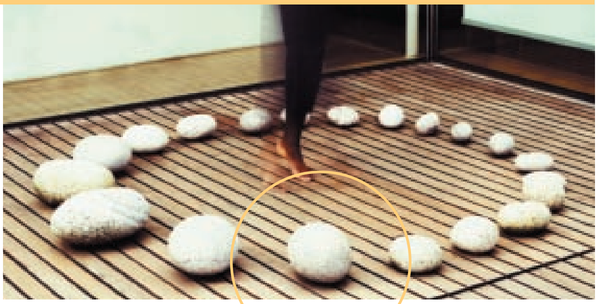
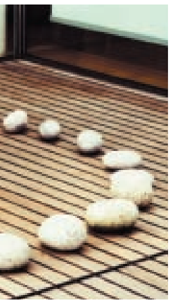
Annual Report 2002
Investec Bank (UK) Limited

Investec

Out of the Ordinary



contents



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 and values

Philosophies

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

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

financial highlights

	2002	2001	Increase/(Decrease)
Net interest income (£m)	**54**	55	(1.8%)
Operating income (£m)	**153**	162	(5.6%)
Profit before tax (£m)	**40**	60	(33.3%)
Capital resources at year-end (£m)	**497**	456	9.0%
Total assets (£m)	**7,874**	7,760	1.5%
Capital adequacy ratio			
Capital and reserves to risk-weighted assets	**21.7%**	24.1%	

Ten year summary

For the years ended 31 March	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Profit before tax (£m)	**40**	60	57	15	5	4	3	3	3	2
Capital resources (£m)	**497**	456	410	357	162	55	51	38	35	32
Total assets (£m)	**7,874**	7,760	8,180	5,688	4,885	375	324	301	274	260
Customer loans* (£m)	**1,110**	901	684	459	312	199	167	156	118	106
Customer deposits* (£m)	**1,614**	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

Hugh Herman* (Chairman)
John Abell*
George Alford*
Perry Crosthwaite
Bradley Fried (Chief Operating Officer)
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 LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Registered Office

2 Gresham Street
London
EC2V 7QP

Registered Number

489604

Senior Management

Treasury and Specialised Finance

David van der Walt

Investment Banking

Richard Hickinbotham
Russell Chambers

Private Equity
Rob Cohen

Private Client Activities

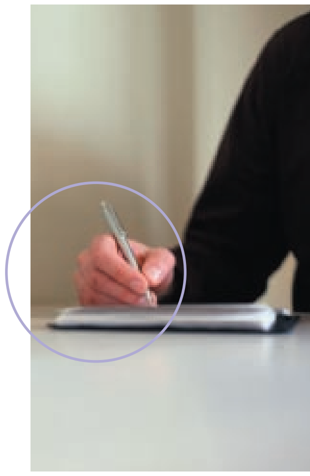
Private Banking
Leon Blitz
Steve Heilbron
Paul Stevens

Investec Bank (UK) Ltd – Irish Branch

Michael Cullen

chairman's statement

Investec continues to build in a difficult year



The economic scenario that was presaged in my predecessor's report last year materialised with all of its negative aspects. This resulted in profits before tax falling 33.3% below last year at £39.8 million. Notwithstanding this most difficult trading environment, I am happy to report that Investec Bank (UK) Limited ("the Bank") continued to build its presence in each of its focused activities. Over the 10 years since its acquisition by the Investec Group, Investec Bank (UK) Limited has achieved a compound annual growth rate of 39.1% in pre-tax profits. At the same time, capital resources have grown by more than 15 times, from £32 million to £497 million.

In the first half of the year, the business climate was damaged by the continuing decline of the Technology, Media and Telecoms (TMT) sector and sentiment continued to get worse in the second half – particularly in the equity capital markets. Considerable uncertainty in the major economies of the United States, Japan and Europe was further exacerbated by the tragic events of 11 September 2001. The US Federal Reserve's programme of aggressive interest rate cuts was echoed by central bankers around the globe but served only to avoid a collapse of the free world markets. Ongoing economic uncertainty, continuing weakness in the TMT market, and the damaging collapse in trust in corporate governance, as a result of several well publicised cases, made the second half of the year even more challenging than the first.

In this environment, our banking businesses performed satisfactorily, with growth recorded in:

- Capital resources – 9.0%
- Total assets – 1.5%
- Customer loans – 23.2% and
- Customer deposits – 17.0%

Investment Banking faced the most difficult trading conditions, with the market for Initial Public Offerings almost moribund and the secondary markets extremely quiet. The Private Bank performed well with synergy benefits beginning to flow through from the trust companies acquired last year. It recorded prudent growth and satisfactory profitability. However, the difficult economic conditions have particularly adversely affected the Irish Republic and our business there has suffered as a consequence. Its business activities are being carefully integrated with those in London and generally downsized.

Niche acquisitions and growth of capabilities

The Bank made only one acquisition last year, namely the acquisition of European Capital Company, a small but highly regarded team of project finance practitioners. They have been absorbed into the Treasury and Specialised Finance division where they form the nucleus of our project finance business. Elsewhere in Treasury and Specialised Finance, we took the opportunity to hire several teams and to initiate other activities. In Investment Banking, we continued to hire key individuals and small teams, thereby upgrading the division's capabilities.

Implementation of global matrix structure

The UK businesses have continued to benefit from the implementation of Investec Group's global matrix management structure – which facilitates management along global product lines as well as regionally. This has been particularly helpful in Treasury and Specialised Finance and in Private Client Activities, where it has generated a flow of international business.

Management and Board changes

During the year under review the Bank strengthened its Private Banking business with the appointment of Steve Heilbron, who joins as joint Managing Director of the Private Bank from Investec in South Africa. Steve's experience and track record in Private Banking bode well for this business.

The success achieved in continuing to grow our business in these difficult conditions vindicates the confidence that was expressed in the Bank's management by my predecessor. I thank management for their untiring efforts.

It was with regret that we bade farewell to our former Chairman, Bas Kardol, at the end of the year under review. Bas has served the Investec Group with distinction for over 10 years. He has chaired this Board since the acquisition of Investec Bank (UK) by the Group in 1992. During this time the Bank has grown enormously, and we now wish him good health and fulfilment in his retirement.

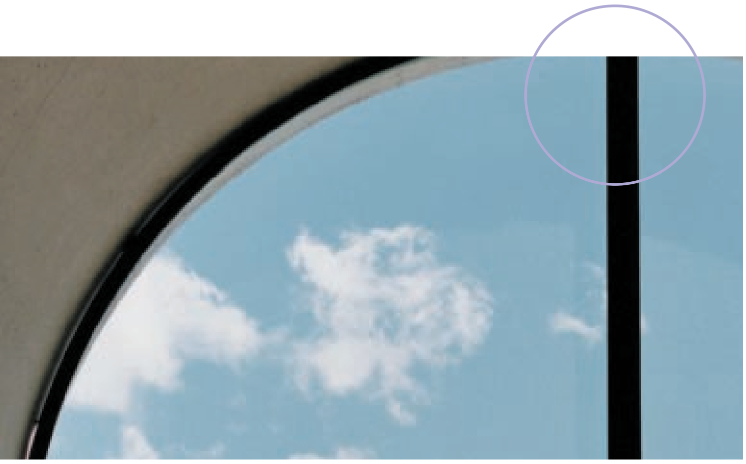
The future

There is considerable doubt about the timing of a turnaround in the business environment and, indeed, whether conditions will deteriorate further before they improve. Further, it is now evident that the UK economy is not insulated from the downturns in other major world economies. However, our policy of developing a portfolio of businesses, together with the proven ability of our management to focus quickly on niche markets, should enable us to deal with most economic scenarios.

At the time of this report, the Investec Group has announced its intention to implement a dual-listed structure that will provide a London Stock Exchange listing for its international activities. The Bank will accordingly become a subsidiary of Investec PLC, a London-listed entity. We anticipate that the listing will give Investec PLC access to capital and funding at competitive prices, together with a raised profile. This will provide the Bank with a solid base for potential expansion, particularly as economic and capital market conditions improve.

Hugh Herman

Chairman



chief executive officer's and chief operating officer's review

Enhancing quality

This year the management team continued to focus on improving our franchise, notably through building talent and skills in each of the operating and support divisions. This theme, "Enhancing Quality", formed the foundation of all major initiatives during the difficult business period under review. As a consequence of the tough business conditions, profit before tax was 33.3% below last year at £39.8 million, and the before tax return on capital was 10.9%.

There were no transformational events of a bank-wide nature over the course of the year, and the financial results predominantly reflect organic changes in the business. The period under review did, however, reflect the first full year of ownership of Jersey-based Theodores Trust & Law Group and Geneva-based Radcliffes Trustee Company. These two businesses were combined with Guinness Flight Trustees of Guernsey to form the Investec Trust Group, which is now an important part of our integrated private banking offering.

While our business development activities concentrated on the recruitment of talented practitioners and teams of professionals, we also made the modest but strategically significant acquisition of European Capital Company. This firm comprised one of the United Kingdom's most highly regarded teams of project finance advisory professionals All of our operating divisions participated in the internationalisation of Investec's businesses. Collaboration and co-operation within divisions, across divisions, and across geographies is one of Investec's core values. This year the UK business both benefited from and contributed to the overall development of Investec's network – the co-operation across South Africa, the United States, Australia and Israel provides exciting opportunities for our clients and people going forward.

