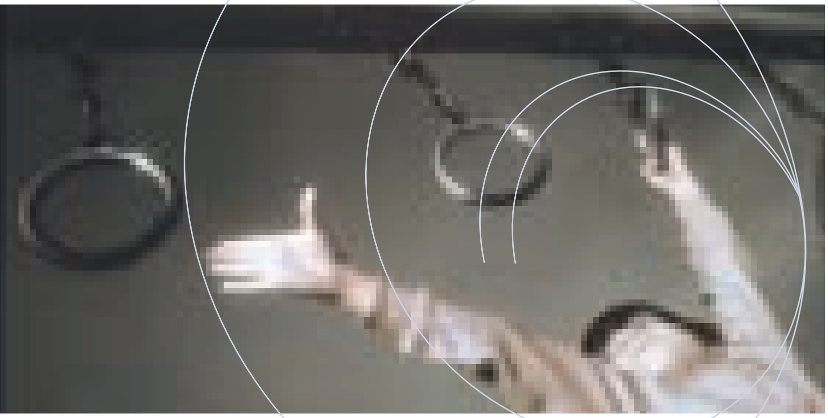
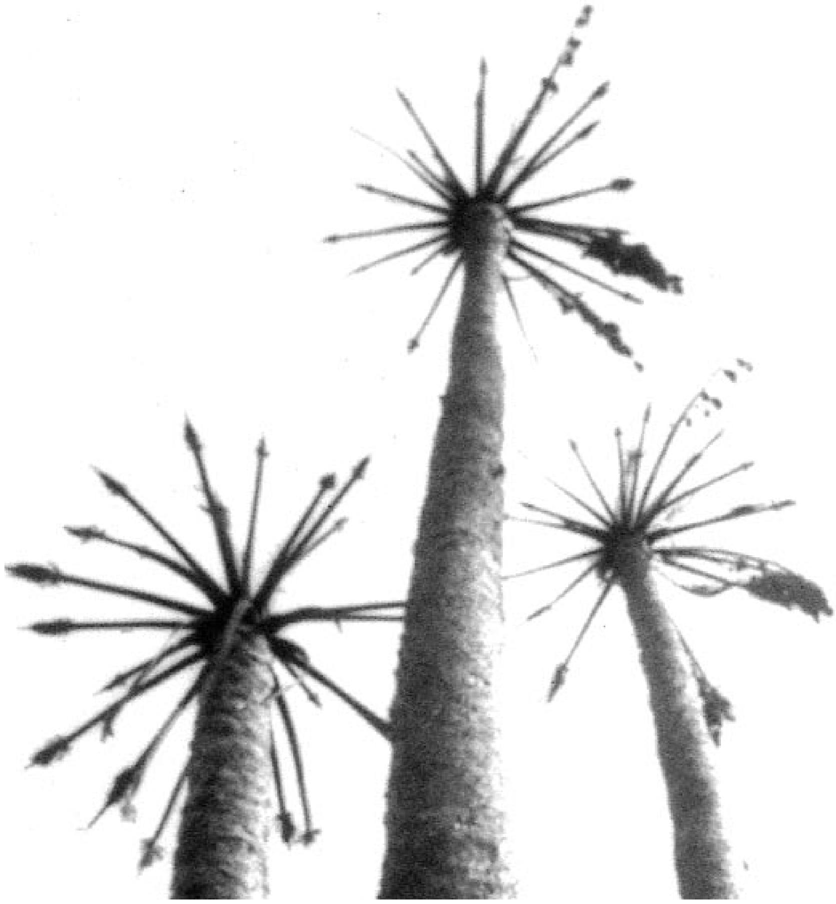
Annual Report 2001



Contents

Investec Bank (UK) Limited



Values

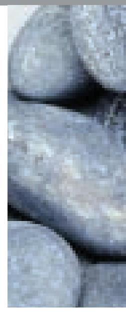
- We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust
- We will break china for the client, having the tenacity and confidence to challenge convention
- We show concern for people, support our colleagues and encourage growth and development
- We thrive on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment
- We believe that open and honest debate is the appropriate process to test decisions, seek consensus and accept responsibility
- We are creative individuals who co-operate and collaborate unselfishly in pursuit of Group performance
- We respect the dignity and worth of the individual through openness and tolerance of difference and by the sincere, consistent and considerate manner in which we interact
- We require talented people with passion, energy and stamina, who exercise common sense in achieving effective performance in a high pressure, multitask environment
- We promote entrepreneurial flair and the freedom to operate within the context of risk consciousness, sound judgement and the obligation to do things properly

Mission Statement

'We aspire to be one of the world's great specialist banking groups, driven by our commitment to our core philosophies and values.'

Philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance



Financial Highlights

Investec Bank (UK) Limited	**2001**	**2000**	**% Increase (Decrease)**
Net interest income (£000)	55,423	40,103	38.2%
Operating profit (£000)	48,088	34,491	39.4%
Profit before tax (£000)	59,569	56,784	4.9%
Capital resources at year end (£m)	456	410	11.2%
Total assets (£m)	7,780	8,180	(4.9%)
Capital adequacy ratio			
Capital and reserves to risk-weighted assets	24.1%	23.3%	

Nine year summary

For the years ended 31 March	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**
Operating profit (£000)	48,088	34,491	14,663	5,454	4,262	3,421	3,108	2,797	2,045
Profit before tax (£000)	59,569	56,784	14,663	5,454	4,262	3,421	3,108	2,797	2,045
Capital resources (£m)	456	410	357	162	55	51	38	35	32
Total assets (£m)	7,780	8,180	5,688	4,885	375	324	301	274	260
Customer loans* (£m)	901	684	459	312	199	167	156	118	106
Customer deposits* (£m)	1,380	1,333	622	406	304	245	232	208	200

* Excludes wholesale customer loans and deposits that reside in the trading book.

Directorate and Corporate Information

Directors
Bas Kardol* (Chairman)
John Abell*
George Alford*
Perry Crosthwaite
Bradley Fried (Chief Operating Officer)
Hugh Herman*
Michael Jameson-Till
Bernard Kantor*
Ian Kantor*
Sir Chips Keswick*
Stephen Koseff*
Alan Tapnack (Chief Executive Officer)
Ian Wohlman
* Non-executive

Secretary
Richard Vardy

Auditors
Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Registered Office
2 Gresham Street
London
EC2V 7QP

Registered Number
489604

Senior Management

Investment Banking
Securities
Perry Crosthwaite

Corporate Finance
Jag Mundi
James Grace

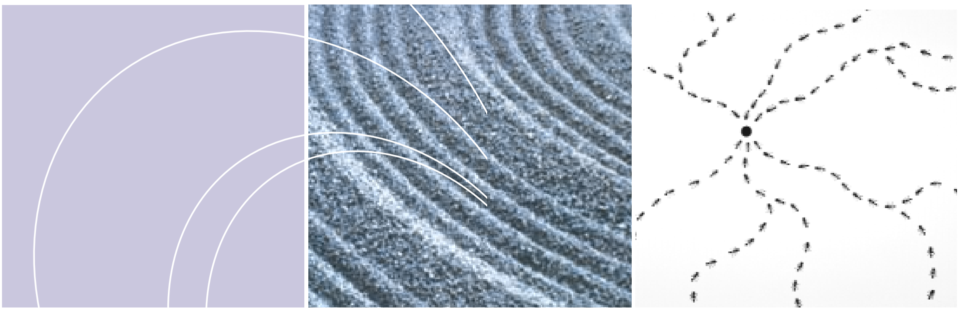
Private Equity
Rob Cohen

Private Client Activities
Private Banking
Leon Blitz
Paul Stevens

Treasury and Finance Activities
Steve Elliott

Investec Bank (UK) Ltd – Irish Branch
Michael Cullen

Chairman's Statement



Robust organic growth generates record results

Last year I reported pleasing performance by the newly integrated businesses acquired during the previous year. While this year has, by contrast, been characterised almost entirely by organic growth, it has nonetheless been another period of record profits for the Bank. I am happy to report profit before tax of £59.6 million, up from £56.8 million last year. Over the past nine years, since its acquisition by the Investec Group, Investec Bank (UK) Limited has achieved a creditable compound annual growth rate of 52% per annum in pre-tax profits. At the same time, capital resources have grown by more than 14 times, from £32 million to £456 million.

This year's performance has been achieved at a time of rapidly changing economic conditions. In the first half of the year, business conditions were exceptionally buoyant, equity markets were close to all time highs, and prospects for the Technology, Media and Telecommunications (TMT) sectors continued to appear particularly bright. By the last quarter, however, both sentiment and business conditions had deteriorated. At the financial year-end, there was considerable economic uncertainty, with a cloud hanging over the major economies of the United States, Japan and Europe. The UK economy behaved somewhat more robustly, although the extent to which it could be isolated from its US counterpart remained in doubt, as did the success of the US Federal Reserve's programme of aggressive interest rate cuts in avoiding a US recession. The combination of economic uncertainty and the collapse of the TMT market at the calendar year end made the last quarter challenging indeed.

Against this backdrop, all our businesses performed satisfactorily. Investment Banking performed extremely well in the first three quarters of the year, while the Private Client division (which includes the Private Bank) did so throughout the year.

Targeted acquisitions

During a year when asset prices were somewhat inflated, the Bank was cautious about buying new businesses. It made two relatively small, but nevertheless significant, acquisitions and took a strategic stake in a third business. At the same time, the Bank continued to add capability across all its businesses and worked on developing the relationships between its local product lines and their international counterparts in the Investec Group.

In the last quarter of the financial year, the Bank acquired two high quality offshore trust and corporate service businesses. In Jersey, the Bank acquired Theodores Trust & Law Group, and in Geneva it acquired Radcliffes Trustee Company. These businesses, which will form part of the Private Bank, provide a high degree of skill and professionalism and will complement the Guernsey-based business of Guinness Flight Trustees. They also introduce a large number of new high-net-worth international clients to the Private Bank.

In February 2001, the Bank acquired a 35% stake in Hargreave Hale, the private client stockbroker. Again, this business will add materially to the number of high-net-worth clients, as it has introduced a large number of clients in London and the North East of England who have a need for advice-driven stockbroking services. The product set of the Bank and that of Hargreave Hale are complementary. Indeed, cross referrals of business began even before the stake was taken and continue in an encouraging manner.

Building capability

The UK businesses have benefited from Investec Group's implementation of its global matrix management structure – which facilitates management along global product lines as well as regionally. This has been of particular help as the Bank has built its capability in the Private Client and Treasury & Finance divisions.

In the Private Client division, cross referrals of business between South Africa, Israel and the United Kingdom were made possible by the global view taken by management. Private Banking judiciously expanded its delivery capability through the introduction of its web-based Connect service. This not only offers banking services, but also allows clients to aggregate and manage their entire personal finances. Private Banking further developed its investment product offering, and is preparing to offer its whole product range to the newly acquired offshore client base. It has, additionally, continued building its presence in Dublin.

Treasury and Finance has consolidated its Dublin-based structured finance business with its counterpart in London. Significant further capability was added near the year-end by the establishment of Equity Derivative and Commodity desks in London.

The Investment Banking division expanded its capability significantly by the introduction of market making, initially in house corporate stocks. The division also participated in the internationalisation of Investec Group's investment banking and equities distribution capability in Israel and the United States.

Management and Board changes

The Bank took advantage of the more difficult conditions in equity markets in the last quarter of the financial year to strengthen further the management capability of the Investec Henderson Crosthwaite (IHC) research division.

IHC recruited an International Head of Research and other experienced research executives. Private Client's division was also strengthened through the appointment of a senior executive in its Investment Advisory activity. Such selective recruitment of talented professionals to senior management positions augurs well for the future of these businesses.

