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Overview of the year

Mission statement, philosophies and values

Mission statement

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

Philosophies

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

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, multi-task 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.

An overview of Investec's dual listed companies structure

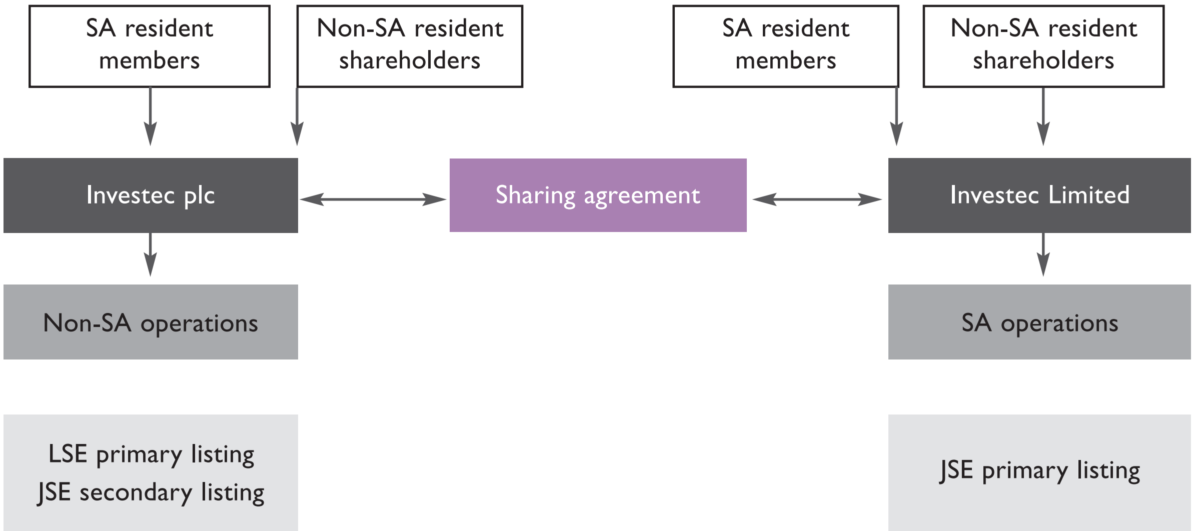
Introduction

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

Implementation

- A circular regarding the establishment of a DLC structure was issued on 20 June 2002. In summary, some of the salient features of the DLC structure include:
- The Investec Holdings (Inhold) pyramid structure, which had been in place since Investec Group Limited (IGL) listed on the JSE Securities Exchange South Africa (JSE) in 1988, was not considered appropriate under the changed circumstances, and Inhold unbundled its entire shareholding in IGL to Inhold members. At the record date, Inhold members received 86.04 IGL ordinary shares for every 100 Inhold ordinary shares held. With effect from 19 July 2002, Inhold ordinary shares were suspended on the JSE and the delisting of Inhold from the JSE took place on 26 July 2002.
- In terms of the DLC structure, IGL retained all its businesses in continental Southern Africa and Mauritius and its primary listing on the JSE.
- IGL has been renamed Investec Limited.
- Most of IGL's other businesses, including Investec Bank (UK) Limited, were placed into a UK company, Investec plc, and were unbundled from IGL after the close of business on 19 July 2002. The mechanics of IGL unbundling were arranged in such a way that for every 100 ordinary shares held by an IGL shareholder he/she received 37 IGL (Investec Limited) and 63 Investec plc shares ie 100 instruments.
- Investec plc was listed on the London Stock Exchange on 22 July 2002 and has a secondary listing on the JSE.

A simplified illustration of the DLC structure



Further information on the group's DLC structure can be found in the circular mentioned above as well as the preliminary offering issued in July 2002. A copy of those circulars can be found on the group's web site www.investec.com/investorrelations.

Financial highlights

	31 March 2004	31 March 2003	Increase/ decrease
Net interest income (£m)	68	49	40%
Operating income (£m)	198	136	46%
Profit before tax (£m)	50	4	>100%
Capital resources at year end (£m)	702	505	39%
Total assets (£m)	5 592	5 796	-4%
Capital adequacy ratios			
Capital and reserves to risk-weighted assets	19.3%	22.2%	

Ten year summary for the years ended 31 March	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Profit before tax (£m)	50	4	40	60	57	15	5	4	3	3
Capital resources (£m)	702	505	497	456	410	357	162	55	51	38
Total assets (£m)	5 592	5 796	7 874	7 760	8 180	5 688	4 885	375	324	301
Customer loans * (£m)	2 260	1 510	1 117	901	684	459	312	199	167	156
Customer deposits * (£m)	2 882	2 539	1 614	1 380	1 333	622	406	304	245	232

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

Directorate and corporate information

Directors

Hugh Herman* (Chairman)
John Abell* (deceased 26 May 2004)
George Alford*
Perry Crosthwaite (resigned 31 March 2004)
Richard Forlee (resigned 23 June 2004)
Bradley Fried (Chief Executive Officer)
Michael Jameson-Till
Bernard Kantor*
Ian Kantor*
Sir Chips Keswick*
Stephen Koseff*
Alan Tapnack
David van der Walt
Ian Wohlman

* Non-executive

Secretary

Richard Vardy

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

2 Gresham Street
London
EC2V 7QP

Registered Number

489604

Chairman's statement

- Hugh Herman

Management action proves effective

I concluded my Chairman's Statement last year with two observations, namely that the global economic outlook remained uncertain, and that the tough measures taken by management on the basis that economic conditions were unlikely to improve allowed one to then look forward to an improved performance in the current year.

I am now pleased to report that even though the global geopolitical and economic climate did in fact remain difficult, the steps taken by management were effective and the profit before taxation for the year under review increased from £4.5 million to £49.6 million. Profit attributable to shareholders increased from £15.6 million to £30.1 million, after a tax charge of £19.0 million in the current year and a tax credit of £12.2 million in the previous year.

The principal reasons for this remarkable improvement were the refocusing of our trading activities in the Treasury and Specialised Finance division, the streamlining of our Investment Banking division, the inclusion of the results of Investec Bank (Australia) Limited and the improvement in the results of Investec Bank (Israel) Limited. Further, Private Client Activities continued to perform well during the year.

The beginning of the period coincided with the ending of the war with Iraq. Nonetheless global economic prospects remained uncertain for a while longer and accordingly, major central banks brought interest rates down again last summer to foster conditions conducive to sustained economic growth. Signs of a prolonged upswing gathered ground over the period and in the UK, the Bank of England started to raise interest rates in November, as world trading conditions improved against a background of robust consumer activity. In the US the economy began to grow briskly, easing worries over deflation, but signs of a rebound in the Euro area remained disappointing. Even so, stockmarkets in major industrialised economies rallied strongly from their lows in March 2003 as economic optimism gained ground.

I referred last year to the fact that, subsequent to the year end, on 13 June 2003, the bank became the holding company of Investec Bank (Australia) Limited. Australia contributed £9.0 million to profit before tax and amortisation of goodwill in the current year.

The results of the bank's subsidiary in Israel were well received, particularly having regard to the continuing poor economic and political environment in the region. Investec Bank (Israel) Limited contributed a profit before taxation of £5.9 million in the year under review, compared to £0.8 million in the previous year. In this regard please refer to the paragraph, Acquisitons, disposals and management changes, below.

Capital resources

In the last quarter of the year under review the bank undertook a significant capital raising, issuing £200 million of Tier 2 subordinated debt. This cash was used to settle a certain amount of existing subordinated debt and the balance was channelled to Investec plc. The result of these transactions is that this group's capital resources grew significantly from £505 million to £702 million, after declaring a final dividend of £16.5 million, and distributing a total of £30 million for the year.

Divisional performance

The operating results of each of the bank's divisions and subsidiaries, as well as the highlights of their activities, are detailed in the attached Review of operations. The comments which follow are based on the consolidated results of each division across all geographic jurisdictions.

I am pleased to report that the principal divisions in all geographic locations performed well during the year under review. The most significant improvement was made by the

Treasury and Specialised Finance division returning a profit before taxation and amortisation of goodwill of £17.7 million (2003: Loss £9.7 million). The division's banking businesses, principally its expanded Project Finance and Structured Finance businesses, performed particularly well. Additionally, all trading desks returned to profitability, with the exception of the interest rate and foreign exchange desks, which incurred small losses as their overall scale and level of proprietary trading was much diminished.

The bank's Private Client activities again performed well and profits before taxation and amortisation of goodwill rose 85% to £28.9 million (2003: £15.6 million). The year under review included a contribution of £3.6 million from the private banking division in Australia for the first time.

The bank's Investment Banking businesses experienced improved activity levels and reported profits before taxation and amortisation of goodwill of £10.6 million (2003: £4.8million), an increase of 121%. It should be noted that the last year's result included a realisation of an investment in the private equity portfolio held in the UK amounting to £9.0 million. In the year under review, the investment bank in Australia contributed £4.4 million.

Of the bank's profit before taxation and amortisation of goodwill for the year under review amounting to £58.4 million (2003: £19.1 million):-

- £43.1 million or 73.8% was earned in the United Kingdom and Europe (2003: £18.3 million or 95.4 %)
- £9.1 million or 15.6% was earned in Australia (2003:nil), and
- £5.9 million or 10.1% (2003: £0.8 million or 4%) in Israel

Acquisitions, disposals and management changes

No acquisitions were made during the year under review. Subsequent to the year end, on 16 June 2004 agreement in principle was reached to sell the group's interest in Investec Bank (Israel) Limited at net asset value subject to certain adjustments. At the time of writing the formal sale and purchase agreement is still being negotiated. Further details are set out in the Chief Executive Officer's review.

In October 2003, Alan Tapnack retired as Chief Executive and Bradley Fried, previously Chief Operating Officer, took over that role. Alan Tapnack remains an Executive Director of the bank. On 31 March 2004 Perry Crosthwaite retired as Head of the Investment Bank. The division is now managed jointly by David Currie and Richard Hickinbotham who report directly to Bradley Fried. On 23 June 2004 Richard Forlee resigned as a director of the bank. He is to assume the role of Chief Executive Officer of Investec plc's Hong Kong operations.

It is with deep regret that I have to report the sudden passing on 26 May 2004 of John Abell who had served as a Non-executive Director as well as a member of the bank's audit committee, and more latterly as its Chair, for over 10 years. His diligence, loyalty, sage advice and dedicated service are sorely missed.

The future

The world economy now appears to be on a surer footing. UK trading conditions are solid, while deflation fears in the US have given way to questions over how far American interest rates will have to rise, as growth remains rapid. While the eurozone has yet to show an upturn on the scale of the UK or the US, there are at least signs of a modest improvement. Even so, there are visible risks to this benign outlook. At home, concerns over a disorderly correction to the housing market remain at the front of observers' minds. In addition, geopolitical tensions, high oil prices and concerns over a possible sharp slowdown in the booming Chinese economy all present risks to the global economy.

My gratitude is extended to staff, management and the board for their dedicated service. The results they have achieved speak for themselves. We look forward to the new year with equal anticipation to last year.

Hugh Herman
Chairman

Chief executive officer's review

- Bradley Fried

Returning to growth and delivering improved profits

This year, the management team's predominant focus was on organic growth in all of our core product areas and geographies. Having taken the actions required in the previous year to adjust our business to cope with a significant reduction in activity – particularly in the UK equity- and debt-capital markets, client development and revenue growth were the themes of this year's result. As a consequence of this approach, profit before taxation for the year was £49.6 million, up from £4.5 million in the prior year.

