepreneurial so what I'd like to success is given the current market position, the opportunities that we've traditionally taken advantage of in this space haven't been there and that doesn't mean that the entrepreneurial nature of the consultants have disappeared. Hopefully we will be able to satisfy you in the years ahead.
Stephen Koseff	Thanks Andy. Any more? You were quiet for a few years hey Rubie, you've come back strong this year.
Andy Leith	Rubie I told you, you wouldn't get peace from London.
Stephen Koseff	Any more in Jo'burg? I think that's it.
Andy Leith	No, no, we're not finished. We're going to Wilhelm now, teleconference. We're on teleconference. I'm sure Willem's got a few questions.
Operator	Our first question comes from Wilhelm Nauta from BJM. Please go ahead.

Wilhelm Nauta BJM	Hi there, Stephen. Stephen can you hear me?
Stephen Koseff	We can hear you well.
Wilhelm Nauta BJM	Great. Stephen, you've up-scaled significantly in terms of both physical representation and headcount. To what extent do you think you're appropriately sized for a potential market downturn? Not that I think it's going to happen any time soon, but you know, you never know and how much fat did you put on in good times that you might have to shed when the market starts turning down? And the fat is no reference to your physical appearance.
Stephen Koseff	At least he's complimentary this time. Last time he said I looked better on radio. I think there would be three areas where we've added quite a lot of headcount. One is obviously we had quite a lot of headcount that came from the acquisition of Rothschild but that's been integrated. We've had head count because of all the regulatory issues that we've had to contend with under Bar2 Phase and then the private bank have put a lot of people into the front end and treasury have added a number of initiatives. We've been fairly tight on headcount on the investment bank, maybe even a bit too tight, which is where we had to downscale last time. So, you know, I don't, I don't think we've put on a hell of lot of fat. Yes we have a lot more people than we had a couple of years back but we're still less than we were four, five years ago. All our business are, all our people are in businesses we want to be in, and very well focused. Whereas previously we had 880 people in America doing clearing and retail broking. And investment banking which was not really a space that we were confident in or understood well enough. I would say that everyone is very front facing, and markets turned down. You may a little bit of surplus but you also have an attrition rate.
Wilhelm Nauta BJM	Thank you.
Stephen Koseff	Anything else, Wilhelm?
Wilhelm Nauta BJM	All for now thanks Stephan
Operator	There are no further questions from the conference call at this time.
Stephen Koseff	Apparently I can ask Australia if there are any questions. No. Ok, Raymond says no now. Nothing more from Jo'burg? We're going to close off now. Jo'burg, we're finished. Conference call finished. London, any late questions? Right well than thank you everybody for attending. I'm sure they've got something for us to drink and eat. I'm not sure. I know in Jo'burg they've certainly got. I'm sure we've got a bit here. Bernard, have you let them spend a bit of money on us? Nothing? Ok. So thank you for attending and if anyone wants to ask questions privately you're welcome, thank you

END OF TRANSCRIPT