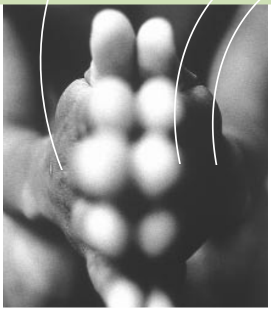
The Board has been reinforced through the addition of two Non-Executive Directors. Sir Chips Keswick was appointed shortly before the beginning of this financial year, while George Alford was appointed a month later. They bring a wealth of experience in international banking and regulation respectively, and I welcome these two gentlemen to the Board.

The success achieved in continuing relentlessly to build the business, while at the same time fully exploiting the favourable operating conditions in each market in which we operate, vindicates the confidence that I expressed in the management of the Bank in my last review. I salute them for their fine results.

The future

As I explained in my brief remarks on the economic environment, there is considerable doubt about the timing of a turnaround in the business environment – particularly in the negative sentiment surrounding capital markets in the United Kingdom. Furthermore, it is by no means certain that the UK economy will be insulated from the downturns in other major world economies. However, our policy of developing a portfolio of businesses, together with the proven flexibility and ability of our management to focus quickly on niche markets, should enable us to deal with most economic scenarios. We remain confident that we will continue to perform well in the forthcoming years.

Bas Kardol
Chairman
27 June 2001



Chief Executive Officer's and Chief Operating Officer's Review

A year of strategic implementation

This year the management team focused primarily on implementation. At the commencement of the financial year, the Bank had agreed an overall strategic plan designed to achieve a combination of growth and returns. This plan guided all major initiatives during the period under review. Profit before tax in 2000/2001 grew to £59.6 million, an increase of 4.9% compared with the previous year, and the before tax return on capital was 15.2%.

Net interest income increased from £40,103,000 to £55,423,000 due to the inclusion for the full financial year of the Bank's Irish Branch and of the banking book purchased during the previous financial year. Moreover, the increase in the activity of the Bank's money market operation during the first half of the year under review contributed to the increase in net interest income.

The increase in fees and commissions is dealt with in the highlights of each division set out below.

There were no transformational acquisitions of a bank wide nature over the course of the year, and the financial result predominantly reflects organic growth. However, the skills base of the Private Bank has been significantly upgraded through the almost simultaneous acquisitions of Jersey-based Theodores Trust & Law Group and

Radcliffes Trustee Company of Geneva. These two businesses substantially enhance our trust and private client advisory capabilities and offer significant possibilities for our existing base of private clients. In addition, our 35% investment in the stockbroking firm, Hargreave Hale, provides us with an opportunity to better understand, and over time to impact, a UK domestic private client base.

Highlights and key initiatives

A favourable equity capital markets environment led to our Investment Banking business, Investec Henderson Crosthwaite, achieving a record year, with pre-tax profits growth of 107% over the prior year. There is no doubt that the bull market in equities (particularly in the small and mid capitalisation companies within our target sectors) contributed extensively to our financial result. However, over the year under review we continued to attract top-tier analysts, salespeople and corporate financiers to enhance our client offering.

We remain convinced that the durability and long term success of our franchise is based on four factors: the quality of our clients, our focus on client service, the division's niche sector focus and our approach to managing our investment bank as a unified equities business. Over the course of the year we took steps to ensure that each of these business drivers remains robust. These steps included: enhancing our skill set and offering through the introduction of market making in our corporate stocks; increasing staffing levels by 15% to ensure an appropriate level of institutional and corporate client impact and sector expertise; and achieving groundbreaking transactions for our clients. As we enter the new financial year, fraught as it is with equity market uncertainties, we will focus on ensuring appropriate operating leverage, while continuing to hire the most effective professionals and enhancing our skills base.

Our Private Client business – which includes Private Banking – also experienced superior growth over the prior year, generating an increase of 30% in earnings before tax. This business remains one of the Group's most promising growth engines, delivering an effective balance of margin and return on equity. We remain open to a wide range of acquisition opportunities in this highly fragmented industry. The industry does not lend itself to common definition, so we uniquely define our own business around our clients' needs. To varying degrees, our mass affluent, high-net-worth and ultra high-net-worth clients have needs for credit, liquidity, investments and trust and fiduciary services. It is around these pillars that we define our Private Banking business. The Private Banking management team embarked on a series of initiatives to enhance all products and distribution channels over the course of the year under review. The two initiatives which stand out, however, are the two trust company acquisitions which, together with Guernsey-based Guinness Flight Trustees, transformed the trust capabilities of Investec, as well as our ongoing e-commerce initiatives. We do not seek to build an e-commerce platform distinct from our core business. Rather, we seek the continued integration of our physical activities with alternative distribution channels.

Over the course of the year, some 5,000 of our cash management clients adopted our online valuation capabilities. Our next initiative in this area will include the introduction of online banking – the scoping phase of this project is nearing completion.

Our Treasury and Finance business reduced in the year under review. While the divisional earnings before tax slowed by 47%, extensive business development took place. Over the course of the year we introduced two new trading areas into the division, namely: Equity Derivatives and Commodities. While these two areas did not contribute to the Bank's operating result for the current year, we expect material contribution going forward. We remain confident that our client approach, and our ability to identify and deliver to niche markets, will enhance returns in the year ahead.

Technology update

The Bank focused on the development of major systems during the year, including the implementation of an integrated market making and straight-through-processing system for our equities business and the final stages of development for Equation III, our core banking system for the Private Bank and Treasury areas. All of our businesses are critically dependent on technology developments and we invest to the level required to ensure ongoing competitiveness. During the next year we look forward to going live on the core banking system allowing continuing development from this new technological base.

Marketing

In the year under review, Investec embarked on a campaign to build its brand in the United Kingdom. The cornerstone of this approach was an advertising campaign, featuring "the Investec zebra". During the year, the campaign ran in the national press, lifestyle publications and outdoor posters on selected roadside and rail sites in and around London. In addition to this, we agreed to a three-year deal with the England Rugby Football Union, to sponsor the autumn international series of games, held at Twickenham.

Business going forward

As we enter into the new financial year, we are mindful of the Bank's role in fulfilling the Group's mission of being one of the world's great specialist banking groups. This implies a continuous drive forward in quality for all of our business lines. We continue to focus on a path that is enabled by a combination of organic and acquisition led growth. As a result, we remain committed to building our product skills, distribution and servicing capabilities, client base and technologies through this dual approach to corporate development. The primary driver of our future development, however, is our ability to attract and to retain the people who can take our business to new levels.

Conclusion

Everything in the financial services industry ultimately becomes commoditised. Over time, therefore, it is hard to differentiate between the technologies, pricing, product or servicing capabilities of different competitors. This, then, only leaves organisational culture, philosophies and values as sources of distinctive advantage. We remain convinced that our culture, philosophies and values, which we nurture continuously, provide us with our greatest sense of competitive strength. To our people, who have delivered these results and committed themselves to our mission - we thank you - all that you do is highly valued and much appreciated.

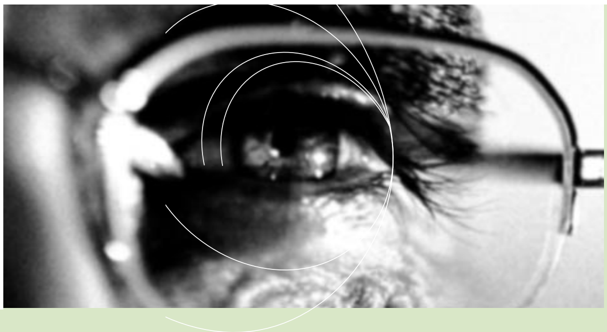
To our clients and counterparties who place their faith in us, we confirm how much we appreciate your support. We hope that we can continue to deliver great value to you.

Our thanks, as always, are extended to our Chairman and members of the Board for their tireless effort and continued support. While we enter next year fully aware of the potential pitfalls and conscious of the uncertainties, we anticipate a time of great challenge coupled with major opportunities.

Alan Tapnack
Chief Executive Officer
27 June 2001

Bradley Fried
Chief Operating Officer
27 June 2001

Review of Operations



Investment Banking

In an equity bull market, Investment Banking had a record year. Pre-tax profit more than doubled to £35.3 million, compared with £15.3 million the previous year. Total income of £74.6 million (against £40.3 million the year before) was significantly boosted by a large number of fund raising transactions.

Investec Henderson Crosthwaite

Buoyancy in stock markets led to an extremely strong start to the year. This supported a continuation of the healthy flow of fund raisings and Initial Public Offerings (IPOs) that had begun in 1999. However, after a very strong first half, the market began to decline in October, which resulted in equity capital market activity slowing to a virtual standstill in the final quarter. Notwithstanding this slowdown, the year ended March 2001 was a record period for Investec Henderson Crosthwaite (IHC).

This strong performance resulted from both robust market conditions and a focused strategy. IHC has positioned itself as an integrated investment bank servicing small and mid capitalisation companies within the targeted industry sectors of: Technology, Media, Telecoms, Leisure, Food Manufacturing, Retail, Support Services, Oil and Mining. We offer research, sales and trading, corporate finance advisory and fund raising.

Fees and commissions from fund raising related activities, in particular IPOs, grew threefold to £45 million. Our strong reputation in TMT, where we believe we gained market share, helped underpin this business. Secondary market commissions remained broadly stable.

Major deals and initiatives

In all, we completed sixteen IPOs in the year, and a total of more than £2 billion was raised for clients. In addition, IHC advised on eight public company takeovers and a number of acquisition and disposal mandates. IHC advised Intec Telecom, the telecom software billing company, on its acquisition of a US business and underwrote a £185 million equity issue to support this deal. Successful IPOs were concluded for The Innovation Group, IG Index, Incisive Media and IFX Power.

A number of significant initiatives were launched including market making in our corporate stocks, which was introduced in the middle of the year. IHC has also participated in steps to internationalise investment banking within the Group. This initiative should lead to an increased number of cross-border deals.

Prospects

Prospects are, inevitably, closely tied to the performance of stock markets, which remain uncertain at present. We expect a recovery in business volumes in the second half of the current financial year. Additionally, we are assured a certain annuity stream as a result of our large corporate client list and relatively stable secondary market commissions.

Revenues will be bolstered and diversified through a number of initiatives. On the product front, we are expanding our corporate advisory skill base, notably into M&A and debt finance advice. Internationally, we are seeking to increase activity in dual-listed South African stocks, and to grow business flows between South Africa, Israel, the United Kingdom and the United States. We are also examining opportunities in the German market.

There has been significant recruitment to resource these initiatives. Staff levels have increased by 25%. This includes targeted recruitment focused on building up specialist sales and international sales, strengthening TMT coverage, adding new research sectors and expanding corporate finance and private equity advisory services. IHC should also benefit from the recruitment of an International Head of Research – a new post within the Group.

Investec Bank (UK) Limited (Irish Branch)

A satellite stockbroking function was established in Ireland in December 2000 to distribute Investec Henderson Crosthwaite Securities' (IHCS) investment banking products, and to provide access to Irish institutional funds and corporates.

The unit supplies broking, research and IPO delivery to Irish institutions as well as corporate advice and fundraising facilities to Irish companies, particularly those in the TMT sector. IHCS is broker to three publicly quoted Irish companies: Kingspan Group, Tullow Oil and Vislink.

During the year, various IPO offerings were distributed to IBUK Irish Branch's existing client base by the newly established IHCS branch in Dublin. IHCS also raised £44 million for Tullow Oil's acquisition of BP's North Sea Gas assets.

Prospects

The intention is to build the broking and corporate finance functions within Ireland. This will complement existing business units and provide comprehensive local delivery to clients.