From a business portfolio perspective there was little material movement over the year. The 12 month period was, however, the first full-year of consolidation of our Israeli bank and includes profits from our first 10 months of our ownership of Investec Bank (Australia) Limited. Together with our UK, Channel Islands, Swiss and Irish operations each geography delivered profits growth over the prior year. The steps we took to refocus the business and to reduce the expense ratios in each of the divisions (particularly in the UK) provided an underpinning to the material overall profit improvement.

In addition to bolstering profitability, we made significant progress in strengthening our balance sheet during the period under review. On 1 March 2004 we completed on a £200 million 12-year subordinated debt offering, which qualifies as Tier 2 capital for the bank. Investors in the note include many of the UK's most prominent institutions and the Tier 2 capital provides us with a more effectively structured balance sheet to achieve future growth.

The "Review of operations" section fully describes the performance of each core product by geography. Rather than summarise that review here, I would make a few observations by geographic region.

United Kingdom and Europe

The thrust of our strategy in this region was around private-, corporate- and institutional-client development. The refocusing of our Treasury and Specialised Finance businesses led to the division achieving a profit turnaround of £24.9 million (from a £9.8 million loss in the previous year to a £15.1 million profit this year). In the UK the Structured Finance and Project Finance teams achieved solid client impact while in Ireland, the Equity Financing Team continued making progress in its market.

Investment Banking and Securities, excluding Private Equity, also achieved a material turnaround in performance. As described fully later in the annual report, the division served its institutional and corporate clients with improved distinction, being recognised in the market through rankings, market share growth and quality of deal flow.

Private Client Activities in the UK, Channel Islands, Switzerland and Ireland continues to make very strong progress, having grown earnings in excess of 60% to £24.7 million from £15.3 million in the prior year. The division has seeded a number of growth initiatives which we expect to deliver value in the years ahead. These initiatives include our Private Client Investment Bank and the Investment Management division of the Private Bank.

Israel

The Israeli operation benefited from the cost reduction initiatives of the previous financial year as well as an improvement in the overall economic environment. Despite performance reported in nominal terms being weakened by negative inflation, operating profit before exceptional items and amortisation of goodwill increased substantially to £5.9 million. Assets under management increased by 104% to NIS20.2 billion (£2.4 billion) from NIS9.9 billion (£1.3 billion) at 31 March 2003.

On 16 June 2004 Investec announced that it had reached an agreement for the sale of Investec's 80.28% holding in Investec Bank (Israel) Limited to the First International Bank of Israel Limited based on the net asset value at 30 June 2004. The transaction is subject to regulatory approval and due diligence.

Australia

The operating profit before exceptional items and goodwill amortisation for Australia for the 10 months during which it was a member of this group was £9.0 million. The significant year-on-year growth trajectory in the region was underpinned by solid activity levels and good progress was made in all core areas of activities in the region, predominantly the corporate advisory, private equity and private banking businesses. In October 2003 Investec Bank (Australia) Limited received the favourable long-term deposit and issuer rating of Baa2 from Moody's, enabling the bank to enhance its funding base.

This business presents a long-term growth platform for the group and is increasingly being recognised in Australia as an employer of choice.

Branding update

As was the case last year, we have extended our brand building efforts in the UK which continued to feature the Investec zebra. For the fourth year running, we sponsored the Twickenham-based Investec Rugby Challenge test series, which, we believe, continues to have considerable brand impact in the bank's target community. The Investec zebra travelled this year as well, reaching Sydney for the Rugby World Cup. Our branding approach extended to our sponsorship of the International Rugby Players Association awards dinner 2003 and appeared on prominent displays leading out of Sydney airport. The initiative was timed around the World Cup and targeted at our key clients.

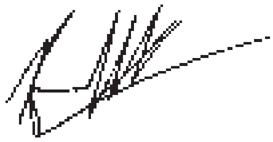
Business going forward

The group's mission statement is to "strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values". The steps taken this year are in pursuit of distinction. We regard distinctiveness as an appropriate measure of success for a number of key inputs and outcomes, including the quality of our people across the front- mid- and back-offices, the quality of our clients and our client service, our niche-based approach to market development, as well as our profitability, growth characteristics and return on capital. Our approach going forward is around the steadfast pursuit of the group's primary mission – namely to be distinctive.

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 philosophies and values
- Our clients, contemporaries and institutional investors who place their faith in us
- Our chairman and board members for their tireless effort and ongoing support.



Bradley Fried
Chief Executive Officer

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02

Review of operations

Private Client Activities

Private Client Activities maintained its high rate of growth, as strategic initiatives taken during previous years were successful. Both revenues and profits advanced significantly in the UK and Europe, our largest international market, and there was also a notable expansion in Australia. Overall, operating revenues rose 40% from £60.6 million in the previous year to £84.7 million, and operating profits before amortisation of goodwill rose 85% from £15.6 million to £28.9 million. Inclusion of Australia for 10 months flattered this comparison. Even so, without this, the ongoing operations achieved a creditable 62% increase in operating profit.

United Kingdom and Europe

Our UK and European private banking business positions itself as an 'investment bank for private clients' in the high value advisory market, striving to 'out think' not 'out muscle' its competitors. We have a target market of high net worth clients with investible assets of in excess of £5 million. Our unique offering has a strong following among successful entrepreneurs and self-directed internationally mobile clients.

In contrast with traditional asset gathering private banking models, we have an expertise in innovative, highly tailored lending. This has allowed us to establish strong client relationships that give us resilience through volatile markets. In addition to the full range of investment products, we offer selected clients one-off specialist investment opportunities.

Driven chiefly by non-interest income, particularly lending fees, revenue growth accelerated during the year. Structured Property Finance grew significantly, but there was also an increasing contribution from Specialised Lending, and loans made by our Private Client Investment Banking business. It is important to note that the property book is well-secured, with loan-to-value ratios of 65-70%.

Fiduciary fees from the provision of trust and advisory services also grew. The main contributor was Investec Trust Guernsey, which had an excellent year, with both new and existing clients contributing to its revenue expansion.

Major deals and initiatives

A number of deals demonstrated the original nature of our private banking business model. In September, Private Client Investment Banking funded the £12.5 million Management Buy-In (MBI) of Fox's Confectionery from Northern Foods by Big Bear, a company formed by the MBI team. We funded the debt – including mezzanine finance, senior debt and working capital – and held and placed some of the equity with private investors. This transaction highlights our ability both to fund entrepreneurs acquiring growth businesses, and to create a new type of investment opportunity for individuals who want to back experienced management in leveraged transactions.

Structured Property Finance had a successful year. Again, we achieved significant growth as profit shares in mezzanine debt facilities were realised. Underscoring our belief in the buoyancy of the property market in the Northwest of England, and our commitment to playing a major role in the region, we opened a Manchester office in October. The office mirrors our London business, specialising in providing senior debt, mezzanine and equity solutions. The pipeline of deals from this office has grown rapidly. Additionally, we concluded negotiations to hire a five-man property finance team in Dublin shortly after the year-end.

Other initiatives included the re-branding of our three trust businesses in Geneva, Guernsey and Jersey to Investec Trust in February. Our investment business expanded with the establishment of an Iberian investment team, and our banking and treasury division launched two unique cash products.

From a marketing perspective, our distinctive private banking proposition continued to attract new clients from our chosen community groups and segments. Existing and prospective clients were invited to a dinner in October at Banqueting House in Whitehall, London, where Nelson Mandela was the guest of honour.

Australia

In Australia, our Private Banking activities are differentiated by our property offering, our position as a leading wealth management "boutique", provision of selective private equity investment opportunities, and innovative money market funds.

Property Investment Banking was the chief driver of a significant increase in revenue during the period. We completed promising financings for property developers and investors, differentiating our services through an ability to provide a mixture of subordinated debt finance and equity.

Major deals and initiatives

We undertook a number of significant financings for development, refurbishment and investment projects in Brisbane, Melbourne, Perth and Sydney. We provided subordinated debt and bridging finance for a variety of office, residential, industrial and hotel projects.

Importantly, Moody's increased the rating for Investec Bank (Australia) Limited to Baa2. This has improved our ability to attract funds both from retail investors and in the wholesale markets.

There are a number of initiatives underway. We have introduced Private Client Investment Banking. This is already proving popular with clients, providing both equity and debt financing for small-to-medium sized enterprises, as well as private equity-style investment opportunities to selected clients.

Israel

The private banking business line as a whole fell behind budget predictions for the financial year as the uncertain geopolitical situation in the Middle East caused securities transactions through the Private-E Bank to dry up. In the last three months of the period, however, there was a noticeable increase in transaction volumes.

Major deals and initiatives

As set out in the Chief Executive Officer's review this operation is not expected to remain in the group after 30 June 2004.

Prospects

We anticipate continued growth from the division in the forthcoming year, largely driven by the UK and Europe, which is by far the largest contributor to profits.

Within the UK, we believe that property lending should continue to perform well, with increased revenue generated by Manchester and Ireland. Private Client Investment Banking and Specialised Lending are expected to contribute significantly to next year's profits, while Investment Management will continue to win quality mandates. Our Banking and Treasury business will concentrate on book growth, as well as focusing on establishing a distinctive Treasury offering.

Offshore banking in Guernsey and Switzerland will continue to grow assets. The trust businesses will concentrate on high end advisory-led services and business development.

Client acquisition is critical across all geographies. Broadly speaking, we see opportunity for future development and increased presence within our chosen market segments.

Treasury and Specialised Finance

Treasury and Specialised Finance returned to profitability in the financial year, with strong revenue growth and solid profits. Operating revenues rose 155% from £21.1 million in the previous financial year to £53.9 million, and operating profits before amortisation of goodwill were £17.7 million following a loss of £9.7 million.

Actions taken within the past three years, combined with improvements in market conditions, led to the improvement in profit. In Specialised Finance, our expanded Structured Finance and Project Finance teams have attracted a good flow of transactions. Within Financial Markets, the previous year's restructuring and renewed focus on attracting customer flows have led to much improved results.

Strategically, we are allocating resources to those business areas where our specialist skills offer clear opportunities to add value. Each business area within the division is developing its strategy to suit current market opportunities, and has the ability to evolve quickly in a changing environment.

United Kingdom and Europe

Specialised Finance

After being expanded over the past few years, Specialised Finance experienced the full benefit of its increased size and capabilities during the financial year, with most areas generating profits in excess of budget expectations. The sub-division comprises advisory, lending and structuring activities.

In its first full year with Investec, the Structured Finance team brought in significant new business, leading to a considerable increase in fee income. The team provides leasing, debt advisory and structured solutions to banks and corporates. Asset Finance, which works closely with Structured Finance, improved profitability on the back of increased activity.

Project Finance expanded its revenues following some notable successes, such as its role as advisor to the Innisfree/Skanska consortium in its successful bid for the £400 million Southern Derbyshire Acute Hospitals project. We have a strong position in the project finance market internationally. According to the *Infrastructure Journal 2003* league tables, we ranked:

- fifth among financial advisors in Western Europe by number of mandates won
- fifth among debt arrangers in Asia, Africa and the Middle East
- second in Healthcare globally by value of deals closed, and third by number of mandates won
- third by number of deals closed in Defence.

Financial Products performed in line with the previous year. Credit structuring produced good fee income, and there was a solid performance from the credit default swap trading book. We believe Financial Products represents a promising opportunity.

Financial Markets

Following the refocusing of the sub-division away from speculative trading towards client-related business, there was a substantial improvement in results. Our profitability was also helped by a general improvement in market conditions.

Equity Derivatives and Equity Finance achieved profits that were ahead of expectations. The Equity Derivatives desk made good returns from convertible bond trading, other structured trades and volatility trading. In Ireland, Equity Finance continued to increase its business with US hedge funds. We decided to restructure the Stock Lending desk in London, absorbing it into the Equity Derivatives desk and changing its focus to more sophisticated, higher margin transactions.