Highlights and key initiatives

A markedly reduced level of corporate fundraising and development activity together with volatile equity capital markets caused Investment Banking pre-tax profits to fall 54% from £35.3 million last year to £16.4 million in the year under review.

The market conditions encountered by our firm and our corporate and institutional clients reminded us that the long-term prosperity of our Investment Banking franchise is based on five factors, namely: our ability to adhere relentlessly to group culture and values, the quality of our corporate and institutional clients, our focus on client service, the division's niche sector focus and our approach to managing our investment bank in a supportive and shared way for the benefit of our clients. We ensured that we used the difficulties presented over the year to learn lessons, build strong foundations and upgrade our skills.

While our deal flow was consistent for the year, the most significant initiative was the drive to strengthen our franchise through recruitment. We made a number of transforming hires, including heads of research, investment banking and smaller company sales and corporate broking. In addition, we recruited distinctive professionals for key roles across the division – in sales, research and corporate finance. Given the parlous state of the equity markets, it is difficult to forecast near term financial benefits from these hires and the steps we have taken.

In last year's review, we reported that the private banking business remained one of the "Group's most promising growth engines". We are delighted to report a 47% year-on-year increase in private banking pre-tax profits from £10.7 million last year to £15.7 million for the year under review. We remain enthusiastic about the growth prospects for this area following the investment of recent years. We now have an infrastructure capable of being scaled significantly and plan on using lower cost jurisdictions for certain business processes.

The year under review saw a renewed emphasis on a highly structured and tailored approach to private banking and a move away from the more commoditised, lower value, high volume transactions. Our intention is to be the specialist private banking partner of choice in the creation of distinctive value for our targeted clientele. While our achievements for the last year were driven entirely by organic growth, we remain open to the prospect of acquisitive growth, should an appropriate opportunity arise, in this highly fragmented industry.

The Treasury and Specialised Finance division achieved an admirable performance by a number of measures. Pre-tax profit increased by 26% from £7 million to £8.8 million. However, the level of profit does not fully reflect the vibrancy of the divisional initiatives, which include expanding the scope of the equity derivatives and commodities desks, so eliminating duplication across jurisdictions. Our core traditional businesses, namely the interest rate and stock lending businesses, performed ahead of budget. On the banking and advisory side of the division, this review has already made mention of the acquisition of European Capital Company which provides the division with a top-tier client base and proven platform from which to build. In addition, key personnel transfers to the United Kingdom allowed the division to make a modest start in the financial products area and individuals identified last year – but who will join in the current year – are anticipated to provide real impact in transforming our Structured Finance division.

Our primary thrust in this division is to pursue a balanced portfolio of growth initiatives that are appropriately oriented towards client activities.

Technology update

Over the last two years we have provided updates on the development of our core Equation banking system. We are delighted to report the successful implementation of this system during the period under review. All of our businesses are critically dependent on technology developments and we invest to the level required to ensure ongoing competitiveness.

Marketing

This year Investec continued its UK brand-building marketing efforts. The Investec zebra advertising campaign continued to run in prominent London outdoor and rail poster sites, as well as in selected print media. The second year of our international rugby sponsorship, the Investec Challenge was a considerable success, from both a client-entertainment and profile-raising perspective. Brand tracking research conducted early in 2002 shows growing awareness of the Investec brand in the City.

Business going forward

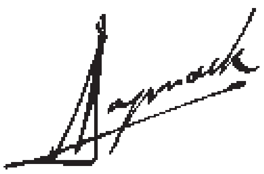
The Investec Group's mission remains to "be one of the world's great specialist banking groups, driven by our commitment to our core philosophies and values".

The Bank's role in helping the Group deliver against this mission is clear to the management team. Namely, our objective is to build strong client foundations for each division and to hire and to retain distinctive talent who can serve our clients at the highest level.

Conclusion

In conclusion, we express our sincere appreciation to:

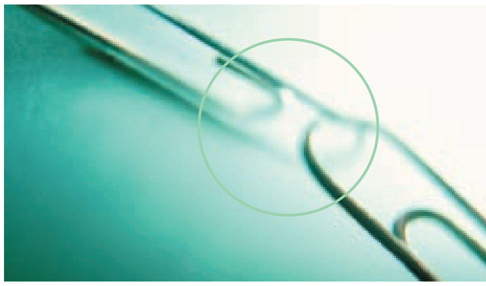
- Our people on whom we rely to deliver value to our clients and shareholders driven by the Group's values and culture
- Our clients and counterparties who place their faith in us
- Our Chairman and Board members for their tireless effort and continued support



Alan Tapnack
Chief Executive Officer

Bradley Fried
Chief Operating Officer

review of operations



Treasury and Specialised Finance

The Treasury and Specialised Finance division generated operating income of £34.4 million in 2002, compared to £19.3 million in the previous year. This improved performance was achieved by a combination of developing new business areas, principally commodities, which became a significant contributor to operating income, and the established interest rate desk.

Treasury and Financial Markets

Treasury and Financial Markets comprises both the central treasury function and our trading businesses. We trade in international professional wholesale markets in money market instruments, precious and base metals, foreign exchange, equities, and over-the-counter and exchange-traded derivatives. Our strategy is to focus on niche areas that offer the potential for profitable business and that build on the Group's core areas of expertise and its strong client relationships.

Falling interest rates created a broadly favourable environment for Treasury and Financial Markets, and were of particular benefit to our central treasury and interest rate businesses. Major contributions to operating income came from repo and money markets, commodities and equity lending.

Our sterling interest rate desk was able to identify, and stay ahead of, the downward movements in UK interest rates and achieved profits more than 50% ahead of its budget. The equity lending business also exceeded its budget in spite of falling equity markets and a reduction in the value of stocks on loan. It steadily increased its presence in higher margin areas, notably by lending an increasing volume of non-UK equities.

Major initiatives

We established a commodity trading business in the second quarter of 2001, building on the Group's expertise in this area. We secured membership of the London Bullion Market Association and category two membership of the London Metal Exchange and are now an active daily participant in both markets. Trading volumes grew significantly during the year and we increased the number of staff in this business from eight to thirteen.

Our recently established equity derivatives desk expanded its activities in terms of both product range and geography, with the US Group establishing a trading desk in New York.

In another initiative, we renewed our efforts in trading repos in euro sovereign debt. This provides a natural complement to our capabilities in sterling interest rate trading and additionally positions us for any future move by the UK to adopt the euro.

During the year we also transferred part of our Irish treasury activities to London in order to avoid duplication between two similar jurisdictions. We moved the interbank dealing functions of the Dublin branch to London without the loss of business or counterparties.

The Bank also improved its liability profile by raising $180 million of three-year funding through a "club deal" for which Dresdner Bank Luxembourg acted as agent.

Prospects

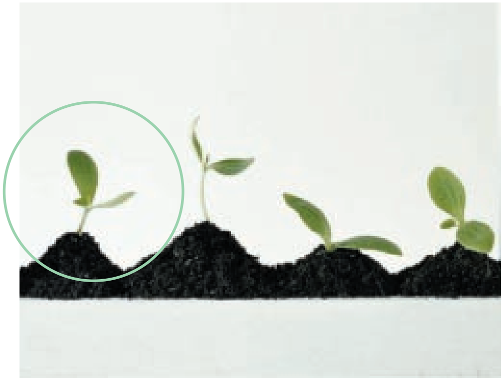
While the addition of new businesses, should the appropriate opportunities arise, may boost income substantially over the medium term, Treasury and Financial Markets may be impacted in the short term by rising interest rates.

Specialised Finance

Specialised Finance comprises niche lending businesses that exploit the Group's expertise in a number of specialist areas. Our strategy is to focus on high margin business and to draw on the resources and know-how of the Group internationally. Last year we expanded the scope of Specialised Finance by adding Financial Products to our three existing business areas.

Asset Finance

Asset Finance achieved a strong performance last year with growth coming mainly from the education sector and from corporate clients. Pre-tax profits increased by 20% and return on capital employed was more than 35%. Net assets financed increased by 18% in the year to reach £40.1 million.



This business area, which employs a total of eleven people, provides finance to public sector bodies such as government departments, National Health Trusts and education establishments serving over 2,000 clients. Rather than offering asset finance alone, its approach is to provide clients with a comprehensive financing package.

Prospects

While additional availability of central government funds has relieved some pressure on Local Authority and National Health Service budgets, there remains steady demand from public bodies for solutions based on asset finance. At the same time, Asset Finance will work increasingly with the Structured Finance and Project and Resource Finance teams to undertake larger projects.

Project and Resource Finance

We increased our activities in Project and Resource Finance by acquiring European Capital Company, a leading project finance advisor, in November 2001. This acquisition forms part of our strategy of achieving a balance between advisory and lending business. While project finance remains a highly competitive market, European Capital Company's client base and established track record provide a strong platform from which to build a distinctive business.

Project and Resource Finance offers comprehensive advisory services, debt arranging and underwriting, and equity raising services in two sectors – infrastructure and resources.

The team completed several advisory projects on behalf of clients located in the UK, Ireland and continental Europe. Highlights include the closing of the HSL Zuid €1.3 billion High Speed Rail project, on which Investec European Capital acted as financial advisor to the Dutch government.

Prospects

We expect to generate new business in project finance this year and a pipeline of existing projects extends over the next 12 months. There are also good prospects for the resource finance business, with high precious metal prices creating demand for new projects.

Structured Finance

In its first full year of operations, our Structured Finance business succeeded in building assets to £120 million. It established an annuity income stream by participating in secondary and primary loan and bond issues, while also generating fee income.