Private Equity

We continued successfully to enhance the value and divest of the direct and fund investments acquired from Hambros plc. Investment income from this activity increased to £10.2 million from £5.6 million in the prior year.

In the second half of the year, Private Equity expanded its activities to include making new investments and supporting the Group acquisition process. The area invests proprietary capital in growing businesses, providing development capital and skills to situations where we can add value. In particular, we focus on sectors in which IHC has specialist knowledge.

Four new investments were made, or committed to, in the year. Three of these were pre-IPO investments, while one was longer-term development capital. Profits from these new investments are expected over a three to five year period.

Prospects

The realisation of the legacy portfolio of direct and fund investments will continue. The mature portfolio of direct investments has largely been realised. Future investment income will, therefore, emerge from investments currently being made, supplemented by the ongoing realisation of our legacy fund investments.

Private Client Activities

The Private Client division produced an impressive set of results. Our private banking and Irish private client businesses together generated pre-tax profits of £10.7 million, up 30% on last year. This was achieved from operating income of £35.7 million, compared to £26.3 million in the year ended March 2000.

Private Banking

Our Private Banking business grew strongly last year. We succeeded in attracting growing numbers of clients from our chosen target market and in migrating existing clients into new product areas. By building our capabilities in several key areas, we can now offer our clients a broad and integrated range of products and services.

The business, which operates in London, the Channel Islands and Switzerland, offers onshore and offshore private banking services. We focus on four core activities: banking, lending, investments and trust and fiduciary services to our client base. Our services are aimed primarily at high-net-worth clients with investible assets of around £1 million or with earnings of more than £150,000 per annum. We have a particularly strong franchise among successful entrepreneurs, high-earning employees and self-directed internationally mobile clients.

The private banking market is undergoing rapid transformation as clients demand enhanced levels of service, greater transparency and products that add value. The profile of the typical client is also changing, with created and earned wealth growing in importance over inherited wealth. We have designed our offering in response to these changing needs and circumstances. Our value proposition is to deliver integrated solutions to our clients, offering investment banking type products and services.

Major initiatives

Last year we made great strides towards our goal of offering our clients a comprehensive range of private banking products and services. In particular, we developed our investment methodology and risk analysis and launched a platform to provide investment advice. We forged an alliance with our sister company Carr Sheppards Crosthwaite for the provision of discretionary portfolio services. We also established an advisory desk and launched Investec Select, our multi-manager suite of funds, late in the financial year.

We expanded our involvement in the trust and fiduciary business by making two important acquisitions: Radcliffes Trustee Company, based in London and Geneva, and Jersey-based Theodores Trust & Law Group. These premier businesses complement our existing capabilities in Guernsey, greatly adding to the services and professional advice we can provide and bringing valuable new client relationships. The acquisitions also provide an important stream of annuity income for the Group.

We also introduced an online capability last year, enrolling some 5,000 clients onto our Internet banking platform. Our Cash Management Account is a high-interest current account for mid-market clients which provides access to a personal financial management system. We expect to offer online transaction capabilities in the coming year.

Prospects

As a result of our recent investments in the trust and investment advisory businesses, Private Banking now has a comprehensive suite of products and services to offer our target market. We are ideally positioned to benefit from a number of trends affecting our market, particularly the growth of the "emerging affluent" market, the move towards self-directed investment and the increasing popularity of alternative investment initiatives.

Looking forward we expect continued growth from added-value services, such as investment advice and structured lending, as well as from geographical expansion.

Investec Bank (UK) Limited (Irish Branch)

Last year we established Private Banking as a separate business unit in Ireland. Our existing client base includes Irish high-net-worth individuals from property, technology and professional backgrounds. The initial product range, comprising deposits, structured lending and investments, will be extended during the current financial year to ensure that we can offer our clients a comprehensive wealth management and advisory service.

Against a backdrop of increasing competition, the unit performed creditably, completing a number of transactions, in the year under review.

Treasury and Finance Activities

After an exceptional 12 months ended in March 2000, last year our Treasury and Finance division produced more modest returns amid calmer trading conditions. Pre-tax profits for the division amounted to £7.0 million for the year, on operating income of £19.3 million.

Treasury and Financial Markets

Every aspect of this area's business is dependent, to some extent, on interest rate volatility. The relative interest rate stability of sterling, combined with lower activity in many markets, reduced our opportunities to generate profitable trades. Nevertheless, many of the area's business units achieved creditable performances, with Repo and Money

Markets, Equity Financing, Foreign Exchange and Central Treasury providing the major contributions to the area's pre-tax profits.

The Treasury and Financial Markets area trades in international professional wholesale markets in money market instruments, precious and base metals, foreign exchange, equities and ADR financing, exchange-traded and OTC derivatives. Our strategy is to identify and cultivate profitable niches, leveraging the Group's particular areas of expertise and its strong client relationships.

Last year, we completed a reorganisation of the area to enable the business units to compete effectively and to underpin our future growth. Following a rapid and substantial increase in the funds under its management, the Central Treasury was comprehensively restructured. Its revenue, previously dominated by transfer pricing margins, was substantially diversified and, despite an ongoing surplus cash position coupled with an adverse yield curve, it performed well to achieve almost 60% of its original budget.

Major initiatives

During the year we launched two important new trading initiatives. In the last quarter of the financial year, we established a Commodities team in London, which will commence trading in June 2001. The eight-person team will build upon the strong links Investec already enjoys with major South African mining houses.

The Group's successful Equity Derivatives trading team relocated from Johannesburg to London in 2000. The expanded team of five traders has retained its South African market focus, and plans to extend its market coverage progressively to the United Kingdom and Europe in the coming year. As a result of this initiative, smaller business units which specialised in South African Equity Derivatives and Japanese Convertible Bond fund management were closed.

Prospects

Rising market volatility, combined with our drive into new niche markets, should provide an abundance of profitable trading opportunities and create a solid base for future income growth.

Specialised Finance

Asset Finance

Asset Finance performed extremely well during the year, its profits before tax rising 53%. We secured a number of important new leasing agreements and extended several maturing operating leases. The area also attracted valuable new corporate clients, including well-funded emerging technology companies.

The area provides lease and loan finance mainly to UK public sector bodies. Our clients include some 130 government departments and local authorities, around 40 National Health trusts and more than 2,000 schools, colleges and universities. Although we also serve selected corporate clients, Asset Finance does not compete in the market for small and medium sized company asset leasing. This niche strategy protects us against the recessionary pressures that are expected to affect the general asset leasing market in the coming year.

Prospects

As finance leasing has become a less efficient form of financing following recent tax changes, UK public and private sector bodies have developed an increasing appetite for operating leasing. At the same time, however, competition in this sector is increasing and margins are under pressure. It is possible that future legislation will change the treatment of operating leasing by local authorities and National Health trusts. While this may reduce demand for some parts of our business, the overall thrust of government policy continues to favour private finance for the public sector. As a result, we foresee continuing opportunities to provide innovative solutions to our target client base in future.

Project and Infrastructure Finance

Net income from our UK and Ireland Project and Infrastructure Finance area grew by over 20% last year. However, difficulties in attracting high-quality recruits meant the unit was not able to grow fast enough to exploit its true potential. The business focuses selectively on the project finance market, including local authority, education, health and alternative energy projects.

With strong growth in the volume of public sector contracts in both the United Kingdom and Ireland, this market continues to present promising opportunities, while also attracting growing competition.

Prospects

With growth in staff numbers, the project finance team is set to increase its penetration of the UK Private Finance Initiative/Public Private Partnership (PPP) market.

We are also well positioned for growth in the Irish market, where the concept of PPP has now been fully embraced by the government. In the spring of 2001, Investec headed the only bank-led consortium among the four groups appointed by Ireland's Department of Environment and Local Government to advise on water and waste projects over the next three years.

Structured Finance

As part of our global strategy, we were successful in extending our Structured Finance capabilities by establishing a Structured Finance team in the United Kingdom. The strategy for the new year is to expand the team and to leverage off the skills of our international network to provide structured financing solutions to our target market which comprises medium sized UK corporates and those South African corporates with a meaningful presence in Europe.

The new team was successful in being awarded its first mandate during December 2000 as lead arranger for a syndicated loan totalling US$125 million for a large South African multinational. The Investec participation was US$40 million and the balance was syndicated with five other banks in the London market. This resulted in this fledgling operation making a small profit before tax in its first year of operation.

Prospects

At the time of going to press the team has been awarded a further three syndicated loan transactions, participating at co-arranger level and above. In addition, there is a healthy pipeline of transactions and the division is cautiously optimistic for the year ahead.

Investec Bank (UK) Limited (Irish Branch)

Treasury and Financial Markets

The Irish Branch's Treasury and Finance department enjoyed a satisfactory year with revenues exceeding budget by approximately 26%. Our Equity Arbitrage and Structured Finance units did notably well. The integration of Gandon within Investec has already created significant opportunities for us to leverage Group relationships and expertise within the Irish operation and to build our product capabilities. During the year our Treasury and Finance activities increased in size in spite of an extremely competitive jobs market in Ireland.

Treasury and Finance is the largest part of the branch's operations, employing a total of 33 professionals. The area focuses on equity financing, structured finance (including leasing), foreign exchange and interest rate dealing, interbank dealing, deposit taking, corporate banking and management services such as treasury agency. We serve a range of Irish and international banks, companies and individuals.

The stabilisation of the Euro during the year produced weaker foreign exchange volumes and lower corporate treasury activity than in the previous year. This caused our Customer Foreign Exchange and Interest Rate business to contract, with income 11% below budget. However, our offering has been significantly enhanced by new product development, notably the introduction of an Exchange for Physicals product. At the same time, we discontinued several activities in order to reduce credit exposures.

Interbank dealing had a satisfactory year in spite of difficult spot market conditions. Our forward book performed particularly well as we began to build a much larger forward trading capability. The Deposit's unit shifted its focus away from retail account holders towards medium to large corporates, institutional clients and high-net-worth individuals. This strategy has achieved its objective of extending the maturity profile of our deposit book.

Specialised Finance

Our Specialised Finance business represents an area of significant growth for the Irish Branch. The business has benefited greatly from a new focus on product development and improved distribution. As a result, the year produced a strong flow of specialised finance deals in Ireland. Most notably, we structured and arranged financing for a €65 million luxury yacht. The package included €48 million in structured finance and €17 million of private equity investment.

Volumes in Corporate Banking have reduced as the unit focuses its attentions on carefully targeted opportunities. We participated in the acquisition finance for two Irish publicly quoted companies during the year. Meanwhile, our Equity Finance unit had a good year and succeeded in diversifying its revenue streams through market-neutral trading, risk arbitrage and structured transactions.

Prospects

As links between IBUK (Irish Branch) and other parts of the Group continue to strengthen, our Treasury and Finance area will be increasingly well positioned to offer a broad range of services to our clients. Our primary focus is on new product development, especially in Equity Finance, and on identifying further cross-selling opportunities within our business units.

Other Activities

Property

Our Property based activities earned pre-tax profits of £4.4 million from sales of £25.1 million in a buoyant Central London occupier market in which rental growth was as high as 40%. Our portfolio, primarily located in central London, had an average book value in the year of £20.5 million.

A number of projects reached completion during the year and were sold into a receptive market. Most significantly, we sold Thanet House, the Strand, for £13.3 million, realising a profit of £3.75 million. Profits were achieved on properties in Watling Street and Dover Street in the West End.

Identifying new stock, in projects where management can add value, has proved the greatest challenge in the current market. We made purchases totalling £10.7 million during the year. Investec Property also entered into a joint venture to run serviced offices on a site in Dover Street, W1, where we are already committed to an occupational lease.