Commodities had a much improved performance, following a large loss in the previous financial year. Working with other parts of the group, we successfully pursued initiatives to win client business and structured hedging transactions. The team has a number of deals in the pipeline, with good prospects of closing. Even so, client flow volumes need to improve further, and an initiative to move the Commodities and Resource Finance businesses together is in progress.

Our Interest Rates and Foreign Exchange desks continued to make losses, although these were much diminished from the previous year as a result of reduced proprietary trading activity. It is likely that the marketing initiatives of the Foreign Exchange desk, and activity out of Hong Kong, will result in profits in the future. A strategic review of the Interest Rates business is necessary to take this business forward.

In addition to the Foreign Exchange desk, the Equity Derivatives and Commodities desks are likely to benefit from promising initiatives in Hong Kong.

Australia

After refocusing its activities on larger, more profitable transactions, with a particular emphasis on Project Finance, Australia returned to profit during the year. Several transactions that had been in the pipeline for some time were successfully negotiated and closed, generating fee income. Additionally, the environment in the resources market was buoyant, especially in mining, and increasingly in oil and gas.

Significant completions included the funding for a Roche Mining drag line, a vehicle leasing transaction, and participation in a project finance facility for a Korean metals company. We also participated in the launch of the Viridis Clean Energy Group, a special purpose vehicle that invests in clean energy assets.

Prospects

The outlook and activity levels are positive. Our Specialised Finance businesses continue to work on various deals, and have growing franchises in their niche markets. In Financial Markets, we have successfully increased client flows, and are actively seeking to improve flows still further. Longer term, our strategy should lead to stable revenue and profit growth.

Investment Banking

Investment Banking revenues and profits grew significantly during the financial year, as the UK, Australia and Israel all benefited from a return to more normal equity market conditions. Operating revenues rose 19% from £37.4 million in the previous year to £44.5 million, and operating profits rose 121% from £4.8 million to £10.6 million. This comparison was flattered by the inclusion of the Australian investment banking operations for 10 months, and Israel for a full financial year.

Management action taken over the last two years led to clear financial and strategic gains, in the form of enhanced profitability and greater competitiveness.

United Kingdom and Europe

Our UK corporate finance and securities businesses concentrate on niches where we have competitive strength. We have a robust presence in small and mid cap companies, underpinned by highly ranked research, the provision of stock liquidity through market making, and corporate broking relationships. In the large cap market, we concentrate on stocks with dual listings on the London and Johannesburg stock exchanges, mining stocks, and sectors where we have high-quality research.

Rising equity markets created an increasingly favourable environment for all activities, as investor confidence gradually returned, leading to increased market activity. Corporate finance activity picked up significantly, leading to higher fees. Secondary market commissions also grew, showing a marked increase on the depressed levels of the previous financial year.

Surveys and new client wins illustrated our competitiveness. In research, our investment over the past two years has been rewarded. *The Institutional Investor UK Small & Mid-Cap 2003* survey ranked Investec Securities number one for 'Most improved product and service', and number three for its 'Aggregated research team'. Individual analysts achieved a ranking within the top three in five of the sectors we cover, and a ranking within the top five in nine sectors. Our share of the UK secondary securities market continued to grow steadily, reaching 2.6% in the final calendar quarter of 2003 (source: McLagan Partners).

In corporate finance, we won 15 new corporate clients. These replaced a number of clients that were taken private during the year, and a smaller number of accounts that we resigned. At the year-end, we had 60 quoted clients. Continuing to build the size and quality of the corporate client list remains a key priority for the business.

Major deals and initiatives

There was a marked return to corporate activity. We earned our biggest fee from our role as advisor to the July 2003 Management Buyout (MBO) of Fitness First, the health club chain. In April, we raised £18 million for Incisive Media, a financial publisher, simultaneously providing advice on its acquisition of rival publisher, Risk Waters. In November, we listed Melrose, an acquisition vehicle for the former management team at Wassal, on the London Stock Exchange's market for high growth smaller companies.

We continued to enhance the breadth and quality of our research and sales teams. Most significantly, we hired a highly regarded support services team, consisting of two analysts and a specialist sales person. As part of the drive to win more hedge fund clients, we hired two dedicated sales people.

Following a number of changes in the management team, new disciplines have been introduced in a number of areas and there is a greater strategic focus.

Australia

In Australia, we have a focus on providing high-calibre independent corporate finance advice and on managing high-quality private equity funds. As the local equity market rose, so corporate activity increased. Ernst & Young's local mergers and acquisitions index rose 9% in the 2003 calendar year. In this environment, we were able to grow profits across the business.

Realisations of direct investments made alongside the private equity funds, together with fees earned from the funds on these transactions, contributed to the increase. Realisations included the partial exit from AAV, an electronic media services provider, in November 2003, and the successful listing of Invocare, a funeral service business, on the Australian Stock Exchange (ASX) in December 2003. Private equity has also made a number of promising investments during the period, and is currently evaluating several more exciting opportunities.

Major deals and initiatives

We were advisors on a large number of successful transactions, including acquisitions, disposals, fund-raisings and Management Buyouts (MBOs). The following advisory roles were of particular note: advisor to Westfield Trust on its July 2003 takeover bid for AMP Shopping Centre Trust, advisor to the management team in the February 2004 MBO of ASX-listed, Freedom Group, the furniture retailer, advisor to private equity consortium that acquired New Clicks Australia, the Melbourne-based retailer, in February 2004.

Additionally, we leveraged the capabilities of the group in our role as advisor to Impala Platinum Holdings on its September 2003 offer to minority shareholders in ASX-listed Zimbabwe Platinum Mines. We advised the company jointly with the South African investment bank.

Israel

In spite of the fragile geopolitical situation, the domestic economy improved during the year, and equity prices rallied. As a leading domestic capital markets bank, Investec was able to grow its profits.

Broking benefited from higher market volumes in the final six months of the year. Assets under custody more than doubled to NIS 20.2 billion at the year-end, up from NIS 9.9 billion the previous year. Custody is an important part of our business mix, as its 'annuity' revenue flows provide a stable counterpart to more volatile capital markets earnings. Corporate finance income was ahead of budget as we participated as a secondary underwriter in a number of bond and equity listings.

Major deals and initiatives

As set out in the Chief Executive Officer's review this operation is not expected to remain in the group after 30 June 2004.

Prospects

As the equity market environment continues to improve, so the management actions of the past two years are leading to increased profitability. Following the cost reductions of 2002 / 2003, and enhancements in areas of strategic priority such as UK equity research, our investment banking division operates in well-defined niches throughout our geographical markets. Both the corporate pipeline and the level of broking commissions have shown encouraging growth in recent months.

Property

United Kingdom and Europe

Our property business, which invests proprietary capital, increased operating profits from £1.4 million to £1.5 million. A combination of active management in the direct portfolio, our growing involvement in mezzanine finance, and buoyant property values drove this performance.

Strategically, we have decided to trade out of directly owned property, preferring to invest our capital through partnerships with property entrepreneurs. We believe that this represents a better use of our capital. Additionally, we are seeking niche opportunities in areas such as urban regeneration to avoid competing for premium properties at current prices.

Major deals and initiatives

There were some notable events during the year. We took advantage of high prices to sell Grosvenor House, a 63,000 square foot office building in Croydon. Following refurbishment of the building, and restructuring some of the leases, we were enjoying a running yield of more than 10%.

We entered into several joint ventures where we provided mezzanine finance. We took part in the refinancing of a mixed portfolio of industrial, retail and office buildings, which has potential for value enhancement through extensive asset management. In Middlesbrough, we participated in the acquisition of a 100,000 square foot industrial estate, which is let to tenants including the Local Authority and the Post Office. The estate is likely to benefit from improvement of local infrastructure. And, in Accrington, we took part in the acquisition of a 150,000 square foot shopping centre, where there is an opportunity to increase the value through active management.

Following indications in the Budget that the government will introduce legislation to encourage tax-efficient property investment vehicles, we are considering whether to become involved in this market when legislation is finalised.

Prospects

Looking forward, the business's performance will be determined primarily by our ability to meet business plan targets for a number of key properties, and to extract profits from mezzanine transactions. At present, we are comfortable that we will be able to do so.

We believe that our strategic shift to develop the mezzanine investment portfolio should benefit our long-term return on capital.

03

03

Risk management

Risk management review

All the bank's activities involve analysis, evaluation and management of some degree of risk or a combination of risks. The significant types of risk are liquidity, market risk (which includes foreign exchange, interest rate, equity and commodity price risk), operational, legal and credit risk.

To properly manage and, as far as possible, mitigate these risks, the bank has an independent centralised Risk Management function. A core responsibility of Risk Management is to ensure the implementation of and compliance with board approved policies that define risk appetite and limits. It also provides regular reports to the executive and the board.

Regular enterprise-wide risk assessment is carried out to properly identify risks and ensure they are appropriately controlled. This data also assists in ensuring that Internal Audit reviews are carried out in a risk-based manner, to give necessary assurance.

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 client deposits or inter-bank lines, the drawdown of existing client facilities and asset growth.

The bank's Private Banking area generates a stable source of retail deposits, which exceed client loans. It is policy to ensure this is the case with retail deposits funding Private Bank lending. Surplus funds are held by Central Treasury, which manages the bank's funding and liquidity. Wholesale and money market lines are used primarily to fund treasury assets, which are mostly of a short duration.

The liquidity policy is managed by a number of different processes, which include:

- Projecting future cash flows and ensuring there are appropriate liquid assets available to meet demands
- Observing conservative liquidity ratios well within regulatory requirements
- Reviewing depositor concentration to avoid over-reliance on large individual depositors
- Stress testing the deposit base against significant historical market events
- Monitoring liquidity contingency plans

Investec's overall group liquidity policy is for each jurisdiction to be self-funding so that there is no reliance on inter-group lines either from or to other group entities.

The bulk of the bank's banking book balance sheet is denominated in Sterling, with some US Dollar and Euro assets and liabilities. Assets and liabilities are predominately priced against the UK base rate and LIBOR and, as such, there is no significant interest rate mismatch or currency mismatch.

Information on the repricing profile, which represents the sensitivity of assets and liabilities to interest rate movements, can be found on page 80 and 81.

Market risk

This is the risk that changes in interest rates or other prices and volatilities may have a significant impact, positive or negative, 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.

The bank is exposed to movements in interest rates, credit spreads, foreign exchange rates as well as equity and commodity prices which result in profits or losses. All prices are from independent sources and all financial instruments are valued on a daily basis on a current price (marked to market) or capital plus accrued interest basis.

The main trading areas of the bank are Sterling, Dollar and Euro interest rates, major foreign currencies, equities, and base and precious metals. The bulk of trading is to meet client requirements; the bank's own positions are small. All trading and market risk is managed through limits approved by the bank's executive committee. A suite of overall limits, position limits, product limits, desk limits and individual trader limits are pre-determined, with the liquidity of any financial instrument a major factor.

Limits are determined by a number of risk management techniques, which are outlined below.

Value at Risk (VaR) at product level

VaR is a technique for estimating future potential losses due to price movements over a given time horizon, at a stated level of confidence.

The bank works to a VaR based on historical prices over a 250 day period, a 95% confidence level and a 1-day holding period. This means that on average once a month the daily losses may be at least as large as the reported VaR amount. The correlation between trading desks is monitored and the bank also calculates that there are market movements that produce uncorrelated outcomes.

VaR has limitations due to its statistical nature. It assumes the future is a reflection of the past and that losses occur within a given confidence level. VaR does not indicate how much can be lost by the bank. Expected Tail Loss (ETL) quantifies the amount the bank can expect to lose when the VaR threshold is breached.