Structured Finance offers complex financing solutions to clients, resulting in both advisory fees and lending opportunities. The principal target market comprises mid-size corporates, with the average deal size standing around £8 million.

A number of important transactions were completed last year. We acted as arranger and funding provider on a £16 million acquisition facility for a South African Group to purchase a UK listed furniture manufacturer. In another innovative deal, we structured a £10.3 million acquisition facility which enabled a listed UK software company to purchase its corporate head office.

Prospects

Structured Finance is a business offering good prospects as a result of the skills we have developed in this area. The flow of deals is expected to increase, with the addition of a number of professionals who bring new areas of expertise.

Financial Products

We established a new business area, Financial Products, building on the Group's experience in the international credit derivatives market. We transferred two of our most experienced staff from Johannesburg to London and began trading in the last few months of the financial year.

Following a successful start, we expect to continue to grow the business this year and will add new staff. Our focus lies in the structured credit market, where we are able to use our financial engineering and derivative skills to create structured solutions for our clients.

Investec Bank (UK) Limited (Irish Branch)

The Irish branch's Treasury and Financial Markets business was transformed last year with the transfer of several treasury functions to London. The interbank dealing desk was relocated, and foreign exchange and interest rate trading is now booked through London.

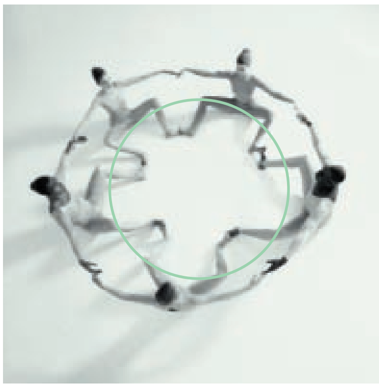
The Treasury functions of the branch are now focused on corporate clients and deposit gathering, while the remaining areas of the Treasury and Financial Markets division are concentrated in two niche areas.

The Equity Finance business had a successful year in spite of low equity market activity. This was primarily a result of expansion into prime brokerage, with significant volumes of new business generated in this area.

Specialised Finance enjoyed a reasonable year in spite of an uncertain economic environment. We provided acquisition finance to a number of clients including a £5 million facility for a bathroom suites manufacturer and a facility of $6.75 million to a biotech group.

Prospects

We expect to continue to grow our prime brokerage business in Ireland, building on the success we have achieved so far. Prospects for increasing corporate lending in Ireland are limited, since this market has become highly competitive. However, we will continue to offer financing solutions in special situations, such as acquisitions, that command relatively high fees.



Investment Banking

Investment banking profits were considerably lower this year, reflecting the lack of activity in financial markets. Volatile equity markets significantly reduced fund raising activity and total income fell to £55.4 million, compared to £86.1 million last year.

Investment Banking & Securities

The year began slowly with a Technology, Media and Telecom (TMT) market already in decline and an inactive equity capital market. These difficult market conditions have continued throughout the year combined with high levels of economic and stockmarket uncertainty.

However, we have used this opportunity to upgrade our capabilities through selectively hiring a number of individuals. As a result we now have a stronger competitive position within our chosen niches. We specialise in a number of sectors where we have specialised industry knowledge, often concentrating on mid market companies within these areas. Our chosen sectors are: Food Manufacturing, Leisure, Oil and Mining, Media, Retail, Support Services, Technology and Telecom.

Income declined during the year primarily as a result of the difficult environment for fund raising following a record year in 2000/2001. By contrast, income from our advisory business almost doubled. There were also stable contributions from secondary market commission and market making.

Once again, the quality of our research illustrated the strength of our franchise. We scored strongly in the Reuters 2001 UK Smaller Company Survey, with five number one rankings.

Major deals and initiatives

There were a number of significant transactions during the year. They included a £75 million fund raising for Fitness First, the £210 million trade sale of Lynx Group and the £182 million IPO of Venture Productions. Shortly after the year-end, we acted for Dixon Motors in its £110 million trade sale to Royal Bank of Scotland.

The most significant initiative of the year was the drive to strengthen our franchise through recruitment. We made a number of senior hires, including heads of investment banking, international research and smaller company sales. We also hired an entire corporate broking team and a number of corporate financiers, research analysts and salesmen.

Our international capabilities were significantly enhanced by the August 2001 acquisition by the Group of PMG, now Investec Inc, a specialist US investment bank with offices in New York and Philadelphia.

At a Group level, we continued to improve co-operation with Investec operations in South Africa, the United States and Australia.

Prospects

Our competitive position continues to progress as we upgrade our capabilities. Over the coming year, we intend to continue this process by expanding our corporate finance skill base in M&A and advisory, and growing our sales and trading capabilities. We will also persist in promoting co-operation with the Group's non-UK investment banking businesses.

We believe that we now have a competitive edge in our chosen UK investment banking niches, but it remains difficult to anticipate our prospects for the coming year until a greater degree of stability returns to financial markets. In the short term the turbulence in the financial markets may combine to hinder our performance in this sector.

Private Equity

UK private equity activity focused on managing and realising our existing portfolio of investments in the main acquired from Hambros plc.

One new direct investment was made and we participated in the establishment of one new fund. Notwithstanding the tougher environment for exits, the majority of profits were achieved through successfully selling three of our direct investments and two listed investments. This was supplemented by the enhancement in value and dividend flow from the remaining private equity portfolio.

Prospects

The division continues to look for selective opportunities to leverage our capital.

Private Client Activities

The private banking business generated operating income of £49.6 million, compared to £35.7 million in the previous year.

Private Banking

We continued to grow our asset base in more testing market conditions and succeeded in enhancing profits significantly. There was excellent growth in our core banking business, despite narrowing interest margins. Additionally, we gained significant fee income by providing value added financing to clients.

The business, which operates in London, the Channel Islands, Switzerland and Ireland, offers onshore and offshore private banking services. The focus is on six core activities: banking, lending, property finance, investments, trust and fiduciary services and private client investment banking. Our services are aimed primarily at high-net-worth clients with investible assets of £3 million or a net asset value of £5 million. We have a strong franchise among successful entrepreneurs, high-earning employees and self-directed internationally mobile clients.

The private banking market continues to evolve, as clients now demand enhanced levels of service, greater transparency and more sophisticated products. The profile of the typical client has also changed over the past few years, with created and earned wealth growing in importance over inherited wealth. We have designed our offering in response to the needs of the modern private banking client. Our proposition is to be the specialist private banking partner of choice in the creation of distinctive value for our targeted clientele.

Major initiatives

Last year we fine-tuned our portfolio of private banking services following a number of initiatives and acquisitions over the previous two years. Specifically, we narrowed our target market becoming more focused in our client acquisition strategy and exiting products that fall outside this. We moved away from business lines that generate low transaction sizes, and concentrated increasingly on wealthier clients with a requirement for innovative, value-add type products.

We also expanded our investment advisory offering to include a top down macro asset allocation solution based offering together with investment opportunities through structured products. Additionally, we launched a number of new multi-currency products into the UK market appealing to our international clients.

The trust and fiduciary companies acquired in 2001 have been integrated into the Private Bank and now operate under the Investec Trust Group brand. This provides enhanced trust, fiduciary and structuring capabilities. These businesses underwent substantial reorganisation during the year in order to prepare them for the new regulatory regimes governing trust companies in the Channel Islands.

Prospects

We will make cost savings with the use of lower cost jurisdictions for business processes. Following the investment of recent years, we now have an infrastructure that is capable of handling revenue growth for relatively little additional cost.

Other Activities

Property

Our property business achieved pre-tax profits of £1.1 million during a year of conflicting signals from the central London office market, where a significant part of our portfolio has historically been based. While there was a marginal fall in rents during the last six months, capital values remained buoyant driven largely by the low interest rate environment.

We took advantage of the interest in central London office property to sell some of our portfolio. Notably, we sold 27 Dover Street, W1, a multi-let office building in Mayfair, to an investor for £3.7 million, realising a profit of £0.7 million. In all, sales totalled £5.3 million.

Most of our purchases were outside London, where it remains possible to buy properties with relatively high rental yields. Outside London, we acquired office properties in: Crawley, Sussex; Croydon, Surrey; and Bristol. We also bought two London properties, in Holborn and Putney, at the beginning of the year when the market was still attractively priced. In all cases, we intend to 'add value' within one to three years. Purchases totalled £20.9 million.

From a strategic point of view, we took advantage of low interest rates to lock into a low funding rate.

Looking forward, the prospects appear good while clearly being largely influenced by the health of the UK property market.

risk management review

All of the activities of Investec Bank (UK) Limited ("the Bank") involve analysis, management and mitigation of some degree of risk or combination of risks.

The predominant types of risk that the Bank faces are credit risk (including country risk), liquidity risk, market risk, operational risk and regulatory risk.

The Board of Directors sets risk management policy and approves policy statements regarding credit risk, market risk, trading limits and liquidity. 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, appropriately resourced with specialised people and systems, assists the Director of Risk Management.

Additionally, there are a number of Risk Management committees with Board approved terms of reference and membership who have the necessary skill and experience to consider, evaluate and mitigate the risks in question.

The main committees are:

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.

Audit Committee

An independent non–executive director chairs this committee. It approves the internal audit plan 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 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 and 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 meets the agreed policies taking into account 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, regularly monitor and prioritise all substantive risks that may arise through failed processes or systems, or through human error.