Most forecasters predict a slowing of growth in the rental market in an uncertain UK economy. However, supply of refurbished offices to the market is extremely low following the record performance of the past year, and this should bolster the market.

Risk Management Review

The Bank gives significant priority to Risk Management. The Board of Directors defines Risk Management policy and has approved policy statements for liquidity, credit, trading and market risk. These policy statements establish the Bank's appetite for risk and set out the parameters within which it operates.

Implementation of these policies is the responsibility of the Director of Risk Management, who reports to the Chief Executive Officer. An independent Risk Management function and a number of Risk Committees assist the Director of Risk Management. Each committee works to terms of reference approved by the Board and is composed of members with the necessary experience and expertise to consider and evaluate the risks in question.

The main committees are:

Audit Committee

This committee is chaired by an independent non-executive director. It reviews the internal audit programme and examines completed internal and external audit reports. It considers the major findings and ensures, via the Audit and Compliance Implementation Committee, that recommendations are implemented where necessary. It reviews the annual financial statements and reports on them to the Board of Directors. The Audit Committee also ensures that management establishes adequate arrangements to comply with regulatory and financial reporting requirements. It receives regular reports from Risk Management, outlining the enterprise-wide risk for the Bank, and from the Compliance Department on regulatory issues.

Credit Committee

This forum sanctions all counterparty and country limits. It regularly reviews loan performance, large exposures and adequacy of provisions. Its role is to ensure that credit policy is prudent, taking into account changing market trends.

Market Risk Committee

This committee approves trading and market risk limits. It reviews daily changes in the level or volatility of market prices to ensure that all positions fall within the Bank's agreed policies and limits.

Asset & Liability Committee

This forum sets the policy for liquidity and interest rate mismatch. It regularly reviews the Bank's balance sheet to ensure that it is positioned prudently, and is dependent upon agreed policies, prevailing markets, and projections of business growth.

Operational Risk Committee

The role of this committee is to ensure that the Bank's business units identify, assess and prioritise all substantive risks that may arise through failed processes or systems, or through human error.

Engagement and Underwriting Committees

These committees relate mainly to investment banking. The Engagement Committee ensures that proper client due diligence is carried out prior to any new broking or advisory relationship. The Underwriting Committee ensures that any proposed share underwriting is consistent with internal policy and meets regulatory requirements before a commitment is made.

Risk Committee

The Risk Committee regularly reviews the broader risks that the Group faces across its various business units. It ensures that risks are evaluated correctly and properly managed, and that they receive sufficient resources.

New Product Forum

This forum makes sure that all business risks are evaluated before any new product is developed, or any new market entered. It also ensures that these risks are properly managed.

Responsibility for day-to-day control is delegated to the Risk Management function. Risk Management is an independent central function charged with ensuring that good risk management practices are embedded throughout the business. It ensures that general managers, the Executive and the Board have appropriate information to fully understand risks and to demonstrate that they are properly measured and prudently managed. Risk Management submits reports to each Board meeting.

The major risks associated with the Bank's business are:

- Credit Risk
- Liquidity Risk
- Market Risk
- Regulatory Risk
- Operational Risk

Credit Risk

This is the risk that counterparties will not be able to meet their obligations as they fall due. It arises from lending and from other transactions involving on- and off-balance sheet instruments.

Risk Management has responsibility for developing and implementing policies to ensure that all exposures are properly measured and controlled. These include geographical, product, market, and individual counterparty concentrations. All exposures are checked daily against approved limits, independently of each business unit. Excesses are reported to the senior management of the Bank.

Various tiers of credit committees make certain that all credit exposures are authorised at the appropriate level of seniority. The main UK Group Credit Committee includes executive directors and senior management independent of the line managerial function. All credit committees have to reach a unanimous consensus before authorising a credit exposure and each approval is signed by a valid quorum. Additionally, exposures beyond a certain threshold are presented to the Group Credit Committee in Johannesburg.

Credit limits on all lending, including treasury and interbank lines, are reviewed at least annually. Arrears policy is strictly controlled and regular reviews are held to evaluate whether specific provisions are necessary and adequate. An Arrears Committee regularly reviews delinquent facilities. It ensures that agreed strategy for remedial action is implemented and that specific provisions are made where relevant. Additionally, a general provision is held to cover unforeseen events, which are inherent in taking counterparty exposures.

The Bank has a focused business strategy and has considerable expertise in its chosen sectors. The majority of lending, excluding interbank placements, is secured on assets and is amortising. The main geographical credit exposure is to the UK domestic market, continental Europe, and the United States. Risk limits permit only modest exposure to South Africa and no exposure to other emerging markets.

All treasury and trading exposures are measured and monitored using a dedicated counterparty system which is marked to market daily. Private Bank exposures, which are less volatile, are also measured and monitored daily using a separate system.

Liquidity Risk

This risk arises from the inability of the Bank to meet its obligations as they fall due. It can arise from the withdrawal of customer deposits or interbank lines, the drawdown of existing customer facilities and asset growth.

The Bank's liquidity policy covers Sterling and currency activities and ensures prudent management of liquidity and adherence to regulatory guidelines. This policy is developed and implemented by the Asset and Liability Committee. The Bank's Centralised Treasury function has responsibility for day-to-day liquidity management.

Limits on potential cash flow mismatches over defined time horizons form the principal basis of liquidity control. Limits are also placed upon the value of deposits taken from a single source, both monthly and in aggregate. A dedicated system is used to monitor and stress-test the Bank's liquidity position against different scenarios.

Generally, interbank or wholesale deposits are not used to fund risk assets in the Private Bank. Retail and Private Client deposits remain the principal source of stable and well diversified funding for Private Banking assets.

Market Risk

This is the risk that changes in interest rates or other prices and volatilities will have an adverse impact on the Bank's financial condition and results. The Bank manages market risk by identifying and quantifying all risks on the basis of current and future expectations, and by ensuring that all trading occurs within well defined parameters.

Trading activities are controlled by a Board approved limit structure.

The Bank uses a comprehensive price risk system to measure market risk accurately and to ensure compliance with approved limits. All positions are marked to market daily using recognised live data feeds. These positions feed automatically into individual counterparty lines to provide accurate exposure information.

Market risk is evaluated using a combination of value at risk (V@R) and stress testing. V@R is a summary measure of potential losses over a given time horizon with a specified confidence level. A series of stress tests are applied to determine the market risk for parallel shifts and twists in the underlying yield curves, for basis risk between yield curves, and for extreme market conditions. Daily reports are produced containing this V@R and stress-test information.

Daily profitability is also analysed to ensure that all revenue streams are captured.

The following table summarises the V@R figures for the year ended 31st March 2001. The figures are calculated using a 95% confidence interval and a one-day holding period.

V@R (£)	As at 31 March 2001	High	Low	Average
Money Market and Gilt Repo	140,602	637,272	108,961	359,045
Euro Repo	2,587	90,736	826	16,112
Market Making	9,486	27,563	7,113	13,746

Comparative figures for the Money Market and Gilt Repo desk are shown below. Market Making activities only commenced in July 2000. Comparative figures are not available for the Euro Repo desk as V@R calculations were only introduced at the start of the current year.

V@R (£)	As at 31 March 2000	High	Low	Average
Money Market and Gilt Repo	220,707	671,344	127,591	362,754

Trading commenced in Equity Derivatives and Commodities during the fourth quarter of the year. The risks were monitored throughout the period using stress testing. However, in anticipation of growth in these activities, value at risk figures are also now being calculated for these areas. As at year end the 95% one-day V@Rs were £42,992 for Equity Derivatives and £50,363 for Commodities.

(i) Interest Rate Risk

The Bank is exposed to interest rate risk from the Money Market and its Gilt and Euro Repo trading operations.

- Money Market and Gilt Repo trading operation
  The risk exposure for a 50 basis points parallel shift in yield curves, as at year-end, was £1,478,828 (2000 - £806,550).

- Euro Repo trading operation
  The risk exposure for a 25 basis points parallel shift in yield curves, as at year-end, was £16,321 (2000 - £167,844 for a 10bp parallel shift).

- Interest rate mismatch
  The interest rate mismatch on the banking book, including the effect of interest rate contracts used for hedging purposes, as at year-end, is stated in the table below.

Interest rate mismatch

Year-end 31 March 2001	0-3 months £000	3-6 months £000	6-9 months £000	9-12 months £000	1-5 years £000	Over 5 years £000	Non-rate items £000	Total £000
Assets								
Cash & balances at central banks	7,870	–	–	–	–	–	–	7,870
Loans & advances to banks	587,650	3,511	–	–	–	–	–	591,161
Loans & advances to customers	745,250	18,425	12,537	9,697	64,075	51,022	–	901,006
Debt securities	246,353	20,126	83,696	25,167	–	–	–	375,342
	1,587,123	42,062	96,233	34,864	64,075	51,022	–	1,875,379
Liabilities								
Deposits by banks	116,505	3,521	9	–	–	–	–	120,035
Customer accounts	1,247,842	12,721	12,242	8,001	69,638	29,917	–	1,380,361
Subordinated debt	39,300	–	–	–	–	–	–	39,300
Capital & net non-rate items	–	–	–	–	–	–	335,683	335,683
	1,403,647	16,242	12,251	8,001	69,638	29,917	335,683	1,875,379
Mismatch	183,476	25,820	83,982	26,863	(5,563)	21,105	(335,683)	
Cumulative mismatch	183,476	209,296	293,278	320,141	314,578	335,683	–	

Comparative interest rate mismatch

Year-end 31 March 2000	0-3 months £000	3-6 months £000	6-9 months £000	9-12 months £000	1-5 years £000	Over 5 years £000	Non-rate items £000	Total £000
Assets								
Cash & balances at central banks	1,600	–	–	–	–	–	–	1,600
Loans & advances to banks	807,759	505	–	–	–	–	–	808,264
Loans & advances to customers	608,283	26,469	1,487	1,441	45,856	–	–	683,536
Debt securities	362,830	3,132	1,004	–	–	–	–	366,966
	1,780,472	30,106	2,491	1,441	45,856	–	–	1,860,366
Liabilities								
Deposits by banks	179,316	–	–	–	–	–	–	179,316
Customer accounts	1,242,282	44,834	1,279	27,353	17,705	–	–	1,333,453
Subordinated debt	39,300	–	–	–	–	–	–	39,300
Capital & net non-rate items	–	–	–	–	–	–	308,297	308,297
	1,460,898	44,834	1,279	27,353	17,705	–	308,297	1,860,366
Mismatch	319,574	(14,728)	1,212	(25,912)	28,151	–	(308,297)	
Cumulative mismatch	319,574	304,846	306,058	280,146	308,297	308,297	–	

(ii) Currency Risk

Any currency risk arising from the Bank's commercial banking and lending activities is transferred to and managed by the Bank's foreign exchange trading business. The net aggregate open position in foreign currency at year-end was £1.46 million (2000 - £2.25 million), versus a limit of £3.53 million (2000 - £3.18 million).

During the year the Bank also managed the currency risk using V@R for both the London and the Irish branch Foreign Exchange operations. As at year end the 95% one day V@R values for these desks were £15,865 and £6,869 respectively.

The Bank does have certain investments in foreign subsidiaries. These currency investments are not hedged and at year-end amounted to £18,580,000 (Swiss Francs £15,031,000 and US Dollars £3,549,000).

Regulatory Risk

This is the risk that any part of the Bank fails to meet the requirements or expectations of the regulatory authorities. It can also arise where changes to regulations are not anticipated or managed properly. A centralised Group Compliance function, reporting to the Chief Executive Officer, ensures regulatory compliance.