To mitigate these limitations other techniques are employed. Stress testing views the current positions but assumes extreme events occur by measuring those losses which can occur outside the normal distribution pattern.

All trading limits are also referenced to the capital of the bank and normal profit trends.

VaR 95% (one-day)

£000	2004	2003
Interest rates	4	9
Equity	358	265
Foreign exchange	20	36
Commodities	125	57
Consolidated*	424	299
Limits (Aggregated)	3 050	2 700
Highest	462	870
Lowest	214	240
Average	330	450

ETL (one-day)

£000	2004	2003
Interest rates	6	14
Equity	503	330
Foreign exchange	84	41
Commodities	143	69
Consolidated	554	346

Stress exposure

£000	2004	2003
Interest rates	29	68
Equity	2 743	1 987
Foreign exchange	151	270
Commodities	959	428
Consolidated	3 883	2 753

* The consolidated VaR is significantly lower than the sum of the VaR figures for each traded market. This is due to offsets which take place as a correlation between the various asset classes.

Operational risk

This is the exposure to financial or other damage arising through system or process failure, human error, fraud or through inadequate controls and procedures.

An Operational Risk Committee considers these risks and ensures that all operational risks are evaluated and appropriately controlled. The bank manages operational risk by documenting processes, ensuring independent authorisation with clear segregation of duties and regular monitoring. Independent reconciliation procedures form part of the bank's control framework.

Any operational losses above a material threshold are recorded to form a loss event database, to enable trend analysis and corrective action. There is an overall operational risk policy agreed by the board, which defines the bank's operational risk control framework and reporting.

Operational risk is the responsibility of senior managers within the bank's business units. Key control indicators are collected centrally and reported to the executive. Internal Audit carries out periodic reviews to ensure all risks have been identified and that controls have been properly designed and are working effectively.

All systems and processes have contingency plans in place. These are regularly tested and refined to meet any changes in business requirements and take account of lessons learnt from significant world and market events.

Legal risk

Legal and documentation risk is defined as the risk that contracts the bank enters into with its clients will not be enforceable, especially regarding events of default by a client. This could lead to a situation where the documentation will not give the rights and remedies anticipated when the transaction was entered into, particularly when security arrangements have been agreed.

To mitigate this risk, the bank has an independent internal legal capability to ensure documentation gives the necessary rights and remedies. Where necessary, this capability is bolstered by approved firms of external solicitors. Any standard documentation is reviewed regularly by the bank's retained law firms to ensure it meets current best legal practice.

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.

High level credit policies are approved by the board and managed by central Credit Risk Management. These policies are designed to avoid credit risk concentration, define country risk appetite and ensure appropriate provision is made both for specific identifiable risk and general default risk.

Credit decisions are made through a Credit Committee process, with membership independent of the asset creators. Credit Committees have a delegated limit hierarchy, with executive directors forming the membership of the committees considering the large or higher risk exposures.

Counterparty excesses are monitored daily and remedial action taken, with the executive conducting a monthly review of any position of concern.

Reviews of all facilities are undertaken both as a regular process and in addition, where necessary, due to changes in market conditions or other external events. Any problem loans that are identified are quickly moved to a specialised team, responsible for recovery positions to minimise loss and maximise recovery of the doubtful debt.

Investec Bank (UK) Limited, Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG

The main credit exposures are in Investment Banking and Securities, Treasury and Specialised Finance and the Private Client Activities.

Investment Banking and Securities

The division buys and sells certain exchange traded securities, with sales and purchases on a delivery against payment basis to exchange approved counterparties. Some credit risk arises should a market counterparty fail and the trade has to be replaced at current market prices, which may be different to those originally executed. Limits are set for each counterparty and monitored intra-day to ensure failure risk is mitigated. Limits are based on the financial standing of the counterparty and the underlying security traded.

Treasury and Specialised Finance

The Treasury and Specialised Finance division, as part of the daily management of liquidity, places funds with banks and other financial institutions. It also has exposures to rated and non-rated corporates.

Banks and financial institutions with whom we transact are highly rated and usually of a systemic nature. Corporate exposures, if not well rated, are secured on assets either with regular amortisation or are self liquidating from the charged assets. The bank maintains a well spread portfolio and, other than placements with highly rated systemic banks, the maximum individual exposure to a counterparty or counterparty group is around £15 million.

Private Client Activities

The Private Client Activities provides secured lending to individuals, privately owned corporates and other client entities.
Facilities are secured on property or easily realised liquid security. Repayment is from clearly identifiable income streams or, for property development loans, from the sale of the developed asset. Typical of private banking, there is some concentration of risk within the UK property sector, which comprises residential and commercial properties. Conservative loan to security values are adopted and income producing assets are generally let to good quality tenants.

Residential properties are in good quality locations for which there is international demand. Commercial properties are driven by the quality of location and tenant. There is little speculative commercial property development unless this is pre-let or against clients' surety. Development comprises predominantly residential properties, with an aversion to high value single unit developments.

All facilities are reviewed regularly and property values are monitored by Investec's appointed panel of valuers. This information is used to stress test the property portfolio, assuming both a sharp fall in property values and the inability of the borrower to service or repay the loan from independent means. On an extreme basis, assuming property values fell by 30% and no client could service their debt, the exposure not covered by the realised property value would be approximately £18 million.

Investec Bank (Australia) Limited

The main business of Investec Bank (Australia) Limited is to target private clients and their related entities. Lending is secured predominantly on property assets.

This risk will diminish as the business matures and diversifies into other asset classes. Property Market Risk is minimised by:

- Confining activity to major metropolitan areas.
- Ensuring that lending is against secure income streams and demonstrable exit strategies, which can both service and extinguish the borrower's obligations.
- Obtaining recourse to individual and corporate borrowers over and above collateral security.
- Avoiding transactions that are highly speculative.

In addition, specialised asset finance to corporates and project finance is undertaken on a limited basis.

Surplus liquidity is placed with highly rated domestic banks and financial institutions.

Investec Bank (Israel) Limited

Investec Bank (Israel) Limited maintains a conservative and cautious credit policy, designed to improve the quality of the credit portfolio and develop it in accordance with the economic conditions prevalent in the region. The bank operates a credit risk management and control system at both an individual client and overall management level, including routine control of exposures to clients active in the capital market.

Credit risk in each of the bank's divisions follows below.

Securities division

Credit is provided mainly to leading institutional organisations, mutual funds managers and portfolio managers, secured primarily by liquid financial assets (deposits and securities).

Specialised Finance

The division provides specialised finance services to listed and private companies, by way of domestic and international factoring, corporate finance and trade related finance. Exposure is securitised through various collateral, including credit risk insurance policies, factoring agreements and account receivables assignments.

Private Bank

Credit is provided to individual clients and companies owned and usually guaranteed by them. Credit is secured mainly by liquid financial assets and mortgages on real estate properties.

Asset quality information by geography (£000)

31 March 2004	Core loans and advances	General provisions	Specific provisions	Total provisions	Gross NPLs	Security held against NPLs	Net NPLs
UK and Europe	1 640 971	16 942	4 288	21 230	14 292	11 019	3 273
Australia	256 045	2 545	585	3 130	584	584	-
Israel	200 000	1 517	5 879	7 396	7 881	2 118	5 763
Total group	**2 097 016**	**21 004**	**10 752**	**31 756**	**22 757**	**13 721**	**9 036**

31 March 2003	Core loans and advances	General provisions	Specific provisions	Total provisions	Gross NPLs	Security held against NPLs	Net NPLs
UK and Europe	1 266 058	16 138	3 705	19 843	19 260	17 553	1 707
Israel	244 083	1 659	6 765	8 424	8 192	1 881	6 311
Total group	**1 510 141**	**17 797**	**10 470**	**28 267**	**27 452**	**19 434**	**8 018**

Notes
1. NPLs are non-performing loans.
2. Core loans and advances exclude intergroup loans and loans and advances residing in the trading book.

The bank has little exposure to South Africa and emerging markets. There is also a hard limit of £68 million in total for exposures to connected inter-group companies.

Asset quality, specific and general provisions

£000	31 March 2004	31 March 2003
Total loans and advances to customers	3 049 739	2 085 022
Less : intergroup loans	163 205	166
Less : cash equivalent debtors and trading book loans	789 518	574 715
Core loans and advances to customers	2 097 016	1 510 141
Managed book*	(48 846)	(46 085)
Net loans and advances to customers	**2 048 170**	**1 464 056**
Average net loans and advances to customers	1 802 177	1 422 741
Consolidated profit and loss provision charge	4 246	3 779
Specific provisions	10 752	10 470
General provisions	21 004	17 797
Total provisions	**31 756**	**28 267**
Gross non-performing loans	22 757	27 452
Security	(13 721)	(19 434)
	9 036	**8 018**
Non-performing loans net of security are covered by specific provisions		

Adequacy of provisions

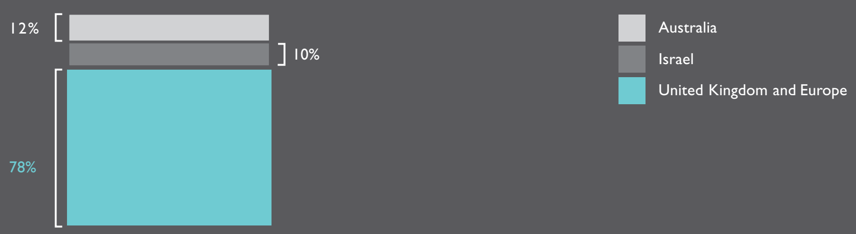
Consolidated profit and loss provision charge as a % of average loans and advances to customers	0.24%	0.27%
Specific provisions as a % of core loans and advances to customers	0.51%	0.69%
General provisions as a % of net loans and advances to customers	1.03%	1.22%
Total provisions as a % of core loans and advances to customers	1.51%	1.87%
Total provisions as a % of gross non-performing loans	139.54%	102.97%
Total provisions as a % of net non-performing loans	351.44%	352.54%
Gross non-performing loans as a % of core loans and advances to customers	1.09%	1.82%

The table below presents the group's loans and advances to customers by loan type:

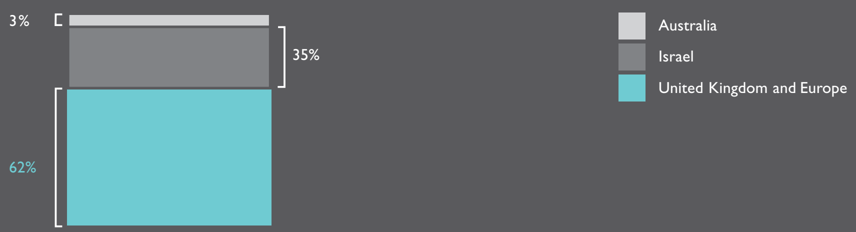
£000	31 March 2004	31 March 2003
Category analysis		
Corporate and public sector	201 393	89 970
Commercial property	954 594	619 346
Residential mortgages	143 730	135 333
Other secured private bank lending	738 814	596 726
Lease and instalment debtors	24 900	37 862
Other loans and advances	33 585	30 904
	2 097 016	**1 510 141**

*If it becomes evident that an account requires additional supervision and attention, it will be included in the Managed Book. These accounts are monitored by the Watchlist Committee, which comprises members of both the group Credit Committee and Credit Risk team.