Engagement and Underwriting Committees

These committees relate predominantly to investment banking and project finance. 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.

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 effective processes are in place to manage these risks before trading in new products or markets commences.

Responsibility for day–to–day control and monitoring of policies, procedures and limits is the responsibility of the Risk Management function.

Regular reports and information are given to the Executive, senior management and the Board to ensure they fully understand the risk and to demonstrate proper measurement, monitoring and prudent risk management.

It is very important that all enterprise–wide risks are regularly considered. Any change to business objectives can cause a change to the risk profile of the business. Consequently, under the guidance of Risk Management, all business units regularly review their objectives, assess the risks that may prevent these objectives being achieved and ensure there is defined ownership of the risks and defined ownership of the corresponding controls.

The likelihood and impact of any risk is assessed and appropriate controls are designed to be effective taking into account the severity of the risk faced. The output from these processes is provided to Internal Audit to enable them to give assurance as part of the audit work plan that controls are working properly and all risks have been properly identified. This is to ensure that enterprise wide risk management is embedded in the various business units.

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

Credit Risk

This is the risk that counterparties will be unable or unwilling to meet their obligations to the Bank 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, controlled and mitigated. 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 General Management of the Bank and escalated to the Executive where necessary.

Various tiers of credit committees ensure 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 decision 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 are strictly controlled and regular reviews are held to evaluate the necessity and adequacy of specific provisions and whether the suspension of interest charged to the customer is required. 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.

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 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. Additionally, all members of staff who engage in trading on behalf of the Bank sign an appropriate mandate clearly defining their remit.

The Bank uses an independent 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.

V@R

The following table summarises the V@R exposures for the year ended 31 March 2002. The figures are calculated using a 95% confidence interval and a one–day holding period.

Area	As at year end £000	Low £000	High £000	Average £000
Total trading activities *	538	498	910	679
Commodities *	194	49	250	152
Interest Rates	562	115	682	280
Foreign Exchange	141	5	290	89
Equity Derivatives *	403	382	587	495
Investment Banking and Securities	37	5	64	25

* The V@R figures for Commodities, Equity Derivatives and IBUK total trading activities are only since 31 January 2002.

Stress Testing

The portfolio as at the year–end was stress tested under extreme market conditions and resulted in a notional loss of £4.0 million, based on a one day holding period, as can be seen from the table below:

Area	Stress Exposure £000
Total trading activities	4,034
Commodities	1,453
Interest Rates	4,213
Foreign Exchange	1,057
Equity Derivatives	3,026
Investment Banking and Securities	278

Interest Rate Risk

The interest rate mismatch on banking book assets and liabilities is stated, as at year–end, in the table below. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Interest rate mismatch

Year-end 31 March 2002	0-3 months £000	3-6 months £000	6-12 months £000	1-5 months £000	Over 5 years £000	Non-rate items £000	Total £000
Assets							
Cash and balances at central banks	10,980	–	–	–	–	119	**11,099**
Loans and advances to banks	396,524	–	4,273	3,549	–	–	**404,346**
Loans and advances to customers	943,783	17,573	26,106	69,204	51,503	2,263	**1,110,432**
Debt securities	377,928	243,701	216,758	66,331	–	–	**904,718**
	1,729,215	261,274	247,137	139,084	51,503	2,382	**2,430,595**
Liabilities							
Deposits by banks	309,847	35,329	613	–	–	–	**345,789**
Customer accounts	1,439,115	63,734	30,546	50,286	30,680	–	**1,614,361**
Debt securities in issue	75,000	–	–	–	–	–	**75,000**
Subordinated debt	39,300	–	–	–	–	–	**39,300**
Capital and net non–rate items	–	–	–	–	–	356,145	**356,145**
	1,863,262	99,063	31,159	50,286	30,680	356,145	**2,430,595**
Net on balance sheet items	(134,047)	162,211	215,978	88,798	20,823	(353,763)	
Off balance sheet items	127,256	–	(2,163)	(125,093)	–	–	
Mismatch	(6,791)	162,211	213,815	(36,295)	20,823	(353,763)	
Cumulative mismatch	(6,791)	155,420	369,235	332,940	353,763	–	

Comparative interest rate mismatch

Year-end 31 March 2001	0-3 months £000	3-6 months £000	6-12 months £000	1-5 months £000	Over 5 years £000	Non-rate items £000	Total £000
Assets							
Cash and balances at central banks	7,870	–	–	–	–	–	**7,870**
Loans and advances to banks	587,650	3,511	–	–	–	–	**591,161**
Loans and advances to customers	718,035	18,263	22,234	91,452	51,022	–	**901,006**
Debt securities	246,353	20,126	108,863	–	–	–	**375,342**
	1,559,908	41,900	131,097	91,452	51,022	–	**1,875,379**
Liabilities							
Deposits by banks	116,505	3,521	9	–	–	–	**120,035**
Customer accounts	1,250,186	12,721	17,899	69,638	29,917	–	**1,380,361**
Subordinated debt	39,300	–	–	–	–	–	**39,300**
Capital and net non-rate items	–	–	–	–	–	335,683	**335,683**
	1,405,991	16,242	17,908	69,638	29,917	335,683	**1,875,379**
Net on balance sheet items	153,917	25,658	113,189	21,814	21,105	(335,683)	
Off balance sheet items	29,559	162	(2,344)	(27,377)	–	–	
Mismatch	183,476	25,820	110,845	(5,563)	21,105	(335,683)	
Cumulative mismatch	183,476	209,296	320,141	314,578	335,683	–	

Currency Risk

Any currency risk arising from the Bank's commercial banking and lending activities is managed within the Board approved limit structure. The net aggregate position in foreign currency as at year–end was $18.8 million versus a limit of $65 million.

The Bank has certain investments in foreign subsidiaries. These currency investments are not hedged and at year–end amounted to £16,234,000 (2001 – £18,580,000) (Swiss Francs £9,311,000 (2001 – £15,031,000), US Dollars £5,484,000 (2001 – £3,549,000) and Euro £1,439,000 (2001 – £nil)).

Operational Risk

This is the exposure to financial or other damage arising through system or process failure, human error, and 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. These plans are regularly reviewed and tested to ensure they can be implemented in a timely manner should events dictate.

The Bank has initiated a project to capture operational risk data, and develop a loss event database, which together will enable more proactive operational risk management.

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

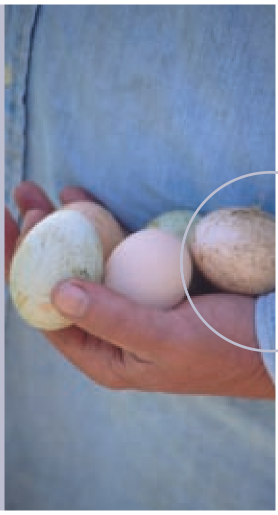
Regulatory Risk

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.

Basel Accord

The proposals are under regular 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 to the Investec Bank (UK) Limited financial statements

directors' report

The directors present their report and financial statements for the year ended 31 March 2002.

Principal activities

The principal activities of Investec Bank (UK) Limited ("the Bank") and its subsidiaries are investment banking, private equity, treasury and specialised finance, private client 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 Officer's and Chief Operating Officer's review.

Results and dividends

The results for the year are shown on page 40. Movements in reserves are shown in note 25 to the financial statements.

On 10 September 2001 the Bank issued 22,000,000 ordinary shares at par to Investec Group (UK) PLC to further enable the Bank to achieve its future growth objectives.

The directors recommend the payment of a dividend of £12,000,000 in respect of the year ended 31 March 2002 (2001 - £nil).

Directors and their interests

The current directors of the Bank are listed on page 4. All the directors served throughout the year under review. Bas Kardol retired as non-executive Chairman of the Bank on 19 March 2002. Mr Hugh Herman was appointed the non-executive Chairman of the Bank on 19 March 2002.

None of the directors had any interests in the Bank or in any Group companies requiring disclosure under Schedule 7 to 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 £102,819.

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 LLP have expressed their willingness to continue in office as auditors. 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

26 June 2002

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.

independent auditors' report to the members of Investec Bank (UK) Limited

We have audited the Bank's and Group's financial statements for the year ended 31 March 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Bank Balance Sheet and the related notes 1 to 37. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities in respect of the financial statements, the Bank's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Bank has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2002 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