Compliance reports are reviewed regularly by the Board and Audit Committee. They are also considered by the Audit and Compliance Implementation Committee to ensure that any necessary points are actioned.

Operational Risk

This is the exposure to financial or other damage arising through system or process failure, human error, fraud or through inadequate controls and procedures. An Operational Risk Committee considers these risks and ensures that all operational risks are evaluated and appropriately controlled. Contingency plans are in place to ensure continuity in the event of any unforeseen serious disruption to business operations.

The Internal Audit function regularly reviews operational areas to ensure the effectiveness and appropriateness of the controls in place.

Significant Developments

Over the period under review, a substantial project has been carried out to conduct an enterprise-wide risk review across the Investec UK Group including Investec Bank UK and its subsidiaries, to achieve compliance with the Turnbull guidelines.

Using a facilitated workshop process model, each significant business unit has agreed its own business objectives, ascertained the risks that could prevent them from being achieved and assessed the appropriateness and effectiveness of the controls in place to mitigate these risks. Responsibility for risk and control ownership has also been assigned.

This project has generated substantive risk management data and has led to a series of action plans to strengthen further the risk culture embedded within each business unit. All high level issues have been reviewed by the Board.

This is an ongoing process that provides a number of key indicators that each business unit will regularly review to ensure that risks are mitigated and that controls remain appropriate in the light of any change to business objectives.

The output from this process has also been provided to Internal Audit to enable this function to give further assurances as part of the Audit Work Plan for the next financial year.

Basel Accord

Proposals are under review by the Board and Risk Management to ensure that the Bank is equipped to meet the new requirements as they evolve and become formal regulatory policy.

Contents of the Investec Bank (UK) Limited Financial Statements

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2001.

Principal activities

The principal activities of Investec Bank (UK) Limited and its subsidiaries are investment banking, private client activities, treasury and finance activities and property investments. These activities are also undertaken by the Bank's branch in Dublin.

A review of the Bank's business for the year and future proposed activities can be found in the Chief Executive and Chief Operating Officer's Report.

Results and dividends

The results for the year are shown on page 35. Movements in reserves are shown in note 24 to the financial statements. The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2001 (2000 - £ Nil).

Directors and their interests

The current directors of the Bank are listed on page 4. Mr George Alford was appointed a non-executive director of the Bank on 5 April 2000. All the other directors served throughout the year under review.

None of the directors had any interests in the Bank or in any Group companies requiring disclosure under Schedule 7 of the Companies Act 1985.

Creditor payment policy

The Group's standard practice is to agree the terms of payment with suppliers at the time of contract and to make payments within the agreed credit term subject to satisfactory performance.

Employees

The Group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled every effort is made to ensure their continued employment. The Group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations, and motivating staff involvement in the Group's performance by means of Employee Share Schemes.

Donations

During the year, the Group made donations for charitable purposes in the United Kingdom, totalling £80,000.

Environment

The Group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

Auditors

Ernst & Young has stated that it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP, on 28 June 2001. The Directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Bank's auditors will be put to the forthcoming Annual General Meeting.

By order of the Board

Richard Vardy
Secretary
27 June 2001

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors to the Members of Investec Bank (UK) Limited

Report of the auditors to the members of Investec Bank (UK) Limited

We have audited the financial statements on pages 35 to 67 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 39 to 43

Respective responsibilities of directors and auditors

As described on page 33, the Bank's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 March 2001, and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
03 July 2001

Consolidated Profit and Loss Account

For the year ended 31 March 2001	Notes	2001 £000	Restated 2000 £000
Interest receivable:			
• interest receivable and similar income arising from debt securities		283,713	214,375
• other interest receivable and similar income		309,087	251,751
Less: interest payable		(537,377)	(426,023)
Net interest income		55,423	40,103
Fees and commissions receivable		75,503	56,157
Dealing profits	2	18,990	9,102
Other operating income	3	717	5,602
Operating income		150,633	110,964
Administrative expenses	4	(98,429)	(75,802)
Depreciation and amortisation:		(6,090)	(2,418)
• tangible fixed assets	16	(3,330)	(2,794)
• goodwill	15	(2,760)	376
Provision for bad and doubtful debts	11	1,974	1,747
Operating profit		48,088	34,491
Gains on disposal of equity investments		11,481	20,871
Gains on disposal of investment properties		-	1,422
Group profit on ordinary activities before taxation		59,569	56,784
Tax on Group profit on ordinary activities	6	(14,674)	(13,613)
Retained profit for the year		44,895	43,171
Operating profit, before amortisation of goodwill, includes:			
• for acquired operations		616	2,060

Statement of Recognised Gains and Losses

For the year ended 31 March 2001	Notes	2001 £000	Restated 2000 £000
Retained profit for the year		44,895	43,171
Currency translation differences on foreign currency net investments		1,955	(1,206)
Total recognised gains relating to the year		46,850	41,965
Prior year adjustment	24	4,100	
Total gains recognised since the last annual report		50,950	

Consolidated Balance Sheet

At 31 March 2001	Notes	2001 £000	Restated 2000 £000
Assets			
Cash and balances at central banks		7,870	1,600
Treasury bills and other eligible bills	8	19,914	28,951
Loans and advances to banks	9	1,396,962	2,536,727
Loans and advances to customers	10	1,649,536	1,791,614
Debt securities	12	4,367,397	3,495,414
Equity shares	13	83,147	38,653
Intangible fixed assets	15	30,460	10,517
Tangible fixed assets	16	28,233	27,923
Other assets	17	196,563	248,458
		7,780,082	8,179,857
Liabilities			
Deposits by banks	18	3,502,450	3,647,950
Customer accounts	19	3,520,830	3,790,353
Other liabilities	20	300,908	331,876
		7,324,188	7,770,179
Capital resources			
Subordinated debt	22	39,300	39,300
Minority interests – equity		273	907
Equity shareholders' funds	25	416,321	369,471
Called up share capital	23	292,000	292,000
Share premium account	24	37,365	37,365
Profit and loss account	24	86,956	40,106
		455,894	409,678
		7,780,082	8,179,857
Memorandum items			
Contingent liabilities	28	93,445	68,093
Commitments	31	245,014	314,577
		338,459	382,670

The financial statements on pages 35 to 67 were approved by the Board of Directors on 27 June 2001 and signed on its behalf by:

Alan Tapnack
Director

Balance Sheet

At 31 March 2001	Notes	2001 £000	Restated 2000 £000
Assets			
Cash and balances at central banks		7,694	1,530
Treasury bills and other eligible bills	8	19,914	28,951
Loans and advances to banks	9	1,277,550	2,450,848
Loans and advances to customers	10	1,617,278	1,766,000
Debt securities	12	4,336,885	3,415,002
Equity shares	13	72,405	26,144
Shares in Group undertakings	14	99,044	104,044
Intangible fixed assets	15	14,707	17,516
Tangible fixed assets	16	18,631	18,998
Other assets	17	181,124	225,444
		7,645,232	8,054,477
Liabilities			
Deposits by banks	18	3,675,705	3,734,606
Customer accounts	19	3,277,809	3,631,951
Other liabilities	20	274,489	305,987
		7,228,003	7,672,544
Capital resources			
Subordinated debt	22	39,300	39,300
Equity shareholders' funds	25	377,929	342,633
Called up share capital	23	292,000	292,000
Share premium account	24	37,365	37,365
Profit and loss account	24	48,564	13,268
		417,229	381,933
		7,645,232	8,054,477
Memorandum items			
Contingent liabilities	28	71,859	38,379
Commitments	31	213,712	292,140
		285,571	330,519

The financial statements on pages 35 to 67 were approved by the Board of Directors on 27 June 2001 and signed on its behalf by:

Alan Tapnack
Director

Notes to the Financial Statements At 31 March 2001

1. Accounting Policies

A summary of the principal accounting policies is set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with applicable accounting standards. The financial statements have been prepared in accordance with the special provisions of Part VII, Chapter II of the Companies Act 1985 ("the Act") relating to banking companies and banking groups, and comply with Schedule 9 to the Act.

Prior year figures have been reclassified to be comparable with current year figures.

Basis of consolidation

The Group financial statements, comprising the financial statements of Investec Bank (UK) Limited and its subsidiary undertakings, are made up to 31 March 2001.

Goodwill arising on acquisition (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised as an intangible fixed asset and amortised on a straight line basis over its expected useful life, subject to a maximum period of 20 years.

Negative goodwill arising in respect of acquisitions is included within intangible fixed assets and released to the profit and loss account in the periods in which the benefit is expected to occur.

Income recognition

Interest receivable is recognised in the profit and loss account as it accrues. Interest receivable which is overdue and, in the view of management may not be collected, is removed from income and suspended. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Fees and commissions receivable include fees earned from providing advisory services and arranging of financing for clients. All such fees and commissions are credited to income when the related service is performed.

Investment in subsidiary undertakings

Investments in subsidiaries are shown at cost less any impairment in value.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into Sterling at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

In the Group financial statements, exchange differences arising from the translation of the opening net assets of foreign subsidiaries at closing rates of exchange are taken to reserves.

Tangible fixed assets

Fixed assets are stated at cost, less depreciation provided on a straight line basis at rates calculated to write off the assets over their anticipated useful lives. Premiums on leases are stated at cost and are amortised over the unexpired period of the lease. Fixed assets are depreciated as follows:

Leasehold property	- Over the remaining period of the lease
Leasehold improvements	- Over the shorter of 20 years or the remainder of the lease term
Computer hardware and software	- Over 2-5 years
Furniture and fittings	- Over 5 years
Motor vehicles	- Over 4 years

Debt securities and equity shares

Debt securities and equity shares intended for use on a continuing basis are disclosed as investment securities and are stated at cost less any provision for impairment in value. Any premium or discount, representing the difference between cost and redemption proceeds, is amortised over the period to redemption and included in interest income.

Other debt securities and equity shares and short positions in securities are included in the balance sheet at market value. Changes in the market value of such assets and liabilities are recognised in the profit and loss account as 'Dealing Profits' as they arise.

Equity shares received in lieu of corporate finance fees are included in dealing securities and valued accordingly.

Repurchase agreements are treated as loans and deposits collateralised by negotiable securities where substantially all the risk and rewards of ownership of the securities are retained. Accordingly, securities sold under agreements to repurchase are treated as assets and the related obligation as a liability. Conversely, securities purchased under agreements to resell are not treated as assets but instead the related advance is included as an asset.

Wholesale money market loans and deposits held in the trading book are stated at market value and gains and losses arising from this revaluation are recognised in the profit and loss account as 'Dealing Profits'.

Netting

Sale and repurchase transactions where the assets and liabilities are not separate, as defined by Financial Reporting Standard No. 5 - Reporting the Substance of Transactions, have been netted and the resultant net liability is included on the balance sheet.

Stock borrowing and lending

Stock borrowing and lending transactions are reflected in assets and liabilities to the extent that the respective collateral given or received is in cash. Transactions against non-cash collateral are disclosed in note 26 to the financial statements.

Loans and advances

Commercial loans and advances are stated in the balance sheet after deduction of amounts which, in the opinion of the directors, are required as specific or general provisions.

Specific provisions are made against advances when recovery is doubtful. In addition, general provisions are maintained to cover losses which, although not specifically identified, are known to be present in any portfolio of bank advances. A number of complex and changing factors are collectively weighed by management in determining the adequacy of the provisions. These factors include management's views of the extent of existing risks in the loan portfolio and of prevailing economic conditions.

The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating income. Doubtful debts are written off in part or in whole when the extent of the loss incurred has been determined.

Finance leases

Assets leased to customers are accounted for as finance leases where the minimum lease payments receivable, discounted at the prevailing interest rate, amount to substantially all of the fair value of the equipment on lease at inception.