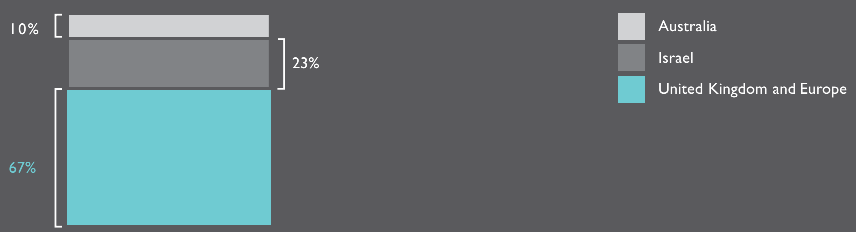
Core loans and advances to customers by geography: 31 March 2004



Gross non-performing loans by geography: 31 March 2004



Total provisions by geography: 31 March 2004



Off balance sheet instruments

The bank's use of off balance sheet instruments mainly occurs within the Financial Market division where derivatives are used to hedge client positions. In addition, Central Treasury use derivatives to hedge interest rates or currency risk inherent in the bank's balance sheet. Counterparty exposures resulting from hedging are monitored daily, to ensure exposure is within the overall pre-agreed limit.

The notional principal indicates Investec's activity in the derivatives market and represents the aggregate size of total outstanding contracts at year-end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at year-end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Notional principal

31 March 2004	£m
Foreign exchange derivatives	3 268
Interest rate derivatives	2 198
Equity and stock index derivatives	2 332
Commodity derivatives	6 035
Credit derivatives	59

Fair value

31 March 2004	Positive £m	Negative £m
Foreign exchange derivatives	23	25
Interest rate derivatives	15	12
Equity and stock index derivatives	77	32
Commodity derivatives	250	218
Credit derivatives	-	-
Effect of netting	(228)	(228)
Net fair values	137	59

Further information in this regard can be found on pages 68 to 77.

Basel II

To ensure changes under the Basel II Capital Adequacy framework are implemented in each jurisdiction, dedicated project teams comprising staff from South Africa and the UK, are in place for both Operational Risk and Credit Risk.

Credit Risk
A credit risk rating model is in place for Banks and other Financial Institutions. Outside consultants have been identified to assist in the development of an appropriate rating model for private bank and non-rated corporate assets. It is intended that the bank adopts the Foundation Internal Ratings Based Approach.

Operational Risk
An operational risk loss event data base is in place and an operational risk system has been sourced to provide appropriate monitoring and metrics. This should be fully implemented by the end of 2004.

Initial high level calculations show that, overall, the bank will show a capital neutral position under the proposed guidelines, though the allocation of capital in various business streams will vary.

04

04

Financial statements

Directors' report

The directors present their report and financial statements for the year ended 31 March 2004.

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.

Review of the business and future developments

A review of the bank's business for the year and future proposed activities can be found in the Chief executive officer's review and the review of operations.

Events since the balance sheet date

On 16 June 2004, the Investec group reached an agreement to sell its 80.28% stake in Investec Bank (Israel) Limited. The purchase price is to be based on the net assets of Investec Bank (Israel) Limited, subject to various adjustments.

Results and dividends

The results for the year are shown on page 32. Movements in reserves are shown in note 31 to the financial statements.

An interim dividend of £13,500,000 (2003 - £nil) was paid on 10 December 2003.

The directors recommend the payment of a final dividend of £16,500,000 for the year ended 31 March 2004 (2003 - £26,000,000).

Directors and their interests

The directors of the bank for the year ended 31 March 2004 are shown on page 5. According to the register of directors' interests, no director holding office at 31 March 2004 had any beneficial interest in the shares of the company during the year.

Mr Perry Crosthwaite resigned as a director on 31 March 2004, and Mr Richard Forlee resigned as a director on 23 June 2004.

The beneficial interests in shares, debentures and options in the ultimate parent company, Investec plc, of those directors who are also directors of that company, are disclosed in the consolidated financial statements of Investec plc. The interests of the remaining directors are set out below.

Following the implementation of the dual listed companies structure of Investec Limited (a company incorporated in the Republic of South Africa and listed on the Johannesburg Securities Exchange South Africa) and Investec plc, it is the group's policy to award the directors and staff with share options in both Investec Limited and Investec plc. Consequently, interests in both companies have been disclosed. A description of the dual listed structure is set out on page 2.

Except as disclosed in this report or in the consolidated financial statements of Investec plc, no other director held any beneficial interest in the shares of the company or the group.

Interests (Direct and Indirect) in the ordinary share capital of Investec plc and Investec Limited as at 31 March 2004

	Investec plc shares	Investec Limited shares
Richard Forlee	-	100 000
Bradley Fried	-	150 000
David van der Walt	3 150	151 850
Ian Wohlman	-	50 000

Investec plc Share Option plan 2002

	Holding in Investec plc share options at 1 April 2003	Holding in Investec Limited share options at 1 April 2003	Options granted during the year - Investec plc shares	Options granted during the year - Investec Limited shares	Options exercised during the year	Options lapsed during the year	Holding in Investec plc share options at 31 March 2004	Holding in Investec Limited share options at 31 March 2004
Richard Forlee	104 333	56 852	-	-	-	11 185	97 286	52 714
Bradley Fried	97 436	52 564	-	-	-	-	97 436	52 564
Michael Jameson-Till	9 301	3 349	-	-	-	925	8 718	3 007
David van der Walt	101 839	55 388	-	-	-	7 227	97 286	52 714
Ian Wohlman	24 644	11 956	5 000	-	-	2 700	27 943	10 957

The above options are exercisable at prices ranging from £7.93 to £21.08 and are exercisable between 2004 and 2012. Options granted with effect from 20 December 2002 have performance conditions attached to them, which require growth in headline earnings per share over the relevant option period to equal or exceed the UK RPI plus 3%, compounded annually over the period the options are in force.

Directors' interest in the Investec Limited security purchase and option scheme trust

	Investec plc shares as at 1 April 2003	Investec Limited shares as as 1 April 2003	Investec plc shares exercised in the year	Investec Limited shares exercised in the year	Investec plc shares as at 31 March 2004	Investec Limited shares as at 31 March 2004	Period exercisable
Michael Jameson-Till	610	358	-	-	610	358	April 2004 to April 2007
David van der Walt	1 599	939	-	-	1 599	939	April 2004 to May 2005
Ian Wohlman	4 293	2 521	4 293	2 521	-	-	-

The shares are held in terms of the Investec Limited share purchase scheme, for which the directors have a liability for any related scheme debt. No shares were granted in terms of this scheme during the year. As at 31 March 2004, all the shares were fully vested. During the year, Ian Wohlman exercised his share entitlement by settling his related scheme debt and selling the related shares.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II

	Entitlement to Investec plc shares 1 April 2003	Entitlement to Investec Limited shares 1 April 2003	Entitlement to Investec plc shares 31 March 2004	Entitlement to Investec Limited shares 31 March 2004	Period exercisable
Richard Forlee	55 818	32 782	25 118	14 752	1 April 2004 to 31 July 2008
David van der Walt	13 955	8 196	39 073	22 947	1 April 2004 to 31 July 2008
Ian Wohlman	2 791	1 639	-	-	-

1 Richard Forlee disposed of his entitlement to 30 700 Investec plc shares and 18 030 Investec Limited shares during the year.
2 Ian Wohlman disposed of his entitlement to 2 791 Investec plc shares and 1 639 shares during the year.
3 David van der Walt acquired entitlements to 25 118 Investec plc shares and 14 751 Investec Limited shares during the year.
4 The entitlements in terms of the Fintique II Scheme are fully vested and the related shares can be taken up at a price of R77.63 per share, based on the valuation of the scheme as at 31 March 2004. The Directors are at risk for any shortfall on maturity of the scheme.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique III

	Future entitlement to Investec plc shares as at 1 April 2003	Future entitlement to Investec Limited shares as at 1 April 2003	Future entitlement to Investec plc shares as at 31 March 2004	Future entitlement to Investec Limited shares as at 31 March 2004
Richard Forlee	155 905	91 564	199 410	48 059
Bradley Fried	163 146	95 815	206 143	52 818
Michael Jameson-Till	5 826	3 421	7 305	1 942
David van der Walt	75 733	44 478	94 967	25 244
Ian Wohlman	5 826	3 421	7 305	1 942

1 The directors, together with other employees of the group that are beneficiaries of the Fintique III scheme have an interest in call options in respect of 1,260,000 Investec plc ordinary shares and 740,000 Investec Limited ordinary shares at a strike price of R170 per share.

2 In terms of the scheme structure, 70% of the share entitlements are free or vested with a further 30% becoming vested on 15 December 2004. The share entitlement disclosed above represents gross entitlements, which amounts to share entitlements of approximately 88% per unit held. Due to the leveraged nature of the scheme, the directors' entitlements to shares will reduce to 72.83% per unit on maturity of the scheme. The mix of Investec plc and Investec Limited shares are indicative and while the total net entitlement will remain the same, the combination of Investec shares receivable may vary on maturity.

Indirect interests in the call options sold as at 31 March 2004

	Investec plc call options maturing in Dec 2004 at a strike price of £7.93	Investec plc call options maturing in Dec 2005 at a strike price of £7.93	Investec plc call options maturing in Dec 2006 at a strike price of £7.93	Investec plc call options maturing in Dec 2007 at a strike price of £7.93	Investec plc call options maturing in Dec 2007 at a strike price of £10.52
Richard Forlee	2 997	11 778	9 603	9 596	11 026
Bradley Fried	4 496	17 666	14 405	14 394	16 539
David van der Walt	4 496	17 666	14 405	14 394	16 539
Ian Wohlman	1 499	5 889	4 802	4 798	5 513

Creditor payment policy

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

Donations

During the year, the group made donations for charitable purposes in the UK, totalling £43,512.

Corporate social responsibility

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 and option schemes.

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.

Further information may be found in the Investec Sustainability Report.

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

28 June 2004

Statement of directors' responsibilities

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 group's financial statements for the year ended 31 March 2004 which comprise the Consolidated profit and loss account, Consolidated balance sheet, Company balance sheet, Consolidated statement of recognised gains and losses, and the related notes 1 to 39. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of directors' responsibilities in relation to the financial statements.

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 company 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 company 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 company and of the group as at 31 March 2004 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
28 June 2004

Consolidated profit and loss account

For the year ended 31 March		2004			2003
(£000)	Notes	Total	Aquisition*	Rest of Investec Bank (UK) Limited	
Interest receivable - interest income arising from debt securities		46 690	4 729	41 961	119 638
Interest receivable - other interest income		168 233	18 105	150 128	279 809
Interest payable		(146 448)	(11 122)	(135 326)	(350 172)
Net interest income		**68 475**	**11 712**	**56 763**	**49 275**
Dividend income	3	288	12	276	290
Fees and commissions receivable		112 041	13 155	98 886	62 975
- annuity		72 342	5 126	67 216	41 196
- deal		39 699	8 029	31 670	21 779
Fees and commission payable		(7 491)	(1 762)	(5 729)	(2 468)
Dealing profits	4	20 782	(29)	20 811	10 102
Other operating income		4 301	11	4 290	15 758
Other income		**129 921**	**11 387**	**118 534**	**86 657**
Total operating income		**198 396**	**23 099**	**175 297**	**135 932**
Administrative expenses	5	(131 556)	(13 492)	(118 064)	(108 402)
Depreciation and amortisation		(12 662)	(2 617)	(10 045)	(14 207)
- tangible fixed assets	22	(4 194)	(225)	(3 969)	(4 606)
- amortisation and impairment of goodwill	20	(8 468)	(2 392)	(6 076)	(9 601)
Provision for bad and doubtful debts	14	(4 246)	(389)	(3 857)	(3 779)
Operating profit	**6**	**49 932**	**6 601**	**43 331**	**9 544**
Share of income of associated undertakings		(317)			13
Fundamental reorganisation and restructuring costs	9	-			(5 354)
Gains on disposal of subsidiary undertaking		-			279
Profit on ordinary activities before taxation		**49 615**			**4 482**
Tax on profit on ordinary activities	10	(18 966)			12 154
Profit on ordinary activities after taxation		**30 649**			**16 636**
Minority interests-equity		(546)			(1 010)
Profit attributable to shareholders		**30 103**			**15 626**
Dividends:					
- interim		(13 500)			-
- final	27	(16 500)			(26 000)
Retained profit for the year		**103**			**(10 374)**

* The results of Investec Bank (Australia) Limited cover the period since the date of acquisition, 13 June 2003. Two further acquisitions were made in the year. They have not been included above as their impact is immaterial. Further details are provided in note 21.