27 June 2002

consolidated profit and loss account

For the year ended 31 March 2002

	Notes	2002 £000	2001 £000
Interest receivable:			
- interest receivable and similar income arising from debt securities		186,786	283,713
- other interest receivable and similar income		279,956	309,087
Less: interest payable		(413,085)	(537,377)
Net interest income		53,657	55,423
Fees and commissions receivable		71,146	75,503
Dealing profits	2	19,376	18,990
Other operating income	3	8,464	12,198
Operating income		152,643	162,114
Administrative expenses	4	(107,085)	(98,429)
Depreciation and amortisation:		(8,535)	(6,090)
- tangible fixed assets	16	(4,113)	(3,330)
- goodwill	15	(4,422)	(2,760)
Provision for bad and doubtful debts	11	1,978	1,974
Operating profit		39,001	59,569
Profit on disposal of a subsidiary undertaking		828	-
Group profit on ordinary activities before tax		39,829	59,569
Tax on Group profit on ordinary activities	6	(8,679)	(14,674)
Group profit on ordinary activities after tax		31,150	44,895
Dividends		(12,000)	-
Retained profit for the year		19,150	44,895
Operating profit in respect of acquired operations, but excluding the related goodwill		714	616

consolidated statement of total recognised gains and losses

For the year ended 31 March 2002

	2002 £000	2001 £000
Retained profit for the year	19,150	44,895
Currency translation differences on foreign currency net investments	170	1,955
Total recognised gains relating to the year	19,320	46,850

consolidated balance sheet

At 31 March 2002

	Notes	2002 £000	2001 £000
Assets			
Cash and balances at central banks		12,050	7,870
Treasury bills and other eligible bills	8	-	19,914
Loans and advances to banks	9	1,880,411	1,396,962
Loans and advances to customers	10	1,895,547	1,649,536
Debt securities	12	3,684,656	4,367,397
Equity shares	13	79,608	83,147
Intangible fixed assets	15	27,803	30,460
Tangible fixed assets	16	25,094	28,233
Other assets	17	268,555	176,195
		7,873,724	7,759,714
Liabilities			
Deposits by banks	18	3,202,299	3,502,450
Customer accounts	19	3,436,677	3,520,830
Debt securities in issue	20	75,000	-
Other liabilities	21	662,274	280,540
		7,376,250	7,303,820
Capital resources			
Subordinated debt	23	39,300	39,300
Minority interests – equity		533	273
Equity shareholders' funds	26	457,641	416,321
Called up share capital	24	314,000	292,000
Share premium account	25	37,365	37,365
Profit and loss account	25	106,276	86,956
		497,474	455,894
		7,873,724	7,759,714
Memorandum items			
Contingent liabilities	29	120,573	93,445
Commitments	32	661,537	245,014
		782,110	338,459

The financial statements on pages 40 to 76 were approved by the Board of Directors on 26 June 2002 and signed on its behalf by:

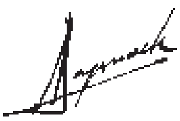
Alan Tapnack
Director

balance sheet

At 31 March 2002

	Notes	2002 £000	2001 £000
Assets			
Cash and balances at central banks		11,929	7,694
Treasury bills and other eligible bills	8	-	19,914
Loans and advances to banks	9	1,836,219	1,277,550
Loans and advances to customers	10	1,801,725	1,617,278
Debt securities	12	3,585,192	4,336,885
Equity shares	13	69,036	72,405
Shares in Group undertakings	14	85,489	99,044
Intangible fixed assets	15	11,839	14,707
Tangible fixed assets	16	17,301	18,631
Other assets	17	256,272	160,756
		7,675,002	7,624,864
Liabilities			
Deposits by banks	18	3,418,825	3,675,705
Customer accounts	19	3,087,708	3,277,809
Debt securities in issue	20	75,000	-
Other liabilities	21	644,435	254,121
		7,225,968	7,207,635
Capital resources			
Subordinated debt	23	39,300	39,300
Equity shareholders' funds	26	409,734	377,929
Called up share capital	24	314,000	292,000
Share premium account	25	37,365	37,365
Profit and loss account	25	58,369	48,564
		449,034	417,229
		7,675,002	7,624,864
Memorandum items			
Contingent liabilities	29	100,417	71,859
Commitments	32	618,818	213,712
		719,235	285,571

The financial statements on pages 40 to 76 were approved by the Board of Directors on 26 June 2002 and signed on its behalf by:



Alan Tapnack
Director

notes to the financial statements

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 restated to be comparable with current year figures. Gains made on disposal of equities by the Bank's Private Equity division are now classified as part of operating income on the grounds that the purchase of such equities, for investment gain, is part of the normal operations of the Bank. These gains have been included in Other Operating Income. In addition, the positive and negative carrying values of derivative contracts on the balance sheet are now stated after the effect of netting.

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 2002.

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into the functional currency of the operation concerned 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.

notes to the financial statements

1. Accounting policies (continued)

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

Investment in subsidiary undertakings

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

Debt securities and equity shares

Debt securities and equity shares intended for use on a continuing basis in the activities of the Group 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 satisfy the criteria for offset in Financial Reporting Standard No. 5 - Reporting the Substance of Transactions, have been netted and the resultant net liability is included in 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 27 to the financial statements.

notes to the financial statements

1. Accounting policies (continued)

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 leased 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.

notes to the financial statements

1. Accounting policies (continued)

Derivatives (off-balance sheet financial instruments)

Transactions are undertaken in derivative instruments for trading and non-trading purposes. Derivative instruments include futures, forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate, bullion, base metal and equity markets. In addition, the Group buys and sells credit derivatives. Netting is applied when a legal right of set-off exists. Accounting for these instruments is dependent 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 instruments which are marked-to-market are included in 'Other Assets'. Liabilities, including losses, resulting from such contracts are included in 'Other Liabilities'. Netting is applied where a legal right of set-off exists.

Non-trading derivatives are either interest rate swaps or futures contracts which are used to hedge certain risks inherent in the Group's balance sheet or credit default swaps purchased to take additional credit risk in the banking book. Profits and losses arising on these instruments, 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.

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 an 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 distribute 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.

notes to the financial statements

1. Accounting policies (continued)

Dealing properties

Interest on borrowings that finance the refurbishment of certain dealing properties has been capitalised. Capitalisation commences on the date refurbishment is started, and continues until practical completion.

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

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.

2. Financial instruments

	Group Dealing profits 2002 £000	Group Dividends and net interest income 2002 £000	Group Total 2002 £000	Group Dealing profits 2001 £000	Group Dividends and net interest income 2001 £000	Group Total 2001 £000
Interest rate instruments	2,964	9,783	12,747	1,521	9,931	11,452
Foreign exchange contracts	2,507	29	2,536	3,314	4	3,318
Dealing properties	1,082	-	1,082	5,271	-	5,271
Bullion and base metals	6,834	(273)	6,561	(331)	(6)	(337)
Equities and other	5,989	(585)	5,404	9,215	(82)	9,133
	19,376	8,954	28,330	18,990	9,847	28,837

3. Other operating income

	Group 2002 £000	Group 2001 £000
Property rental income	1,053	493
Dividend income	1,080	210
Profit on realisation:		
- equities	6,329	11,481
Other	2	14
	8,464	12,198

notes to the financial statements

4. Administrative expenses

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Staff costs				
Wages and salaries	64,076	55,414	61,220	54,798
Social security costs	5,849	5,289	5,675	5,267
Other pension costs	4,121	3,549	3,360	2,879
Auditors' remuneration				
Audit services	580	365	427	271
Other services	459	412	269	180
Premises and equipment (excluding depreciation)	9,574	7,679	9,118	7,766
Other administrative expenses	22,426	19,902	18,360	15,102
	107,085	92,610	98,429	86,263

Other pension costs include £1,010,000 (2001 – £1,059,000) 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. Employees from a number of Group undertakings participate in the scheme and the underlying scheme assets and liabilities cannot be separated by legal entity. 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.

	2002 No.	2001 No.
The average number of persons employed by the Group during the year was made up as follows:		
Investment banking	171	130
Private client activities	324	240
Treasury and specialised finance	136	108
Group services and other activities	196	163
	827	641

notes to the financial statements

5. Emoluments of directors

	2002 £000	2001 £000
Aggregate emoluments (excluding pension contributions)	2,659	2,991
Contributions to money purchase pension scheme	97	89
	2,756	3,080
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 £919,486 (2001 - £1,357,865) excluding £31,624 (2001 - £19,845) contribution to the defined benefits scheme.

The annual pension entitlement of the highest paid director as at 31 March 2002 was £33,990 (2001 - £31,376).

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 activities

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Corporation tax	4,514	3,045	10,469	9,129
Overseas taxes	2,876	417	2,045	586
Current tax	7,390	3,462	12,514	9,715
Deferred taxation	1,289	1,960	2,160	518
	8,679	5,422	14,674	10,233

notes to the financial statements

6. Tax on profit on ordinary activities (continued)

The effective tax rate for the year is 22% (2001 - 25%). The current tax charge is lower than the standard rate of UK Corporation Tax due to the following reconciling items:

	Group 2002 £m	Group 2001 £m
Tax on Group profit on ordinary activities at UK rate of 30%	12.0	17.9
Utilisation of capital and trading losses	(3.7)	(3.5)
Expenses not deductible for tax purposes	1.1	1.5
Allowable deductions	(2.6)	-
Goodwill amortised	1.3	0.8
Capital allowances in excess of depreciation	(5.1)	(2.3)
Other timing differences	3.0	0.9
Overseas profits	(0.1)	(1.9)
Other	1.5	(0.9)
	7.4	12.5

As at 31 March 2002 the Group had estimated trading losses of £14,755,000 (2001 - £16,755,000) available for utilisation against future taxable income, subject to some restrictions. £6,000,000 (2001 - £6,000,000) of these losses have been recognised as a deferred tax asset (see note 22).