The difference between the total of the minimum lease payments receivable and the fair value of the equipment on lease at inception represents finance income which is recognised over the period of the lease so as to give a constant rate of return on the net cash investment in the lease.

The investment in finance leases is included in loans and advances to customers at the total of the minimum lease payments receivable under such leases less finance income allocated to future periods.

Operating leases

All other leases of assets to customers are classified as operating leases. Equipment on an operating lease is capitalised as a fixed asset and is stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis to write off the cost (in some cases down to a residual value) over the primary lease term.

Arranged leases

Arranged leases are operating leases where, prior to commencement of the lease, the Group sells the rental stream of the primary lease period to a financial institution. The Group generally retains its interest in the residual benefits of the leased equipment after the end of the primary lease period.

The residual benefits are attributed a residual value which, based on management's experience and judgement, is the minimum prudently expected to be realisable after the end of the primary lease period. Residual values are regularly reviewed and are stated at the revised attributed values.

The difference between the proceeds from the sale of the rental stream and the cost of the leased equipment (net of the residual value) is included in net interest income.

Derivatives (off-balance sheet financial instruments)

Transactions are undertaken in derivative instruments for trading and non-trading purposes. Derivative contracts include futures, forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate, bullion, base metal and equity markets. Netting is applied when a legal right of set-off exists. Accounting for these contracts is dependant upon whether the transactions are undertaken for trading or non-trading purposes.

Trading derivatives are stated at market value at the balance sheet date and gains or losses arising are recognised in the profit and loss account as 'Dealing Profits'. Assets, including gains, resulting from derivative contracts which are marked-to-market are included in 'Other Assets'. Liabilities, including losses, resulting from such contracts are included in 'Other Liabilities'.

Non-trading derivatives (principally interest rate swaps) are contracts which are used to hedge certain risks inherent in the Group's balance sheet. Profits and losses arising on these contracts, measured on an accrual accounting basis, are reported in net interest income.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The directors have decided to implement FRS 19 on deferred tax for the year ended 31 March 2001. This represents a change of accounting policy. The main impact of this change is that, whereas previously deferred tax assets were not recognised where they were expected to be recoverable with replacement by equivalent assets, now assets are recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. The comparatives have been restated and the impact of this change in accounting policy is set out in note 24. The new accounting policy for deferred tax is set out in the next paragraphs.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in a obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is recognised in respect of the future remittance of retained earnings of overseas subsidiaries only to the extent that, at balance sheet date, dividends have been accrued as receivable (or a binding agreement to distributed past earnings in future has been entered into by the subsidiary).

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Pension plan costs

The Group has both contributory and non-contributory schemes in operation. Pension plan costs in respect of members of defined contribution (money purchase) schemes are charged to profit and loss as they fall due. The expected cost of pensions in respect of defined benefit schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

Dealing properties

Dealing properties have been valued at the lower of cost and net realisable value.

Properties awaiting disposal

Properties awaiting disposal are shown at the lower of carrying value and anticipated sale proceeds.

Bank's own profit and loss account

The Bank has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its own profit and loss account. The Bank's profit for the year, determined in accordance with the Act, was £35,296,000 (2000 - £17,522,000).

2. Dealing Profits

	Group	
	2001 £000	**2000 £000**
Interest rate instruments	1,521	424
Foreign exchange contracts	3,314	2,408
Dealing properties	5,271	2,718
Bullion and base metals	(331)	–
Equities and other	9,215	3,552
	18,990	9,102

3. Other Operating Income

Included in other operating income is property rental income of £493,000 (2000 - £4,153,000).

4. Administrative Expenses

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Staff costs				
• Wages and salaries	61,220	54,798	44,004	37,422
• Social security costs	5,675	5,267	4,081	3,744
• Other pension costs	3,360	2,879	2,283	1,872
Auditors' remuneration				
• Audit services	427	271	399	232
• Other services	269	180	253	178
Premises and equipment (excluding depreciation)	9,118	7,766	8,830	7,795
Other administrative expenses	18,360	15,102	15,952	14,453
	98,429	86,263	75,802	65,696

Other pension costs include £1,059,000 (2000 – £791,736) in respect of defined benefit schemes. The scheme is a non-contributory defined benefit scheme and its assets are held in separate trustee administered funds. The scheme is subject to a formal valuation triennially. The details of the most recent valuation, which was carried out as at 31 March 2000, by a qualified actuary are disclosed in the accounts of Investec Holdings (UK) Limited, the Bank's ultimate parent company in the United Kingdom.

	2001 No.	2000 No.
The average number of persons employed by the Group during the year was made up as follows:		
• Investment banking	130	113
• Private client activities	240	180
• Treasury and finance activities	108	74
• Group services and other activities	163	142
	641	509

5. Emoluments of Directors

	2001 £000	2000 £000
Aggregate emoluments (excluding pension contributions)	2,991	2,217
Contributions to money purchase pension scheme	89	92
	3,080	2,309
Number of directors in money purchase pension scheme	4	4
Number of directors in defined benefits scheme	1	1

Emoluments of the highest paid director were £1,357,865 (2000 – £757,859) excluding £19,845 (2000 - £20,394) contribution to the defined benefits scheme.

The aggregate emoluments include £Nil (2000 - £51,500) in respect of compensation for loss of office paid to directors who left the Bank during the year.

The above figures include estimates of distributions that may be made to the Directors from the Investec Bank (UK) Employee Benefit Trust (the 'Trust'). The Bank makes contributions, from time to time, to the Trust for the benefit of employees. The Directors are discretionary beneficiaries of appointed funds of the Trust.

6. Tax on Profit on Ordinary Activites

	Group 2001 £000	Bank 2001 £000	Restated Group 2000 £000	Restated Bank 2000 £000
Corporation tax	10,469	9,129	12,202	8,930
Overseas taxes	2,045	586	1,319	163
Current tax	12,514	9,715	13,521	9,093
Deferred taxation	2,160	518	92	(800)
	14,674	10,233	13,613	8,293

The effective tax rate for the year is 25% (2000 - 24%). The current tax charge is lower than the standard rate of UK Corporation Tax due to the following reconciling items:

	Group 2001 £m	Group 2000 £m
Tax on Group profit on ordinary activities at UK rate of 30%	17.9	17.0
Utilisation of capital and trading losses	(3.5)	(1.8)
Overseas profits	(1.9)	(1.4)
Capital allowances in excess of depreciation	(2.3)	(2.8)
Group relief surrendered	1.4	–
Other	0.9	2.5
	12.5	13.5

As at 31 March 2001 the Group had estimated trading losses of £16,755,000 (2000 - £18,929,000) available for utilisation against future taxable income, subject to some restrictions. £6,000,000 of these losses have been recognised as a deferred tax asset (see note 21).

7. Segmental and Currency Analysis

	Group 2001 £000	Group 2000 £000
Operating income:		
• Investment banking	74,588	40,321
• Private client activities	35,683	26,338
• Treasury and finance activities	19,334	23,669
• Group services and other activities	21,028	20,636
	150,633	110,964
Profit on ordinary activities before taxation:		
• Investment banking	35,300	15,269
• Private client activities	10,699	8,219
• Treasury and finance activities	6,970	13,265
• Group services and other activities	6,600	20,031
	59,569	56,784

	Group 2001 £000	2000 £000
Total assets:		
• Investment banking	178,317	177,602
• Private client activities	1,262,987	954,046
• Treasury and finance activities	6,268,127	6,939,612
• Group services and other activities	70,651	108,597
	7,780,082	8,179,857
Net assets:		
• Investment banking	39,778	13,274
• Private client activities	180,822	144,127
• Treasury and finance activities	172,642	196,823
• Group services and other activities	62,652	55,454
	455,894	409,678
Total assets currency analysis:		
• Denominated in Sterling	6,899,544	6,953,169
• Denominated in foreign currencies	880,538	1,226,688
	7,780,082	8,179,857
Total liabilities currency analysis:		
• Denominated in Sterling	6,961,237	6,967,407
• Denominated in foreign currencies	818,845	1,212,450
	7,780,082	8,179,857

Substantially all of the business of the Bank and Group is transacted within the United Kingdom and Eire.

The segmental analysis includes the following amounts for acquired operations:

	Group 2001 £000	2000 £000
Operating income:		
• Investment banking	–	–
• Private client activities	2,737	3,271
• Treasury and finance activities	–	4,191
• Group services and other activities	–	–
	2,737	7,462

	Group 2001 £000	Group 2000 £000
Profit on ordinary activities before taxation:		
• Investment banking	–	–
• Private client activities	616	429
• Treasury and finance activities	–	1,631
• Group services and other activities	–	–
	616	2,060
Total assets:		
• Investment banking	–	–
• Private client activities	5,499	154,685
• Treasury and finance activities	–	599,795
• Group services and other activities	–	–
	5,499	754,480

8. Treasury Bills and Other Eligible Bills

The Group held eligible bills amounting to £19,914,000 (2000 - £28,951,000) within its trading book.

The unrealised gain included in the carrying value of the bills amounts to £188,000 (2000 - £71,000).

9. Loans and Advances to Banks

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Remaining maturity:				
Repayable on demand	50,170	43,546	50,598	38,912
Demand to three months	1,030,895	912,191	2,353,268	2,278,213
Three months to one year	315,897	315,897	132,861	128,723
One year to five years	–	916	–	–
Over five years	–	5,000	–	5,000
	1,396,962	1,277,550	2,536,727	2,450,848
Balance with Group companies	236	6,996	139	5,000
Loans and advances to banks comprise:				
Trading book	805,801	805,801	1,728,463	1,728,463
Banking book	591,161	471,749	808,264	722,385
	1,396,962	1,277,550	2,536,727	2,450,848

Trading book loans of £773,485,000 (2000 - £1,662,555,000) are secured with government securities under sale and repurchase agreements.

10. Loans and Advances to Customers

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Remaining maturity:				
Demand to three months	978,355	939,818	1,009,525	1,004,150
Three months to one year	202,359	189,747	329,857	326,711
One year to five years	241,379	226,327	158,010	140,906
Over five years	245,476	278,193	316,245	314,009
Provision for bad and doubtful debts	(18,033)	(16,807)	(22,023)	(19,776)
	1,649,536	1,617,278	1,791,614	1,766,000
Balances with Group companies	147,366	181,885	64,413	92,885

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Loans and advances to customers comprise:				
Trading book	748,530	748,530	1,108,078	1,108,078
Banking book	901,006	868,748	683,536	657,922
	1,649,536	1,617,278	1,791,614	1,766,000

Included in trading book loans and advances to customers are loans of £667,958,000 (2000 - £640,612,000) which are secured with government securities under sale and repurchase agreements.

11. Provision for Bad and Doubtful Debts

	Specific 2001 £000	General 2001 £000	Total 2001 £000	Specific 2000 £000	General 2000 £000	Total 2000 £000
Group						
At beginning of year	10,048	11,975	22,023	11,650	7,056	18,706
Exchange movements	499	100	599	–	–	–
Charged against income	(710)	(944)	(1,654)	(1,788)	2,896	1,108
Purchased	–	–	–	4,487	2,034	6,521
Utilised	(2,935)	–	(2,935)	(4,301)	(11)	(4,312)
At end of year	6,902	11,131	18,033	10,048	11,975	22,023
Bank						
At beginning of year	8,348	11,428	19,776	11,650	6,505	18,155
Exchange movements	427	100	527	–	–	–
Charged against income	347	(908)	(561)	(1,788)	2,889	1,101
Purchased	–	–	–	2,787	2,034	4,821
Utilised	(2,935)	–	(2,935)	(4,301)	–	(4,301)
At end of year	6,187	10,620	16,807	8,348	11,428	19,776

	Group 2001 £000	Group 2000 £000
The (release)/charge for bad and doubtful debts in the consolidated profit and loss account comprises:-		
(Released)/charged against income, as above	(1,654)	1,108
(Recovery)/write off of a debt directly to the income statement	(320)	26
Reversal of a provision made in the prior year against equity positions acquired following the failure of a counterparty	–	(2,881)
	(1,974)	(1,747)

Included within the year-end specific provision balance for both Group and Bank is an amount of £107,000 (2000 - £877,000) of interest in suspense.