Consolidated statement of recognised gains and losses

For the year ended 31 March

(£000)	2004	2003
Profit for the year attributable to shareholders	30 103	15 626
Currency translation differences on foreign currency net investments	(4 052)	1 717
Total recognised gains and losses for the year	**26 051**	**17 343**
Prior year adjustment (note 1 : Retirement benefits)	732	
Total gains recognised since the last annual report	**26 783**	

There was no material difference between the results as reported and the results that would have been reported on an unmodified historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

Consolidated balance sheet

For the year ended 31 March

(£000)	Notes	2004	Restated 2003
Assets			
Cash and balances at central banks		258 999	255 969
Treasury bills and other eligible bills	11	144 781	-
Loans and advances to banks	12	663 750	1 818 689
Loans and advances to customers	13	3 017 983	2 056 755
Debt securities	15	770 832	1 217 810
Equity shares	16	255 243	65 377
Interests in associated undertakings	17	1 567	1 961
Other participating interests	18	9 135	-
Intangible fixed assets	20	29 822	25 530
Tangible fixed assets	22	29 229	33 128
Other assets	23	383 545	252 942
Prepayments and accrued income		27 505	67 875
		5 592 391	**5 796 036**
Liabilities			
Deposits by banks	24	769 342	1 509 753
Customer accounts	25	3 064 773	3 308 183
Debt securities in issue	26	220 859	61 327
Other liabilities	27	777 975	311 527
Accruals and deferred income		57 688	100 353
		4 890 637	**5 291 143**
Capital resources			
Subordinated liabilities	29	202 371	39 300
Minority interests–equity		13 616	15 877
Called up share capital	30	354 000	314 000
Share premium account	31	37 365	37 365
Profit and loss account	31	94 402	98 351
Equity shareholders' funds		485 767	449 716
		701 754	504 893
		5 592 391	**5 796 036**
Memorandum items			
Commitments	33	316 510	350 568
Contingent liabilities	34	148 330	134 673
		464 840	**485 241**

The directors approved the financial statements on 28 June 2004

Bradley Fried
Chief Executive Officer

Balance sheet

At 31 March

(£000)	Notes	2004	Restated 2003
Assets			
Cash and balances at central banks		8 505	12 999
Treasury bills and other eligible bills	11	6 663	-
Loans and advances to banks	12	403 044	1 534 874
Loans and advances to customers	13	2 372 468	1 683 472
Debt securities	15	545 335	1 031 082
Equity shares	16	233 082	44 823
Interests in associated undertakings	17	1 297	1 597
Other participating interests	18	9 135	-
Shares in group undertakings	19	244 504	146 590
Intangible fixed assets	20	6 101	8 970
Tangible fixed assets	22	12 402	14 750
Other assets	23	336 585	218 759
Prepayments and accrued income		26 777	63 617
		4 205 898	**4 761 533**
Liabilities			
Deposits by banks	24	1 060 844	1 770 220
Customer accounts	25	1 878 165	2 126 884
Debt securities in issue	26	52 257	61 327
Other liabilities	27	747 692	273 513
Accruals and deferred income		45 001	95 191
		3 783 959	**4 327 135**
Capital resources			
Subordinated liabilities	29	6 596	39 300
Called up share capital	30	354 000	314 000
Share premium account	31	37 365	37 365
Profit and loss account	31	23 978	43 733
Equity shareholders' funds		415 343	395 098
		421 939	434 398
		4 205 898	**4 761 533**
Memorandum items			
Commitments	33	228 169	284 872
Contingent liabilities	34	87 057	122 506
		315 226	**407 378**

The directors approved the financial statements on 28 June 2004

Bradley Fried
Chief Executive Officer

Notes to the financial statements

Accounting policies

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

Basis of preparation

The group comprises Investec Bank (UK) Limited and its subsidiary undertakings.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

These financial statements have been prepared having regard to Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 in accordance with applicable UK accounting standards, and with the Statements of Recommended Practice issued by the British Bankers' Association, except where noted in the financial statements below.

Prior year figures have been reclassified to be comparable with current year figures as noted in the financial statements below.

Basis of consolidation

The group financial statements incorporate the financial results of the bank and its subsidiaries. All subsidiary undertakings in which the group holds more than one half of the voting rights or over which it exercises control are consolidated from the effective dates of acquisition and up to the effective dates of disposal. In the case of Investec Bank (Israel) Limited, whose financial statements are compiled to 31 December annually, the group uses interim management accounts, drawn up to 31 March to prepare the group financial statements at 31 March 2004.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over their operating and financial policies, are treated as associated undertakings. In the group financial statements, associated undertakings are accounted for using the equity method.

The consolidated financial statements include the attributable share of the results and reserves of associated undertakings, based on financial statements made up to dates not earlier than three months prior to 31 March. The group's interests in associated undertakings are included in the consolidated balance sheet at the group's share of net assets plus unamortised goodwill.

Other participating interests are investments in the shares of undertakings which are held on a long term basis for the purpose of securing a contribution to the group's business, other than subsidiary undertakings or associated undertakings. Other participating interests are stated at cost less provision for any impairment in value.

Positive goodwill arising on the acquisition of subsidiaries is amortised against income over its useful economic life, for a period not exceeding 20 years. Negative goodwill arising on acquisitions is included within intangible fixed assets and released to profit and loss account initially over the period that non-monetary assets are recovered and then over the periods expected to benefit. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Foreign entities

The net assets of the group undertakings and associated undertakings which do not have sterling as a functional currency are translated at closing rates of exchange and the translation differences arising are taken to reserves. The results of these companies are translated at weighted average rates of exchange for the relevant period. The difference between the profit and loss translated at an average rate and the closing rate is recorded as a movement in reserves. Any exchange differences on foreign currency loans, which are used to hedge the net investment in subsidiaries which do not have sterling as a functional currency, are also taken to reserves.

Notes to the financial statements

Goodwill arising on the acquisition of entities that do not have sterling as a functional currency is translated at the closing exchange rate.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into the local reporting currency at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into the local reporting currency 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.

Debt securities and equity shares

Shares and securities intended for use on a continuing basis in the group's activities are classified as investment securities. Such shares and securities are stated at cost less provision for any impairment in value. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on a level yield basis over the period to maturity.

Debt securities held for the purpose of hedging are valued on the same basis as the assets or liabilities which are being hedged.

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

Where securities are sold subject to a commitment to repurchase them, they remain on the balance sheet. Obligations for the repurchase of these securities are included under deposits by banks and customer accounts. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is included in loans and advances to banks or loans and advances to customers.

Stock lending and borrowing transactions which are cash collateralised are accounted for in the same way as securities sold or purchased subject to repurchase commitments. Transactions that are not cash collateralised are not included on the balance sheet.

Financial instruments

Financial instruments in the trading book are measured at fair value, whereas financial instruments in the non-trading book, including loans and investment securities, are measured at amortised cost. Income and expenses on trading instruments are recognised in the profit and loss account in full in the current period, whereas income and expenses on non-trading instruments are amortised over the life of the instrument, with adjustments made to reflect changes in estimated premiums and discounts.

Derivatives

Derivatives are used to hedge interest, exchange rate and equity exposures related to non-trading positions. Instruments used for hedging purposes include swaps, equity derivatives, forward rate agreements, futures, options and combinations of these instruments. In addition, the use of derivatives is an integral part of the group's trading activities. Derivatives entered into for trading purposes include swaps, equity derivatives, credit derivatives, commodity derivatives, forward rate agreements, futures, options and combinations of these instruments.

Transactions undertaken for trading purposes are included in the balance sheet at fair value.

Where the group has entered into legally binding netting agreements, positive and negative fair values of derivatives are offset within the balance sheet totals.

Exposures to market risks are limited through the use of hedging instruments. The criteria used for a derivative instrument to be classified as a designated hedge include:

- the transaction must effectively reduce the price or interest rate or credit risk of the asset, liability or cashflow to which it is linked.
- adequate evidence of the intention to link with the underlying risk inherent in the asset, liability or cashflow.
- the transaction must be designated as a hedge at the inception of the derivative contract.

The hedging instruments are accounted for on the same basis as the underlying asset, liability, position or cash flow being hedged with income and expense being recognised in the profit and loss account. Hedging transactions which are superseded, cease to be effective or are terminated prior to the end of the life of the asset, liability or cashflow being hedged are measured at fair value. Any profit or loss arising is deferred and amortised into income or expense over the remaining life of the item previously hedged. When the underlying asset, liability position or cashflow is terminated prior to the hedging transaction, the hedging transaction is

Notes to the financial statements

measured at fair value and the resulting profit or loss is included in the category of income or expense relating to the previously hedged transaction.

Instalment credit, leases and rental agreements

Amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances. Finance charges on finance leases and instalment credit transactions are credited to income in proportion to the capital balance outstanding.

Specific and general provisions for bad and doubtful debts

Specific provisions represent the quantification of actual and expected losses from identified accounts and are deducted from loans and advances in the balance sheet. The amount of specific provision raised is the group's conservative estimate of the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, taking into account the financial status of the customer and any security for the loan. Included in the specific provisions are amounts in respect of interest that is not serviced. The charge for bad and doubtful debts in the income statement includes the unserviced interest which has been transferred to specific provisions. Doubtful debts are written off against the balance sheet asset and provision in part, or in whole, when the extent of the loss incurred has been determined.

General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future. The group's general provision has been determined taking into account the structure and the risk characteristics of the group's loan portfolio. A number of complex and changing factors are collectively weighed by management in determining the adequacy of provisions. These factors include management's views of the extent of existing risks in the loan portfolio and of prevailing economic conditions. General provisions are deducted from loans and advances to customers in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at original cost. Depreciation is provided on a straight-line basis over their anticipated useful lives.

The periods over which assets are depreciated are as follows:

Leasehold property	- the remaining period of the lease
Leasehold improvements	- the shorter of 20 years and the remainder of the lease term
Computer hardware and software	- Two to five years
Furniture and fittings	- Five years
Motor vehicles	- Four years
Freehold properties	- 50 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Dealing properties

Dealing properties are included in other assets and are stated at the lower of cost and net realisable value.

Taxation

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

Deferred taxation

Deferred taxation 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 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 the 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 assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

Deferred tax is recognised in respect of future remittance of retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued

Notes to the financial statements

as receivable (or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary).

Deferred tax is measured on 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.

Income recognition

Interest income is recognised in the profit and loss account as it accrues, other than interest the collectibility of which is considered doubtful, which is credited to a suspense account and excluded from interest income. The closing balance on the suspense account is included with specific provisions and deducted from loans and advances to customers in the balance sheet. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Dealing profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily.

Commissions and fees include fees earned from providing advisory services, portfolio management and the arranging of financing for clients. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commissions charged in lieu of interest are taken to income on a level yield basis over the period of the loan. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly.

Other operating income includes realised profits and losses on disposal of investments, property rental income and dividends received.

Retirement benefits

The group operates one defined contribution scheme and one, closed, defined benefit scheme.

In respect of the defined contribution scheme all employer contributions are charged to income, as they become payable in accordance with the rules of the scheme, and are included under staff costs.