7. Segmental and currency analysis

	Group 2002 £000	Group 2001 £000
Operating income		
Investment banking	55,444	86,069
Private client activities	49,620	35,683
Treasury and specialised finance	34,374	19,334
Group services and other activities	13,205	21,028
	152,643	162,114
Profit on ordinary activities before taxation		
Investment banking	16,387	35,300
Private client activities	15,723	10,699
Treasury and specialised finance	8,787	6,970
Group services and other activities	(1,068)	6,600
	39,829	59,569

notes to the financial statements

7. Segmental and currency analysis (continued)

	Group 2002 £000	Group 2001 £000
Total assets		
Investment banking	147,257	178,317
Private client activities	1,544,724	1,262,987
Treasury and specialised finance	6,106,123	6,247,759
Group services and other activities	75,620	70,651
	7,873,724	7,759,714
Net assets		
Investment banking	29,317	39,778
Private client activities	182,862	180,822
Treasury and specialised finance	224,861	172,642
Group services and other activities	60,434	62,652
	497,474	455,894
Total assets currency analysis		
Denominated in Sterling	6,716,882	6,879,176
Denominated in foreign currencies	1,156,842	880,538
	7,873,724	7,759,714
Total liabilities currency analysis		
Denominated in Sterling	6,694,329	6,940,869
Denominated in foreign currencies	1,179,395	818,845
	7,873,724	7,759,714

Substantially all of the business of the Bank and Group is transacted within the British Isles and Eire.

The segmental analysis includes the following amounts for acquired operations:

	Group 2002 £000	Group 2001 £000
Operating income		
Investment banking	-	-
Private client activities	-	2,737
Treasury and specialised finance	865	-
Group services and other activities	-	-
	865	2,737

notes to the financial statements

7. Segmental and currency analysis (continued)

	Group 2002 £000	Group 2001 £000
Profit on ordinary activities before taxation		
Investment banking	-	-
Private client activities	-	616
Treasury and specialised finance	714	-
Group services and other activities	-	-
	714	616
Total assets		
Investment banking	-	-
Private client activities	-	5,499
Treasury and specialised finance	1,113	-
Group services and other activities	-	-
	1,113	5,499

8. Treasury bills and other eligible bills

The Group and Bank held eligible bills amounting to £nil (2001 - £19,914,000) within its trading book.

The unrealised gain included in the carrying value of the bills amounts to £nil (2001 - £188,000).

9. Loans and advances to banks

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Remaining maturity:				
Repayable on demand	31,690	22,362	50,170	43,546
Demand to three months	1,512,640	1,473,390	1,030,895	912,191
Three months to one year	324,893	324,279	315,897	315,897
One year to five years	3,549	3,549	-	916
Over five years	7,639	12,639	-	5,000
	1,880,411	1,836,219	1,396,962	1,277,550
Balances with Group companies	-	6,171	236	6,996

notes to the financial statements

9. Loans and advances to banks (continued)

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Loans and advances to banks comprise:				
Trading book	1,476,065	1,476,065	805,801	805,801
Banking book	404,346	360,154	591,161	471,749
	1,880,411	1,836,219	1,396,962	1,277,550

Trading book loans and advances to banks of £1,251,933,000 (2001 - £773,485,000) are secured with government securities under sale and repurchase agreements.

10. Loans and advances to customers

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Remaining maturity:				
Demand to three months	850,177	874,855	978,355	939,818
Three months to one year	264,019	239,523	202,359	189,747
One year to five years	349,156	268,682	241,379	226,327
Over five years	448,912	434,738	245,476	278,193
Provision for bad and doubtful debts	(16,717)	(16,073)	(18,033)	(16,807)
	1,895,547	1,801,725	1,649,536	1,617,278
Balances with Group companies	56,962	93,792	147,366	181,885
Loans and advances to customers comprise:				
Trading book	785,115	785,115	748,530	748,530
Banking book	1,110,432	1,016,610	901,006	868,748
	1,895,547	1,801,725	1,649,536	1,617,278

Trading book loans and advances to customers of £550,351,000 (2001 - £667,958,000) are secured with government securities under sale and repurchase agreements.

notes to the financial statements

11. Provision for bad and doubtful debts

	Specific 2002 £000	General 2002 £000	Total 2002 £000	Specific 2001 £000	General 2001 £000	Total 2001 £000
Group						
At beginning of year	6,902	11,131	18,033	10,048	11,975	22,023
Exchange movements	(16)	6	(10)	499	100	599
Charged/(released) against income	(1,489)	2,602	1,113	(710)	(944)	(1,654)
Utilised	(2,419)	-	(2,419)	(2,935)	-	(2,935)
At end of year	2,978	13,739	16,717	6,902	11,131	18,033
Bank						
At beginning of year	6,187	10,620	16,807	8,348	11,428	19,776
Exchange movements	(16)	(26)	(42)	427	100	527
Charged/(released) against income	(1,489)	2,406	917	347	(908)	(561)
Purchased from subsidiary undertaking	700	95	795	-	-	-
Utilised	(2,404)	-	(2,404)	(2,935)	-	(2,935)
At end of year	2,978	13,095	16,073	6,187	10,620	16,807

Included within the year-end specific provision balance for both Group and Bank is an amount of £553,000 (2001 - £745,000) of interest in suspense.

	2002 £000	2001 £000
Group		
The movement in provision for bad and doubtful debts in the consolidated profit and loss account comprises:		
Charged/(released) against income, as above	1,113	(1,654)
(Recovery) of a debt previously written off	(3,091)	(320)
	(1,978)	(1,974)

notes to the financial statements

12. Debt securities

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Dealing and market making securities at market value				
Issued by other issuers				
- Unlisted bank and building society certificates of deposit	2,779,938	2,779,938	3,992,055	3,992,055
Investment securities at cost less impairment				
Issued by public bodies				
- Government securities	6,619	6,127	6,206	6,206
Issued by other issuers				
- Unlisted bank and building society certificates of deposit	831,417	732,796	368,642	338,624
- Other unlisted debt securities	66,682	66,331	494	-
	904,718	805,254	375,342	344,830
Total debt securities	3,684,656	3,585,192	4,367,397	4,336,885
Investment securities				
At beginning of year	375,342	344,830	366,966	286,554
Exchange movements	(81)	(79)	54	-
Additions	3,248,342	2,676,085	2,766,492	1,889,764
Matured	(2,668,809)	(2,165,506)	(2,758,170)	(1,831,488)
Disposals	(50,076)	(50,076)	-	-
At end of year	904,718	805,254	375,342	344,830
Due within one year	838,387	738,923	375,342	344,830
Due one year and over	66,331	66,331	-	-
	904,718	805,254	375,342	344,830

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

notes to the financial statements

13. Equity shares

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Dealing securities at market value				
Listed on a recognised UK exchange	21,935	19,934	14,139	9,335
Listed elsewhere	17,736	17,736	24,047	24,047
Unlisted	3,954	-	-	-
	43,625	37,670	38,186	33,382
Investment securities at cost less impairment				
Listed on a recognised UK exchange	4,191	4,064	5,860	5,807
Listed elsewhere	392	185	488	225
Unlisted	31,400	27,117	38,613	32,991
	35,983	31,366	44,961	39,023
	79,608	69,036	83,147	72,405

	Cost £000	Provisions £000	Book Value £000
Investment securities			
Group			
At beginning of year (as reported last year)	49,491	(4,530)	44,961
Gross-up of provisions	13,193	(13,193)	-
At beginning of year (restated)	62,684	(17,723)	44,961
Exchange movements	512	-	512
Additions	7,686	-	7,686
Transfer in	1,406	(1,318)	88
Disposals	(14,513)	-	(14,513)
Provision utilised	-	944	944
Provision made during the year	-	(3,695)	(3,695)
At end of year	57,775	(21,792)	35,983
Bank			
At beginning of year (as reported last year)	41,331	(2,308)	39,023
Gross-up of provisions	4,629	(4,629)	-
At beginning of year (restated)	45,960	(6,937)	39,023
Exchange movements	341	-	341
Additions	6,440	-	6,440
Transfer in	1,406	(1,318)	88
Disposals	(9,358)	-	(9,358)
Provision utilised	-	944	944
Provision made during the year	-	(6,112)	(6,112)
At end of year	44,789	(13,423)	31,366

The cost of dealing securities does not differ materially from the fair value.

In the previous year the carrying value of certain private equity investments were shown net of provision. These values have now been restated to show the investments at original cost before provision.

notes to the financial statements

14. Shares in Group undertakings

	2002 £000	2001 £000
At beginning of year	99,044	104,044
Additions	3,131	-
Dividend declared by subsidiaries out of pre-acquisition reserves	(16,686)	(5,000)
At end of year	85,489	99,044

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%
European Capital Company Limited	Project finance	England	100%
Investec Trust Guernsey Limited* (formerly 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%
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%

notes to the financial statements

14. Shares in Group undertakings (continued)

Principal subsidiary undertakings of Investec Bank (UK) Limited	Nature of business	Country of Incorporation	Interest
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

Goodwill	Group £000	Bank £000
Cost		
At beginning of year	32,753	19,442
Additions (note 28)	1,827	-
At end of year	34,580	19,442
Accumulated amortisation		
At beginning of year	(2,293)	(4,735)
Charge to profit and loss account	(4,422)	(2,868)
Exchange movements	(62)	-
At end of year	(6,777)	(7,603)
Net book value at end of year	27,803	11,839
Net book value at beginning of year	30,460	14,707

Additions represent goodwill arising on current year acquisitions, as outlined in note 28, and includes £nil (2001 - £54,000) 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 £27,803,000 is net of negative goodwill of £5,873,000 (2001 - £6,742,000).