12. Debt Securities

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Dealing and market making securities at market value				
Issued by public bodies:				
• Government securities	–	–	29,458	29,458
Issued by other issuers:				
• Unlisted bank and building society certificates of deposit	3,992,055	3,992,055	3,098,990	3,098,990
	3,992,055	3,992,055	3,128,448	3,128,448
Investment securities at cost less impairment				
Issued by public bodies:				
• Government securities	6,206	6,206	–	–
Issued by other issuers:				
• Unlisted bank and building society certificates of deposit	368,642	338,624	366,966	286,554
• Other unlisted debt securities	494	–	–	–
Total debt securities	4,367,397	4,336,885	3,495,414	3,415,002

	Group 2001 £000	Bank 2001 £000
Investment securities:		
At beginning of year	366,966	286,554
Exchange movements	54	–
Additions	2,766,492	1,889,764
Disposals	(2,758,170)	(1,831,488)
At end of year	375,342	344,830

All the above securities have a maturity date less than one year from the balance sheet date.

The cost of dealing and market making securities has not been disclosed, as it cannot be determined without unreasonable expense.

The fair value for unlisted bank and building society certificates of deposit, held as investment securities in the banking book, is £369,310,000. The cost of the other investment securities does not differ materially from the fair value.

13. Equity Shares

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Dealing securities at market value				
Listed on a recognised UK exchange	14,139	9,335	4,483	4,483
Listed elsewhere	24,047	24,047	–	–
Unlisted	–	–	1,100	1,100
Investment securities				
Listed on a recognised UK exchange	5,860	5,807	826	533
Listed elsewhere	488	225	463	–
Unlisted	38,613	32,991	31,781	20,028
	83,147	72,405	38,653	26,144

	Cost £000	Provisions £000	Book value £000
Investment securities:			
Group			
At beginning of year	34,870	(1,800)	33,070
Exchange movements	355	–	355
Additions	33,136	–	33,136
Disposals	(17,870)	–	(17,870)
Provision utilised	(1,000)	1,000	–
Provision during the year	–	(4,980)	(4,980)
Reversal of provision	–	1,250	1,250
At end of year	49,491	(4,530)	44,961
Bank			
At beginning of year	20,561	–	20,561
Additions	30,177	–	30,177
Disposals	(8,407)	–	(8,407)
Provision utilised	(1,000)	1,000	–
Provision during the year	–	(3,308)	(3,308)
At end of year	41,331	(2,308)	39,023

The cost of dealing securities and listed investment securities held does not differ materially from the fair value.

The fair value of the Group unlisted investment securities is estimated by management to be £47,323,000 (Bank - £41,318,000).

14. Shares in Group Undertakings

	2001 £000	2000 £000
At beginning of year	104,044	153,259
Additions	–	65
Disposals	–	(34,780)
Dividend declared by subsidiary out of pre-acquisition reserves	(5,000)	(14,500)
At end of year	99,044	104,044

All subsidiary undertakings are unlisted.

Principal subsidiary undertakings of Investec Bank (UK) Limited	Nature of business	Country of Incorporation	Interest
Clive Discount Company Limited	Dormant (previously wholesale money markets intermediary)	England	100%
Guinness Flight Trustees Sarl *	Trust company	Guernsey	100%
Guinness Mahon & Co Limited	Holding company (previously banking)	England	100%
Guinness Mahon Trust Corporation Limited*	Trust company	England	100%
Henderson Crosthwaite Institutional Brokers Limited	Dormant (previously broking)	England	100%
Investec Asset Finance PLC	Leasing	England	100%
Investec Bank (Channel Islands) Limited *	Banking	Guernsey	100%
Investec Bank (Jersey) Limited	Banking	Jersey	100%
Investec Bank (Switzerland) AG *	Banking	Switzerland	100%
Investec Group Investments (UK) Limited	Investment holding company	England	100%
Investec Investment Holdings AG *	Investment holding company	Switzerland	100%
Investec Property Services Limited (trading as Taylor Rose)	Commercial property agency	England	100%
Radcliffes Trustee Company S.A.*	Trust company	Switzerland	100%
Theodores Trust & Law Group Limited*	Trust company	Jersey	100%

Investments in these undertakings are held directly by the Bank except where marked *.
All the above subsidiary undertakings are included in the consolidated financial statements.

15. Intangible Fixed Assets

	Group £000	Bank £000
Goodwill		
Cost:		
At beginning of year	10,050	19,388
Additions	22,703	54
At end of year	32,753	19,442
Accumulated amortisation:		
At beginning of year	467	(1,872)
Charge to profit and loss account	(2,760)	(2,863)
At end of year	(2,293)	(4,735)
Net book value at end of year	30,460	14,707

Additions represent goodwill arising on current year acquisitions, as outlined in note 27, and includes £54,000 (2000 - £91,000) of capitalised costs in respect of a prior year acquisition. Goodwill is being amortised over periods of between five and ten years.

The goodwill of £30,460,000 is net of negative goodwill of £6,742,000 (2000 - £7,612,000).

16. Tangible Fixed Assets

Group	Operating lease assets	Freehold property	Leasehold improve-ments	Furniture, fittings and motor vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000	£000
Cost:						
At beginning of year	9,200	237	15,355	4,554	5,957	35,303
Exchange movements	–	–	–	65	–	65
By transfer or acquisition	–	–	406	398	1,063	1,867
Additions	2,398	380	846	688	1,340	5,652
Disposals	(2,220)	–	–	(474)	(1,276)	(3,970)
Disposal of subsidiaries	–	–	–	(334)	(18)	(352)
At end of year	9,378	617	16,607	4,897	7,066	38,565
Depreciation and amortisation:						
At beginning of year	(1,228)	(17)	(1,811)	(1,597)	(2,727)	(7,380)
Exchange movements	–	–	–	(53)	–	(53)
By transfer or acquisition	–	–	(137)	(331)	(825)	(1,293)
Charge for year	(787)	–	(772)	(796)	(1,762)	(4,117)
Disposals	723	–	–	474	1,246	2,443
Disposal of subsidiaries	–	–	–	68	–	68
At end of year	(1,292)	(17)	(2,720)	(2,235)	(4,068)	(10,332)
Net book value at end of year	8,086	600	13,887	2,662	2,998	28,233
Net book value at beginning of year	7,972	220	13,544	2,957	3,230	27,923

Depreciation and amortisation as disclosed in the profit and loss account on page 35 does not include the charge for the year of £787,000 (2000 - £486,000) on assets subject to operating leases, which is netted within other operating income.

Bank	Leasehold improve-ments £000	Furniture, fittings and motor vehicles £000	Computer equipment £000	Total £000
Cost:				
At beginning of year	14,153	3,299	5,197	22,649
Additions	845	647	1,176	2,668
Disposals	–	(455)	(1,156)	(1,611)
At end of year	14,998	3,491	5,217	23,706
Depreciation and amortisation:				
At beginning of year	(618)	(919)	(2,114)	(3,651)
Charge for year	(749)	(685)	(1,595)	(3,029)
Disposals	–	455	1,150	1,605
At end of year	(1,367)	(1,149)	(2,559)	(5,075)
Net book value at end of year	13,631	2,342	2,658	18,631
Net book value at beginning of year	13,535	2,380	3,083	18,998

17. Other Assets

	Group 2001 £000	Bank 2001 £000	Restated Group 2000 £000	Restated Bank 2000 £000
Trade debtors	64,658	64,499	164,885	164,222
Deferred tax asset (see note 21)	8,284	3,582	11,100	4,100
Assets, including gains, resulting from off-balance sheet interest rate, exchange rate, equities and commodities contracts which are marked to market	44,151	44,224	9,456	9,637
Other debtors	16,916	9,095	19,205	9,670
Dealing properties	11,399	11,370	389	–
Properties awaiting disposal	5,458	5,458	23,478	18,908
Prepayments and accrued interest	45,697	42,896	19,945	18,907
	196,563	181,124	248,458	225,444

18. Deposits by Banks

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	726,378	711,320	840,587	840,587
Demand to three months	2,228,906	2,417,237	2,166,944	2,253,600
Three months to one year	547,166	547,148	623,204	623,204
One year to five years	–	–	17,215	17,215
	3,502,450	3,675,705	3,647,950	3,734,606
Deposits by banks comprise:				
Trading book	3,382,415	3,381,430	3,468,634	3,468,634
Banking book	120,035	294,275	179,316	265,972
	3,502,450	3,675,705	3,647,950	3,734,606
Balances with Group companies	14,006	202,248	31,493	138,790

Trading book deposits by banks include deposits of £2,241,632,000 (2000 - £2,979,034,000) secured with government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £1,059,161,000 (2000 - £70,660,000) are used to secure deposits by banks.

19. Customer Accounts

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	834,382	714,830	932,458	932,458
Demand to three months	2,472,693	2,361,061	2,548,485	2,399,705
Three months to one year	144,028	133,079	286,114	276,492
One year to five years	39,772	38,884	23,296	23,296
Over five years	29,955	29,955	–	–
	3,520,830	3,277,809	3,790,353	3,631,951

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Customer accounts comprise:				
Trading book	2,140,469	2,136,650	2,456,900	2,456,900
Banking book	1,380,361	1,141,159	1,333,453	1,175,051
	3,520,830	3,277,809	3,790,353	3,631,951
Balances with Group companies	69,415	144,308	87,379	173,010

Trading book deposits by customers include deposits of £1,851,503,000 (2000 - £1,265,457,000) secured with government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £3,048,000 (2000 - £5,350,000) are used to secure deposits by customers.

20. Other Liabilities

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Trade creditors	62,252	62,007	163,102	163,102
Short positions in securities				
- equities	21,577	21,577	–	–
Liabilities, including losses, resulting from off-balance sheet interest rate, exchange rate, equities and commodities contracts which are marked to market	41,512	41,642	7,766	7,778
Provision for deferred tax (see note 21)	–	–	1,066	–
Other creditors	28,577	12,678	37,391	21,169
Current corporation tax	9,890	5,107	12,345	7,109
Accruals and deferred income	137,100	131,478	110,206	106,829
	300,908	274,489	331,876	305,987

21. Deferred Taxation

	Group 2001 £000	Bank 2001 £000	Restated Group 2000 £000	Restated Bank 2000 £000
Deferred tax asset:				
At beginning of year	11,100	4,100	3,300	3,300
Adjustment due to disposal of subsidiary	410	–	–	–
Movement in the year	(3,226)	(518)	7,800	800
At end of year	8,284	3,582	11,100	4,100
Provision for deferred taxation:				
At beginning of year	(1,066)	–	(1,874)	–
Movement in the year	1,066	–	808	–
At end of year	–	–	(1,066)	–
Represented by:				
Excess of net book value of assets over capital allowances	7,011	1,319	7,845	1,500
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income	1,800	1,800	1,800	1,800
Other timing differences	(527)	463	389	800
	8,284	3,582	10,034	4,100

To the extent it is likely that profits will arise in future periods deferred tax assets are recognised. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystalisation of capital gains and the eligibility of potential capital losses is uncertain.