During the year the group has adopted FRS17. The pension liability previously recorded under SSAP 24 has been reversed. The comparatives have been restated and the impact of this change in accounting policy on reserves is set out in note 31.

The defined benefit scheme is closed to new membership and to accrual of pensionable service for existing members. The assets are held in separate trustee administered funds. Employees from other Investec plc undertakings also participate in this scheme and the bank has accounted for this scheme on a defined contribution basis.

Bank's own profit and loss account

The bank has taken advantage of the exemption in section 230 of the Companies Act 1985 not to present its own profit and loss account.

Cash flow statement

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 parent undertaking, Investec plc, includes a cash flow statement in its published financial statements.

Notes to the financial statements

	Principal Activity	Country of Incorporation	Interest % 2004	Interest % 2003
1. Principal subsidiary and associated companies				
Direct subsidiaries of Investec Bank (UK) Limited				
European Capital Company Limited	Project finance	England	100%	100%
Guinness Mahon & Co Limited	Investment holding company	England	100%	100%
Investec Asset Finance PLC	Leasing	England	100%	100%
Investec Finance plc	Debt issuer	England	100%	100%
Investec Group Investments (UK) Limited	Investment holding company	England	100%	100%
Investec Property Services Limited (trading as Taylor Rose)	Commercial property agency	England	100%	100%
Indirect subsidiaries of Investec Bank (UK) Limited				
Investec Bank (Australia) Limited	Banking institution	Australia	100%	0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Israel) Limited	Banking institution	Israel	80%	80%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100%	100%
Investec Investment Holdings AG	Investment holding company	Switzerland	100%	100%
Investec Trust (Guernsey) Limited	Trust company	Guernsey	100%	100%
Investec Trust (Jersey) Limited (formerly Theodores Trust & Law Group Limited)	Trust company	Jersey	100%	100%
Investec Trust (Switzerland) S.A. (formerly Radcliffes Trustee Company S.A	Trust company	Switzerland	100%	100%

All of the above subsidiary undertakings are included in the consolidated financial statements.

	Principal Activity	Country of Incorporation	Interest % 2004	Interest % 2003
Principal associated undertaking of Investec Bank (UK) Limited				
iMarkets Holdings Limited (formerly Innorate Profits Limited)	Supplier of trading platforms	British Virgin Islands	25%	25%

Notes to the financial statements

For the year ended 31 March

(£000)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Group Services & Other Activities	Total Group
2. Segmental analysis					
Business analysis 2004					
Net interest income	41 536	13 508	2 245	11 186	68 475
Dividend income	-	-	112	176	288
Net fees and commissions receivable	42 587	21 332	38 759	1 872	104 550
Dealing profits	362	18 925	396	1 099	20 782
Other operating income	174	104	3 029	994	4 301
Operating income	**84 659**	**53 869**	**44 541**	**15 327**	**198 396**
Continuing operations:					
ongoing	74 851	52 645	36 301	11 500	175 297
acquisition – Investec Bank (Australia) Limited	9 808	1 224	8 240	3 827	23 099
Administrative expenses	(49 205)	(35 567)	(33 510)	(13 274)	(131 556)
Depreciation	(1 321)	(176)	(433)	(2 264)	(4 194)
Provision for bad and doubtful debts	(5 264)	(446)	-	1 464	(4 246)
Operating profit before amortisation and impairment of goodwill	**28 869**	**17 680**	**10 598**	**1 253**	**58 400**
Continuing operations:					
ongoing	22 786	17 680	6 167	2 774	49 407
acquisition – Investec Bank (Australia) Limited	6 083	-	4 431	(1 521)	8 993
Share of loss of associated undertakings	-	(300)	-	(17)	(317)
Amortisation and impairment of goodwill	(6 650)	3 360	(5 654)	476	(8 468)
Profit on ordinary activities before taxation	**22 219**	**20 740**	**4 944**	**1 712**	**49 615**
Continuing operations:					
ongoing	16 136	20 740	2 905	3 233	43 014
acquisition – Investec Bank (Australia) Limited	6 083	-	2 039	(1 521)	6 601
Net intercompany interest	1 618	(25 586)	(358)	15 985	(8 341)
Total assets (£ million)	1 867	2 661	148	916	5 592

Business analysis 2003

The group has implemented a policy of fully allocating central support costs to the business units. The 2003 segmental analysis by business unit has been restated for this change so as to be consistent with the presentation in the current year.

Notes to the financial statements

For the year ended 31 March

(£000)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Group Services & Other Activities	Total Group
2. Segmental analysis (continued)					
Business analysis 2003					
Net interest income	31 630	5 302	1 529	10 814	49 275
Dividend income	-	-	290	-	290
Net fees and commissions receivable	28 745	9 557	17 988	4 217	60 507
Dealing profits	315	6 231	1 917	1 639	10 102
Other operating income	(54)	(4)	15 641	175	15 758
Operating income	**60 636**	**21 086**	**37 365**	**16 845**	**135 932**
Continuing operations:					
ongoing	56 528	20 401	32 377	16 845	126 151
acquisition – Investec Bank (Israel) Limited	4 108	685	4 988	-	9 781
Administrative expenses	(39 486)	(30 480)	(31 761)	(6 675)	(108 402)
Depreciation	(1 282)	(87)	(749)	(2 488)	(4 606)
Provision for bad and doubtful debts	(4 289)	(228)	(27)	765	(3 779)
Operating profit/(loss) before amortisation and impairment of goodwill	**15 579**	**(9 709)**	**4 828**	**8 447**	**19 145**
Continuing operations:					
ongoing	15 255	(9 762)	4 449	8 447	18 389
acquisition – Investec Bank (Israel) Limited	324	53	379	-	756
Share of income of associated undertakings	-	-	-	13	13
Amortisation and impairment of goodwill	(9 280)	(157)	(163)	(1)	(9 601)
Fundamental reorganisation and restructuring costs	(595)	(1 445)	(3 066)	(248)	(5 354)
Gain on disposal of subsidiary undertaking	279	-	-	-	279
Profit/(loss) on ordinary activities before taxation	**5 983**	**(11 311)**	**1 599**	**8 211**	**4 482**
Continuing operations:					
ongoing	5 794	(11 342)	1 370	8 198	4 020
acquisition – Investec Bank (Israel) Limited	189	31	229	13	462
Net intercompany interest	12 508	(24 129)	(91)	9 664	(2 048)
Total assets (£ million)	1 962	3 558	133	143	5 796

Notes to the financial statements

For the year ended 31 March

(£000)	United Kingdom & Europe	Australia	Israel	USA	Total Group
2. Segmental analysis (continued)					
Geographical analysis 2004					
The group geographical analysis is based on the location of the office at which the transaction was recorded.					
Net interest income	45 727	11 712	10 874	162	68 475
Dividend income	249	12	27	-	288
Net fees and commissions receivable	83 228	11 394	10 026	(98)	104 550
Dealing profits	19 498	307	977	-	20 782
Other operating income	3 490	11	602	198	4 301
Operating income	**152 192**	**23 436**	**22 506**	**262**	**198 396**
Administrative expenses	(102 939)	(13 701)	(14 911)	(5)	(131 556)
Depreciation	(3 033)	(225)	(934)	(2)	(4 194)
Provision for bad and doubtful debts	(3 115)	(388)	(743)	-	(4 246)
Operating profit before amortisation and impairment of goodwill	**43 105**	**9 122**	**5 918**	**255**	**58 400**
Share of loss of associated undertakings	-	(300)	(17)	-	(317)
Amortisation and impairment of goodwill	(1 546)	(2 392)	(4 530)	-	(8 468)
Profit on ordinary activities before taxation	**41 559**	**6 430**	**1 371**	**255**	**49 615**
Taxation	(12 857)	(2 682)	(3 474)	47	(18 966)
Minorities	(41)	-	(505)	-	(546)
Profit/(loss) attributable to shareholders	**28 661**	**3 748**	**(2 608)**	**302**	**30 103**
Net intercompany interest	(8 030)	(325)	-	14	(8 341)
Balance Sheet (£ million)					
Cash and balances at central banks	8	3	248	-	259
Treasury bills and other eligible bills	7	138	-	-	145
Loans and advances to banks	468	65	131	-	664
Loans and advances to customers	2 573	253	192	-	3 018
Debt securities	638	-	133	-	771
Equity shares	253	2	-	-	255
Interests in associated undertakings	-	1	-	-	1
Other participating interests	9	-	-	-	9
Intangible fixed assets	10	20	-	-	30
Tangible fixed assets	15	1	13	-	29
Other assets, prepayments and accrued income	395	5	11	-	411
Total assets	**4 376**	**488**	**728**	**-**	**5 592**

Notes to the financial statements

For the year ended 31 March

(£000)	United Kingdom & Europe	Israel	USA	Total Group
2. Segmental analysis (continued)				
Geographical analysis 2003				
Net interest income	44 652	4 510	113	49 275
Dividend income	270	20	-	290
Net fees and commissions receivable	57 016	3 456	35	60 507
Dealing profits	8 307	1 795	-	10 102
Other operating income	15 769	-	(11)	15 758
Operating income	**126 014**	**9 781**	**137**	**135 932**
Administration expenses	(100 722)	(7 668)	(12)	(108 402)
Depreciation	(3 476)	(1 126)	(4)	(4 606)
Provision for bad and doubtful debts	(3 548)	(231)	-	(3 779)
Operating profit before amortisation and impairment of goodwill	**18 268**	**756**	**121**	**19 145**
Share of income of associated undertakings	-	13	-	13
Amortisation and impairment of goodwill	(9 281)	(320)	-	(9 601)
Fundamental reorganisation and restructuring costs	(5 354)	-	-	(5 354)
Gain on disposal of subsidiary undertaking	279	-	-	279
Profit on ordinary activities before taxation	**3 912**	**449**	**121**	**4 482**
Taxation	12 295	(99)	(42)	12 154
Minorities	(988)	(22)	-	(1 010)
Profit attributable to shareholders	**15 219**	**328**	**79**	**15 626**
Net intercompany interest	(1 951)	(112)	15	(2 048)
Balance Sheet (£ million)				
Cash and balances at central banks	13	243	-	256
Loans and advances to banks	1 666	153	-	1 819
Loans and advances to customers	1 821	236	-	2 057
Debt securities	1 077	141	-	1 218
Equity shares	56	-	-	56
Interests in associated undertakings	2	-	-	2
Other participating interests	9	-	-	9
Intangible fixed assets	25	-	-	25
Tangible fixed assets	17	16	-	33
Other assets, prepayments and accrued income	297	24	-	321
Total assets	**4 983**	**813**	**-**	**5 796**

Notes to the financial statements

2. Segmental analysis (continued)

The Statement of Recommended Practice on Segmental Reporting by Banks recommends, inter alia, net assets to be disclosed by class of business and geographical segment. In the view of the directors it would not be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to these businesses, but is held centrally. Similarly, an analysis by geographical segment would not be meaningful, because of the way in which the group has been structured and funded historically.

The Statement of Recommended Practice on Segmental Reporting by Banks and the Companies Act recommends the disclosure by geographical segment of gross income, consisting of interest receivable, dividend income, fees and commissions receivable, dealing profits and other operating income. In the view of the directors, interest receivable and fees and commissions receivable are monitored on a net basis and aggregate split of fees and commissions receivable and payable by geographical segment would not provide meaningful dislosure. Consequently, gross income is not separately disclosed.

As the business of the group is mainly that of banking, no segmental analysis of turnover is given.

A geographical breakdown of business operating profit before goodwill amortisation is shown below:

The group has implemented a policy of fully allocating central support costs to the business units. The 2003 segmental analysis by business unit has been restated for this change so as to be consistent with the presentation in the current year.