notes to the financial statements

16. Tangible fixed assets

Group	Operating lease assets £000	Freehold property £000	Leasehold improvements £000	Furniture, fittings & motor vehicles £000	Computer equipment £000	Total £000
Cost						
At beginning of year	9,378	617	16,607	4,897	7,066	38,565
Exchange movements	-	-	5	6	24	35
By transfer or acquisition	-	-	-	400	(404)	(4)
Additions	276	-	162	218	2,206	2,862
Disposals	(1,506)	-	(2)	(195)	(98)	(1,801)
Written off	-	-	-	(5)	(975)	(980)
At end of year	8,148	617	16,772	5,321	7,819	38,677
Depreciation or amortisation						
At beginning of year	(1,292)	(17)	(2,720)	(2,235)	(4,068)	(10,332)
Exchange movements	-	-	(4)	(4)	(18)	(26)
By transfer or acquisition	-	-	-	(305)	305	-
Charge for year	(818)	(7)	(837)	(967)	(2,302)	(4,931)
Disposals	303	-	-	171	252	726
Written off	-	-	-	5	975	980
At end of year	(1,807)	(24)	(3,561)	(3,335)	(4,856)	(13,583)
Net book value at end of year	6,341	593	13,211	1,986	2,963	25,094
Net book value at beginning of year	8,086	600	13,887	2,662	2,998	28,233

Depreciation and amortisation as disclosed in the profit and loss account on page 40 does not include the charge for the year of £818,000 (2001 - £787,000) on assets subject to operating leases, which is netted within other operating income.

notes to the financial statements

16. Tangible fixed assets (continued)

Bank	Leasehold improvements	Furniture, fittings & motor vehicles	Computer equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	14,998	3,491	5,217	23,706
Additions	128	54	2,187	2,369
Disposals	-	(69)	-	(69)
Written off	-	(5)	(975)	(980)
At end of year	15,126	3,471	6,429	25,026
Depreciation or amortisation				
At beginning of year	(1,367)	(1,149)	(2,559)	(5,075)
Charge for year	(772)	(757)	(2,166)	(3,695)
Disposals	-	49	16	65
Written off	-	5	975	980
At end of year	(2,139)	(1,852)	(3,734)	(7,725)
Net book value at end of year	12,987	1,619	2,695	17,301
Net book value at beginning of year	13,631	2,342	2,658	18,631

17. Other assets

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Settlement debtors	87,636	87,636	64,658	64,499
Deferred tax asset (see note 22)	6,995	1,622	8,284	3,582
Assets, including gains, resulting from off-balance sheet interest rate, exchange rate, equities and commodities contracts which are marked to market	66,225	66,279	23,783	23,856
Other debtors	30,253	24,911	16,916	9,095
Dealing properties	34,702	34,702	11,399	11,370
Properties awaiting disposal	2,110	2,110	5,458	5,458
Prepayments and accrued interest	40,634	39,012	45,697	42,896
	268,555	256,272	176,195	160,756

notes to the financial statements

18. Deposits by banks

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
With agreed maturity date or periods of notice, by remaining maturity:				
Demand to three months	1,908,958	2,126,097	2,955,284	3,128,557
Three months to one year	1,290,134	1,289,521	547,166	547,148
One year to five years	3,207	3,207	-	-
	3,202,299	3,418,825	3,502,450	3,675,705
Deposits by banks comprise:				
Trading book	2,856,510	2,856,510	3,382,415	3,381,430
Banking book	345,789	562,315	120,035	294,275
	3,202,299	3,418,825	3,502,450	3,675,705
Balances with Group companies	7,743	226,811	14,006	202,248

Trading book deposits by banks of £2,361,807,000 (2001 - £2,241,632,000) are secured with government securities under sale and repurchase agreements. In addition, £440,968,000 (2001 - £1,059,161,000) of dealing and market making securities are used to secure deposits by banks.

19. Customer accounts

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	555,868	436,598	834,382	714,830
Demand to three months	2,119,265	1,867,532	2,472,693	2,361,061
Three months to one year	642,751	623,194	144,028	133,079
One year to five years	53,854	52,983	39,772	38,884
Over five years	64,939	107,401	29,955	29,955
	3,436,677	3,087,708	3,520,830	3,277,809

notes to the financial statements

19. Customer accounts (continued)

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Customer accounts comprise:				
Trading book	1,822,316	1,822,316	2,140,469	2,136,650
Banking book	1,614,361	1,265,392	1,380,361	1,141,159
	3,436,677	3,087,708	3,520,830	3,277,809
Balances with Group companies	64,916	127,152	69,415	144,308

Trading book deposits by customers of £1,172,654,000 (2001 - £1,851,503,000) are secured with government securities under sale and repurchase agreements. In addition, £4,695,000 (2001 - £3,048,000) of dealing and market making securities are used to secure deposits by customers.

20. Debt securities in issue

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Unlisted certificates of deposit in issue, by remaining maturity:				
- 3 months or less	75,000	75,000	-	-

21. Other liabilities

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Settlements creditors	92,017	92,017	62,252	62,007
Short positions:				
- debt securities: government securities	356,660	356,660	-	-
- commodities	2,548	2,548	-	-
- equities	31,278	31,278	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	32,959	32,965	21,144	21,274
Other creditors	22,646	14,925	28,577	12,678
Current corporation tax	6,291	1,962	9,890	5,107
Dividends payable	12,000	12,000	-	-
Accruals and deferred income	105,875	100,080	137,100	131,478
	662,274	644,435	280,540	254,121

notes to the financial statements

21. Other liabilities (continued)

The liability, shown above, resulting from off-balance instruments is stated after deducting £31,686,000 (2001 - £nil) of cash collateral meeting the offset criteria of FRS5.

22. Deferred taxation

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Deferred tax asset				
At beginning of year	8,284	3,582	11,100	4,100
Adjustment due to disposal of subsidiary	-	-	410	-
Movement in the year	(1,289)	(1,960)	(3,226)	(518)
At end of year	6,995	1,622	8,284	3,582
Provision for deferred taxation				
At beginning of year	-	-	(1,066)	-
Movement in the year	-	-	1,066	-
At end of year	-	-	-	-
Represented by:				
Excess of depreciation of assets over capital allowances	6,007	349	7,011	1,319
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	(812)	(527)	(527)	463
	6,995	1,622	8,284	3,582

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. 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 crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

notes to the financial statements

23. Subordinated debt

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Variable rate notes:				
At beginning and 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.

24. Called up share capital

Group and Bank	2002 £000	2001 £000
Authorised		
Ordinary shares of £1 each – 1,000,000,000 (2001 – 1,000,000,000)	1,000,000	1,000,000
Issued, allotted and fully paid – 314,000,000 (2001 – 292,000,000)		
At beginning of year	292,000	292,000
Issued during year at par	22,000	-
At end of year	314,000	292,000

notes to the financial statements

25. Reserves

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £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	86,956	48,564	40,106	13,268
Retained profit for the year	19,150	9,805	44,895	35,296
Currency translation differences on foreign currency net investments	170	-	1,955	-
At end of year	106,276	58,369	86,956	48,564

26. Reconciliation of shareholders' equity

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Retained profit for the year	19,150	9,805	44,895	35,296
New share capital subscribed	22,000	22,000	-	-
Currency translation differences on foreign currency net investments	170	-	1,955	-
Net addition to shareholders' equity	41,320	31,805	46,850	35,296
Opening shareholders' equity	416,321	377,929	369,471	342,633
Closing shareholders' equity	457,641	409,734	416,321	377,929

27. Stock borrowing and lending

Group and Bank	2002 £000	2001 £000
Stock borrowed against non-cash collateral	5,115,830	6,144,538
Stock lent against non-cash collateral	726,706	776,156

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.

notes to the financial statements

28. Acquisition

On 20 November 2001, the Group acquired a subsidiary undertaking, European Capital Company Limited. The acquisition was satisfied by the payment of cash and loan notes and was accounted for on an acquisition basis. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below.

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

£000	
Loans and advances to banks	1,110
Loans and advances to customers	239
Other assets	950
Total assets	2,299
Other liabilities	(422)
Fair value of net assets	1,877
Fair value of consideration	3,704
Goodwill on acquisition	1,827

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 the acquired company is as follows:

	Start date of financial year	Period to date acquired £000	Previous financial period £000
European Capital Company Limited	1 April	264	306

29. Contingent liabilities

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Guarantees and irrevocable Letters of Credit	115,700	100,417	84,396	71,859
Other contingent liabilities	4,873	-	9,049	-
	120,573	100,417	93,445	71,859

notes to the financial statements

29. Contingent liabilities (continued)

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.

30. Directors' and officers' loans

As permitted by the Companies Act 1985, loans to two directors (2001 – two) existed during the year. The amount at the end of the year was £182,354 (2001 - £49,324).

31. 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 30 above, the directors are not aware of any other transactions requiring disclosure.

32. Commitments

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Forward repurchase agreements	449,987	449,987	142,542	142,542
Undrawn facilities	202,507	166,051	92,780	70,327
Uncalled capital on investments and irrevocable subscription undertakings	9,043	2,780	9,692	843
	661,537	618,818	245,014	213,712

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

notes to the financial statements

33. Operating lease commitments

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Annual commitment under non-cancellable operating leases which expire:				
- within 1 year	-	-	13	-
- 1 to 5 years	138	-	-	-
- more than 5 years	747	-	661	-
	885	-	674	-

34. Financial instruments

FRS 13 disclosure

Certain disclosures that are required by FRS 13 have been included in the Risk Management review on pages 23 to 32.

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.