22. Subordinated Debt

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Variable rate notes:				
At beginning of year	39,300	39,300	39,300	39,300
Movements during the year:				
Issue of loan note	–	–	39,300	39,300
Redemption of loan notes	–	–	(39,300)	(39,300)
At end of year	39,300	39,300	39,300	39,300

All subordinated debt is issued to Investec Holdings (UK) Limited. Interest is payable at Sterling LIBOR plus 2.125% and the loans can be terminated by the lender giving five years and two days notice. At the date of signature of the financial statements no such notice has been received. The final maturity date of the loan note is 31 March 2050.

Claims in respect of the subordinated loan capital are not secured and are subordinate to the claims of all other creditors.

23. Called Up Share Capital

	Group	
	2001 £000	2000 £000
Authorised:		
Ordinary shares of £1 each – 1,000,000,000 (2000 – 1,000,000,000)	1,000,000	1,000,000
Issued, allotted and fully paid – 292,000,000 (2000 – 292,000,000)		
At beginning of year	292,000	285,000
Issued during year	–	7,000
At end of year	292,000	292,000

24. Reserves

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Share premium account:				
At beginning and end of year	37,365	37,365	37,365	37,365
Profit and loss account:				
At beginning of year (as previously reported)	36,006	9,168	(5,159)	(7,554)
Prior year adjustment for deferred tax (see note 1)	4,100	4,100	3,300	3,300
At beginning of year (as restated)	40,106	13,268	(1,859)	(4,254)
Retained profit for the year	44,895	35,296	43,171	17,522
Currency translation differences on foreign currency net investments	1,955	–	(1,206)	–
At end of year	86,956	48,564	40,106	13,268

The effect of the change in accounting policy (see note 1, under the heading 'Taxation') on the profit for the year ended 31 March 2001 is to increase the tax charge and therefore reduce the retained profit for the year by £0.5million (2000 – to reduce the tax charge and therefore to increase the retained profit for the year by £0.8million).

25. Reconciliation of Shareholders' Equity

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Retained profit for the year	44,895	35,296	43,171	17,522
New share capital subscribed	–	–	7,000	7,000
Currency translation differences on foreign currency net investments	1,955	–	(1,206)	–
Net addition to shareholders' equity	46,850	35,296	48,965	24,522
Opening shareholders' equity (as previously reported)	365,371	338,533	317,206	314,811
Prior year adjustment (see note 24)	4,100	4,100	3,300	3,300
Opening shareholders' equity (as restated)	369,471	342,633	320,506	318,111
Closing shareholders' equity	416,321	377,929	369,471	342,633

26. Stock Borrowing and Lending

Group and Bank	2001 £000	2000 £000
Stock borrowed against non-cash collateral	6,144,538	6,230,381
Stock lent against non-cash collateral	776,156	833,848

The Group borrows and lends stock against cash and non-cash collateral. The cash collateral is included on the balance sheet as appropriate in either loans, deposits or customer accounts.

Non-cash collateral is in the form of gilts, equities, certificates of deposit and other equivalent stock.

27. Summary of the Effect of the Acquisitions

During the year, the Group made the following acquisitions of subsidiary undertakings which were satisfied by the payment of cash and accounted for on an acquisition basis:

	Date
Theodores Trust & Law Group Limited	23 November 2000
Radcliffes Trustee Company S.A.	6 December 2000

For these acquisitions, the combined assets and liabilities at the dates of acquisition and total consideration paid are disclosed in the table below.

The fair values attributed to the net tangible assets acquired were:

	£000
Cash and balances at central banks	1
Loans and advances to banks	2,087
Tangible fixed assets	574
Other assets	2,182
Total assets	4,844
Other liabilities	(2,244)
Fair value of net assets	2,600
Fair value of consideration	25,249
Premium on acquisition	22,649

The book values of the assets and liabilities acquired do not differ materially from the fair values.

The profit after tax for the period from the beginning of its financial year to the date of acquisition for each of the acquired companies is as follows:

	Start date of financial year	Period to date acquired £000	Previous financial period £000
Theodores Trust & Law Group Limited	1 May 2000	475	–
Radcliffes Trustee Company S.A.	1 April 2000	1,004	1,451

28. Contingent Liabilities

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Guarantees and irrevocable Letters of Credit	84,396	71,859	58,803	38,379
Other contingent liabilities	9,049	–	9,290	–
	93,445	71,859	68,093	38,379

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

The other contingent liabilities relate to indemnities and warranties issued by Group companies in respect of taxation and other matters on disposal of various shareholdings.

29. Directors' and Officers' Loans

As permitted by the Companies Act 1985, loans to two directors (2000 – one) existed during the year. The amount at the end of the year was £49,324 (2000 - £50,138).

30. Related Party Transactions

As the Bank is a 100% subsidiary undertaking, and consolidated financial statements for its ultimate parent, Investec Holdings Limited, are publicly available, Group transactions have not been disclosed pursuant to the exemptions permitted in Financial Reporting Standard No. 8.

Apart from the transactions disclosed in Note 29 above, the directors are not aware of any other transactions requiring disclosure.

31. Commitments

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Forward repurchase agreements	142,542	142,542	246,838	246,838
Undrawn facilities	92,780	70,327	59,002	45,302
Uncalled capital on investments and irrevocable subscription undertakings	9,692	843	8,737	–
	245,014	213,712	314,577	292,140

The Group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business.

32. Operating Lease Commitments

	Group 2001 £000	Bank 2001 £000	Group 2000 £000	Bank 2000 £000
Annual commitment under non-cancellable operating leases which expire:				
• within 1 year	13	–	–	–
• more than 5 years	661	–	350	–
	674	–	350	–

33. Financial Instruments

A. FRS 13 disclosure

Certain disclosures required by FRS 13 have been included in the Risk Management Review section of the financial statements on pages 20 to 27.

B. Fair values

The Group's trading book comprises treasury bills, settlements accounts, debt securities, equity shares, short positions in securities, derivatives as well as secured customer loans and deposits. All amounts are included in the balance sheet at fair value.

The fair values of listed and publicly traded securities held for non-trading book purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values of other non-trading book balances approximate to their carrying value in the balance sheet where a liquid and active market exists as defined by FRS 13.

34. Derivatives (Off-balance Sheet Financial Instruments)

The Group enters into derivative contracts for both trading and non-trading purposes. Trading transactions include transactions undertaken for market making, to service customers' needs and for proprietary purposes. Non-trading transactions are those which are used by the Group for hedging purposes. Transactions are negotiated directly with customers, including other financial institutions, or can be dealt through exchanges. All futures contracts are exchange traded.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The replacement cost, which is considered to be the fair value, represents the cost of replacing contracts with positive values calculated at market rates current at the balance sheet date. The credit risk weighted amount, which is calculated according to rules set by the Financial Services Authority, is based on the replacement cost, but also takes into account measures of the extent of potential future credit exposure and the nature of the counterparty.

The notional principal amounts and maturity profiles of derivatives held as at 31 March are as follows:

	2001				2000			
	Up to 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000	Up to 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
Group								
Interest rate contracts:								
Caps and floors	5,228	6,031	6,304	17,563	–	10,997	6,104	17,101
Swaps	119,900	174,173	27,542	321,615	110,350	259,514	26,669	396,533
Futures	205,056	88,483	–	293,539	1,202	–	–	1,202
	330,184	268,687	33,846	632,717	111,552	270,511	32,773	414,836
Foreign exchange derivatives:								
Forward contracts	1,667,597	59,140	–	1,726,737	1,277,452	47,922	716	1,326,090
Currency swaps	–	79,306	–	79,306	–	–	–	–
Options	31,730	–	–	31,730	19,315	–	–	19,315
	1,699,327	138,446	–	1,837,773	1,296,767	47,922	716	1,345,405
Equity and stock index derivatives:								
Equity swaps and forward contracts	166	–	–	166	–	–	–	–
Options	–	3,595	–	3,595	–	–	–	–
	166	3,595	–	3,761	–	–	–	–
Commodity derivatives:								
Commodity swaps and forward contracts	930,657	50,282	–	980,939	–	–	–	–
Bank								
Interest rate contracts:								
Caps and floors	5,228	6,031	6,304	17,563	–	10,997	6,104	17,101
Swaps	107,900	174,173	27,542	309,615	110,350	260,048	26,669	397,067
Futures	205,056	88,483	–	293,539	1,202	–	–	1,202
	318,184	268,687	33,846	620,717	111,552	271,045	32,773	415,37

	2001				2000			
	Up to 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000	Up to 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
Bank								
Foreign exchange derivatives:								
Forward contracts	1,680,581	59,140	–	1,739,721	1,279,188	47,922	716	1,327,826
Currency Swaps	–	79,306	–	79,306	–	–	–	–
Options	31,730	–	–	31,730	19,315	–	–	19,315
	1,712,311	138,446	–	1,850,757	1,298,503	47,922	716	1,347,141
Equity and stock index derivatives:								
Options	–	3,595	–	3,595	–	–	–	–
Commodity derivatives:								
Commodity swaps and forward contracts	930,657	50,282	–	980,939	–	–	–	–

The risk weighted amount and replacement cost of these contracts are as follows:

Group	2001	2001	2000	2000
	Credit risk weighted amount £000	Replacement cost £000	Credit risk weighted amount £000	Replacement cost £000
For trading purposes:				
Interest rate contracts	889	1,336	–	–
Foreign exchange derivatives	16,095	42,987	12,479	23,309
Equity and stock index derivatives	–	17	–	–
Commodity derivatives	–	20,180	–	–
	16,984	64,520	12,479	23,309
For hedging purposes:				
Interest rate contracts	77	850	3,143	4,249

Bank	2001	2001	2000	2000
	Credit risk weighted amount £000	Replacement cost £000	Credit risk weighted amount £000	Replacement cost £000
For trading purposes:				
Interest rate contracts	889	1,336	–	–
Foreign exchange derivatives	16,039	43,078	12,398	23,258
Commodity derivatives	–	20,180	–	–
	16,928	64,594	12,398	23,258
For hedging purposes:				
Interest rate contracts	77	175	3,148	4,271

35. Hedging Instruments

Gains and losses on derivatives used for hedging are recognised in line with the underlying items which are being hedged. At 31 March 2001, the unrecognised gains on derivatives used for hedging were £2,870,000 (2000 – £4,271,000) and unrecognised losses were £888,000 (2000 – £2,570,000).

Of the unrecognised gains of £2,870,000, £2,396,000 is expected to be recognised in the year ending 31 March 2002 and £474,000 in subsequent years. Of the unrecognised losses of £888,000, £326,000 is expected to be recognised in the year ending 31 March 2002 and £562,000 in subsequent years. These values have been calculated by reference to the ultimate maturity date of the derivatives.

Of the gains and losses included in the profit and loss account in 2001, gains of £276,000 and losses of £212,000 were unrecognised at 31 March 2000.

36. Ultimate Parent Company

The ultimate parent company, and controlling party, is Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on the Johannesburg Stock Exchange.

The consolidated financial statements of this Group are available to the public and may be obtained from Investec Group Limited's principal place of business: 100 Grayston Drive, Sandown, Sandton, 2196, South Africa, or from Investec Bank (UK) Limited at 2 Gresham Street, London, EC2V 7QP.

The parent undertaking of the largest group in the United Kingdom which includes the Bank and for which group financial statements are prepared is Investec Holdings (UK) Limited, a company registered in England and Wales. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The Bank has taken advantage of the exemption in Financial Reporting Standard 1 (revised) not to present its own cash flow statement. The Bank's ultimate holding company, Investec Holdings Limited, registered in South Africa includes a cash flow statement in its published financial statements.

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