Financial instruments held for non-trading book purposes and for which a liquid and active market exists:

	Carrying value 2002 £000	Mark-to-market value 2002 £000	Carrying value 2001 £000	Mark-to-market value 2001 £000
Assets				
Debt securities (note 12)	904,718	903,707	375,342	376,010
Equity shares (note 13)	35, 983	46,208	44,961	53,671
	94.0,701	949,915	420,303	429,681
Liabilities				
Debt securities in issue (note 20)	75,000	75,003	-	-

Where possible, mark-to-market values have been estimated using market prices for these financial instruments. For unlisted equity investments, where market prices are not available, the fair values have been estimated by management.

notes to the financial statements

35. 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.

notes to the financial statements

35. Derivatives (off-balance sheet financial instruments) (continued)

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

Group	Up to one year 2002 £000	One to five years 2002 £000	Greater than five years 2002 £000	Total 2002 £000	Up to one year 2001 £000	One to five years 2001 £000	Greater than five years 2001 £000	Total 2001 £000
Interest rate contracts								
Caps and floors	-	17,051	-	17,051	5,228	6,031	6,304	17,563
Swaps	308,267	333,349	174,605	816,221	119,900	174,173	27,542	321,615
Forward rate agreements	1,834,257	22,667	-	1,856,924	-	-	-	-
Futures	235,319	223,377	-	458,696	205,056	88,483	-	293,539
	2,377,843	596,444	174,605	3,148,892	330,184	268,687	33,846	632,717
Foreign exchange derivatives								
Forward contracts	836,144	33,748	-	869,892	1,667,597	59,140	-	1,726,737
Currency swaps	-	59,424	-	59,424	-	79,306	-	79,306
Options	3,316	-	-	3,316	31,730	-	-	31,730
	839,460	93,172	-	932,632	1,699,327	138,446	-	1,837,773
Equity and stock index derivatives								
Equity swaps and forward contracts	67	-	-	67	166	-	-	166
Options and warrants	9,351	54,283	-	63,634	-	3,595	-	3,595
	9,418	54,283	-	63,701	166	3,595	-	3,761
Commodity derivatives								
Options	470,120	375,126	622,490	1,467,736	-	-	-	-
Commodity swaps and forward contracts	297,359	1,850	-	299,209	930,657	50,282	-	980,939
Futures	2,668,267	241,504	-	2,909,771	-	-	-	-
	3,435,746	618,480	622,490	4,676,716	930,657	50,282	-	980,939
Credit derivatives								
Credit swaps	-	1,633	7,639	9,272	-	-	-	-

notes to the financial statements

35. Derivatives (off-balance sheet financial instruments) (continued)

Bank	Up to one year 2002 £000	One to five years 2002 £000	Greater than five years 2002 £000	Total 2002 £000	Up to one year 2001 £000	One to five years 2001 £000	Greater than five years 2001 £000	Total 2001 £000
Interest rate contracts								
Caps and floors	-	17,051	-	17,051	5,228	6,031	6,304	17,563
Swaps	308,267	333,349	174,605	816,221	107,900	174,173	27,542	309,615
Forward rate agreements	1,834,157	22,667	-	1,856,824	-	-	-	-
Futures	235,319	223,377	-	458,696	205,056	88,483	-	293,539
	2,377,743	596,444	174,605	3,148,792	318,184	268,687	33,846	620,717
Foreign exchange derivatives								
Forward contracts	842,081	33,748	-	875,829	1,680,581	59,140	-	1,739,721
Currency swaps	578	59,424	453	60,455	-	79,306	-	79,306
Options	3,316	-	-	3,316	31,730	-	-	31,730
	845,975	93,172	453	939,600	1,712,311	138,446	-	1,850,757
Equity and stock index derivatives								
Options and warrants	9,351	54,283	-	63,634	-	3,595	-	3,595
Commodity derivatives								
Options	470,120	375,126	622,490	1,467,736	-	-	-	-
Commodity swaps and forward contracts	297,359	1,850	-	299,209	930,657	50,282	-	980,939
Futures	2,668,267	241,504	-	2,909,771	-	-	-	-
	3,435,746	618,480	622,490	4,676,716	930,657	50,282	-	980,939
Credit derivatives								
Credit swaps	-	1,633	7,639	9,272	-	-	-	-

notes to the financial statements

35. Derivatives (off-balance sheet financial instruments) (continued)

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

Group	Credit risk weighted amount 2002 £000	Replacement cost 2002 £000	Credit risk weighted amount 2001 £000	Replacement cost 2001 £000
For trading purposes				
Interest rate contracts	1,188	4,389	889	1,336
Foreign exchange derivatives	15,956	22,161	16,095	42,987
Equity and stock index derivatives	2,098	1,609	-	17
Commodity derivatives	25,683	116,314	-	20,180
	44,925	144,473	16,984	64,520
Effect of netting		(78,248)		(20,368)
		66,225		44,152
For non-trading purposes				
Interest rate contracts	1,314	5,620	77	850
Credit derivatives	1,633	3	-	-
	2,947	5,623	77	850

notes to the financial statements

35. Derivatives (off-balance sheet financial instruments) (continued)

Bank	Credit risk weighted amount 2002 £000	Replacement cost 2002 £000	Credit risk weighted amount 2001 £000	Replacement cost 2001 £000
For trading purposes				
Interest rate contracts	1,188	4,389	889	1,336
Foreign exchange derivatives	16,253	22,215	16,039	43,078
Equity and stock index derivatives	2,098	1,609	-	-
Commodity derivatives	25,683	116,314	-	20,180
	45,222	144,527	16,928	64,594
Effect of netting		(78,248)		(20,368)
		66,279		44,226
For non-trading purposes				
Interest rate contracts	1,314	5,620	77	850
Credit derivatives	1,633	3	-	-
	2,947	5,623	77	850

	Group 2002 £000	Bank 2002 £000	Group 2001 £000	Bank 2001 £000
Net replacement cost by counterparty				
Banks and other financial institutions	52,706	52,760	29,732	29,806
Other corporate and public bodies	19,142	19,142	15,270	15,270
	71,848	71,902	45,002	45,076

notes to the financial statements

36. 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 2002, the unrecognised gains on derivatives used for hedging were £637,500 (2001 - £2,870,000) and unrecognised losses were £290,000 (2001 - £888,000).

Of the £637,500 of unrecognised gains, £14,966 is expected to be recognised in the year ending 31 March 2003 and £622,534 in subsequent years. Of the £290,000 of unrecognised losses, £22,000 is expected to be recognised in the year ending 31 March 2003 and £268,000 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 2002, gains of £68,000 and losses of £451,000 were unrecognised at 31 March 2001.

notes to the financial statements

37. Ultimate parent undertaking

The ultimate parent undertaking, 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 Bank's immediate parent undertaking is Investec Group (UK) PLC. 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 not to present its own cash flow statement. The Bank's ultimate holding company, Investec Holdings Limited, incorporated in the Republic of South Africa, includes a cash flow statement in its published financial statements.

contact details

Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP
Tel: (+44) 20 7597 4000
Fax: (+44) 20 7597 4070

Investec Bank (Channel Islands) Limited
PO Box 188 St Peter Port
Guernsey GY1 3LP
Tel: (+44) 1481 723 506
Fax: (+44) 1481 720 844

Investec Bank (Jersey) Limited
PO Box 401 St Helier
Jersey JE4 9ZZ
Tel: (+44) 1534 283 210
Fax: (+44) 1534 283 211

Investec Bank (Switzerland) A.G.
Talacker 41
CH-8039 Zurich Switzerland
Tel: (+41) 1 226 1000
Fax: (+41) 1 226 1010

Radcliffes Trustee Company S.A.
12 rue de l'Arquesbues
1204 Geneve Switzerland
Tel: (+41) 22 807 2000
Fax: (+41) 22 807 2005

Theodores Trust & Law Group Ltd
PO Box 344
5 Castle Street St Helier
Jersey JE4 8UZ
Tel: (+44) 1534 512512
Fax: (+44) 1534 512513

Investec Trust Guernsey Ltd
Guinness Flight House
PO Box 290 Guernsey GY1 3RP
Tel: (+44) 1481 711 500
Fax: (+44) 1481 728 858

Investec Bank (UK) Limited (Irish Branch)
2nd Floor, Block P3
East Point Business Park
Dublin 3 Ireland
Tel: (+353) 1670 1300
Fax: (+353) 1670 1330

Investec Asset Management Limited
2 Gresham Street
London EC2V 7QP
Tel: (+44) 20 7597 2000
Fax: (+44) 20 7597 2001

Carr Sheppards Crosthwaite
2 Gresham Street
London EC2V 7QN
Tel: (+44) 20 7597 1234
Fax: (+44) 20 7597 1000

Investec Clali Bank Limited
PO Box 677
Tel Aviv 61006 Israel
Tel: (+972) 3 564 5297
Fax: (+972) 3 564 5210

Investec Bank Limited
PO Box 785700
Sandton 2146 South Africa
Tel: (+27) 11 286 7000
Fax: (+27) 11 286 7777

Investec Bank Limited
PO Box 1826
Cape Town 8000 South Africa
Tel: (+27) 21 410 5000
Fax: (+27) 21 418 5824

Investec Bank Limited
PO Box 3912
Durban 4000 South Africa
Tel: (+27) 31 365 4700
Fax: (+27) 31 365 4800

Investec Australia Limited
Level 16
167 Macquarie Street
Sydney NSW 2000 Australia
Tel: (+61) 2 9236 0000
Fax: (+61) 2 9236 4460

Investec Ernst and Company
One Battery Park Plaza
New York NY10004-1478 United States
Tel: (+1) 212 898 6200
Fax: (+1) 212 898 6255