At 31 March

(£000)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Group Services & Other Activities	Total Group
2004					
United Kingdom & Europe	24 681	15 084	2 846	494	43 105
Australia	3 588	129	4 431	974	9 122
Israel	600	2 467	3 066	(215)	5 918
USA	-	-	255	-	255
Total group	**28 869**	**17 680**	**10 598**	**1 253**	**58 400**
2003					
United Kingdom & Europe	15 255	(9 762)	4 328	8 447	18 268
Israel	324	53	379	-	756
USA	-	-	121	-	121
Total	**15 579**	**(9 709)**	**4 828**	**8 447**	**19 145**

Notes to the financial statements

Further breakdowns of business line operating profit before goodwill amortisation are shown below:

For the year ended 31 March

(£000)	2004	2003
2. Segmental analysis (continued)		
Private Client Activities		
Private Banking	28 869	15 579
	28 869	15 579
Treasury and Specialised Finance		
Banking Activities	13 843	3 854
Financial Market Activities	3 837	(13 563)
	17 680	(9 709)
Investment Banking		
Corporate Finance	4 808	(3 148)
Institutional Research and Sales and Trading	3 064	397
Private Equity	2 726	7 579
	10 598	4 828
Group Services and Other Activities		
Property	1 521	1 428
Central Funding	4 216	12 159
Central Costs	(4 484)	(5 140)
	1 253	8 447
	58 400	19 145

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Group 2003
3. Dividend income		
Income from equity shares	288	290
4. Dealing profits		
Interest rate instruments	4 909	2 076
Foreign exchange instruments	54	1 225
Commodities trading	2 089	(2 220)
Profit on disposal of dealing properties	1 149	1 582
Equities and other securities	12 581	7 439
	20 782	10 102
5. Administrative expenses		
Staff costs (including directors' remuneration)		
Wages and salaries	72 653	57 837
Social security costs	6 061	4 819
Pension fund contributions	4 337	4 142
	83 051	66 798
Other administrative expenses		
Premises (excluding depreciation)	3 198	2 321
Premises rental recharge from fellow group undertakings	7 723	7 683
Operating lease rental expenses	2 587	921
Equipment (excluding depreciation and operating rental expenses)	1 046	1 378
Business expenses	29 459	26 107
Marketing expenses	4 492	3 194
	48 505	41 604
Total administrative expenses	131 556	108 402
The following amounts were paid to the auditors		
Audit fees	1 050	965
Other services	430	373
	1 480	1 338
Audit fees by audit firm		
Ernst & Young	920	810
KPMG	130	155
	1 050	965
Number of employees		
The average number of persons employed by the group was as follows:-	Number	Number
Private Client Activities	400	365
Treasury and Specialised Finance	176	184
Investment Banking	173	185
Group Services and Other Activities	330	294
	1 079	1 028

Details of the directors' emoluments are disclosed in note 8.

Notes to the financial statements

For the year ended 31 March

(£000)	2004	2003
6. Group profits		
Income:		
Gains on disposal of investment securities	1 500	14 088
Operating lease income	2 172	1 667

7. Pension costs

Pension costs relate to defined contribution schemes. The group has this year adopted FRS 17 in respect of defined benefit schemes. Employees of the bank participate in the Guinness Mahon Pension scheme ("the scheme") which is a non-contributory defined benefit scheme and its assets are held in separate trustee administered funds. Employees from other Investec plc undertakings also participate in this scheme and the bank is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the bank has accounted for this scheme on a defined contribution basis. The scheme is closed to new entrants and accrual of service ceased on 31 March 2002. The bank made no contributions to the scheme in the year ended 31 March 2004 (31 March 2003 - £nil). £732,000 accrued under SSAP 24 in prior years has been writtten back against opening reserves.

The financial statements of Investec plc, the bank's ultimate parent company, disclose the actuarial valuation of the scheme under FRS 17 at 31 March 2004. This was performed by a qualified, independent actuary. The valuation showed a deficit in the scheme of £14,821,000 (31 March 2003 - £11,647,000). This deficit, after recognition of the related deferred tax asset, has been recognised in the financial statements of Investec plc.

8. Directors' emoluments		
Aggregate emoluments (excluding pension contributions)	2 974	1 987
Contributions to defined contributions scheme	132	128
	3 106	2 115
Number of directors in defined contributions scheme	5	6
Number of directors in closed defined benefits scheme	1	1

Emoluments of the highest paid director were £935,285 (2003 - £651,625) excluding £ nil pension contribution to the defined contributions scheme (2003 - £4,583 contribution to the defined contributions scheme).

The highest paid director in 2004 was not a member of the defined benefits scheme or the defined contributions scheme.

The directors' emoluments of Messrs. Herman, Koseff, B Kantor and I Kantor have been borne by Investec plc. These directors were employed and remunerated as directors, or executives, of Investec plc and its subsidiaries in respect of their services to that group as a whole. It is considered that there is no appropriate basis on which they can apportion part of their remuneration for services to the company.

Notes to the financial statements

For the year ended 31 March

9. Non-operational exceptional items

2004

There are no exceptional items for this financial year.

2003

Costs of £5.4m relating to the fundamental reorganisation and restructuring of business units within the group. No tax credit was attributable to this cost in the year as the group had not recognised a deferred tax asset for all of its losses in the year due to the level of total deferred tax asset compared to forecast profit (in the legal entities in which the tax losses reside). These unrecognised losses have been treated as attributable to the reorganisation and restructuring costs.

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
10. Tax				
Corporation tax				
United Kingdom				
-current tax on income for the year	5 810	5 479	-	-
-double tax relief	(502)	(502)	-	-
-adjustments in respect of prior years	(544)	28	(5 000)	(5 000)
	4 764	5 005	(5 000)	(5 000)
Overseas current tax charge				
Current tax on income for the year:				
-Europe	1 587	-	1 610	430
-Australia	2 811	-	-	-
-Israel	3 678	-	99	-
-Other	(47)	-	-	-
	8 029	-	1 709	430
Adjustment in respect of prior years:				
-Overseas	(216)	-	-	-
	(216)	-	-	-
Total corporation tax	12 577	5 005	(3 291)	(4 570)
Deferred tax				
United Kingdom	6 722	4 762	(8 863)	(10 186)
Australia	(129)	-	-	-
Israel	(204)	-	-	-
	6 389	4 762	(8 863)	(10 186)
Total tax charge for the year	18 966	9 767	(12 154)	(14 756)

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Group 2003
10. Tax (continued)		
Items which affect the tax rate going forward are:		
Estimated tax losses, arising from trading activities, available for relief against future taxable income		
United Kingdom	15 500	20 000
£3.1m (2003 - £10.6m) of the above losses have been recognised as deferred tax assets.		
The rates of corporation tax for the relevant years are:		
United Kingdom	30%	30%
Europe (average)	20%	20%
Australia	30%	30%
Israel	45%	45%
Profit on ordinary activities before taxation	49 615	4 482
Tax on profit on ordinary activities	12 577	(3 291)
Effective tax rate	25%	N/A
The tax charge on activities for the year is higher than the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation, at UK rate of 30%	14 885	1 345
Losses carried forward/(utilised)	1 010	(2 877)
Overseas profits	(85)	(3 344)
Taxation relating to prior years	(544)	(5 000)
Capital allowances (in excess of)/below depreciation	(7 136)	307
Goodwill amortisation	2 540	2 880
Expenses not deductible for tax purposes	1 208	300
Group relief surrendered	439	(1 383)
Other timing differences	260	3 116
Other	-	1 365
Current tax charge/(credit)	12 577	(3 291)

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
11. Treasury bills and other eligible bills				
Investment securities held at cost				
Treasury bills	-	-	-	-
Other eligible bills - banks	138 118	-	-	-
Other eligible bills - other	6 663	6 663	-	-
	144 781	6 663	-	-
Investment securities:				
At beginning of year	-	-	-	-
By acquisition of subsidiary undertaking	71 133	-	-	-
Purchases	1 207 153	33 904	-	-
Maturities	(1 139 028)	(27 123)	-	-
Exchange movements	5 523	(118)	-	-
At end of year	144 781	6 663	-	-

Treasury bills and other eligible bills are unlisted, mainly short term in maturity with a book value not materially different from market value.

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
12. Loans and advances to banks				
Remaining maturity:				
Repayable on demand	336 088	247 944	207 614	133 520
Up to three months, excluding on demand	300 853	132 932	1 190 806	987 138
Three months to one year	16 894	10 903	388 817	386 232
One year to five years	9 915	7 155	17 663	9 669
Greater than five years	-	4 110	13 789	18 315
	663 750	403 044	1 818 689	1 534 874
Balances with group companies	10 182	13 887	13 775	13 775
13. Loans and advances to customers				
Remaining maturity:				
Repayable on demand or at short notice	1 208 228	1 132 694	664 227	518 825
Up to three months, excluding on demand or at short notice	256 707	148 044	141 444	116 519
Three months to one year	409 458	248 646	455 792	392 281
One year to five years	779 664	480 951	663 576	530 517
Greater than five years	395 682	382 260	159 983	144 362
Provision for bad and doubtful debts	(31 756)	(20 127)	(28 267)	(19 032)
	3 017 983	2 372 468	2 056 755	1 683 472
Balances with group companies	163 205	179 528	166	36 946
Balances with associated undertakings	745	-	-	-

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
13. Loans and advances to customers (continued)				
Included in loans and advances to customers are:				
Core loans and advances to customers (refer to risk management review)	2 097 016		1 510 141	
Net investment in finance leases	17 216		32 316	
Net investment in operating leases	5 226		4 879	
14. Provisions for bad and doubtful debts				
Specific provisions				
At beginning of year	10 470	3 672	2 978	2 978
Charged against income	2 864	2 155	1 582	1 303
Acquired with subsidiary undertaking	695	-	7 229	-
Utilised	(2 457)	(1 479)	(617)	(512)
Exchange movements	(820)	(59)	(702)	(97)
At end of year	10 752	4 289	10 470	3 672
General provisions				
At beginning of year	17 797	15 360	13 739	13 095
Charged against income	1 382	629	2 197	2 032
Acquired with subsidiary undertaking	2 084	-	1 776	-
Utilised	(69)	(69)	-	-
Exchange movements	(190)	(82)	85	233
At end of year	21 004	15 838	17 797	15 360
Total provisions				
At beginning of year	28 267	19 032	16 717	16 073
Charged against income	4 246	2 784	3 779	3 335
Acquired with subsidiary undertaking	2 779	-	9 005	-
Utilised	(2 526)	(1 548)	(617)	(512)
Exchange movements	(1 010)	(141)	(617)	136
At end of year	31 756	20 127	28 267	19 032

Included within the year-end specific provision balance for both group and bank is an amount of £1,656,000 (2003 - £1,080,000) of interest in suspense.

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
15. Debt securities				
Dealing and market making securities at market value				
Government securities	64 701	22 688	33 785	27 925
Other debt securities	29 197	29 198	34 733	34 545
	93 898	51 886	68 518	62 470
Investment securities at cost				
Government securities	87 859	-	130 803	4 315
Unlisted bank and building society certificates of deposit	475 147	385 199	915 597	863 236
Other unlisted debt securities	113 928	108 250	102 892	101 061
	676 934	493 449	1 149 292	968 612
Total debt securities	770 832	545 335	1 217 810	1 031 082
Amounts include:				
Unamortised net premiums on investment securities	-	-	137	137
The fair value of investment securities	676 388	493 024	1 149 666	968 986

No active or liquid market exists for the majority of the other unlisted debt securities held as investment securities by the group. In the view of the directors the fair value of these securities is not materially different to their cost.

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
Remaining maturity				
Up to one year	653 099	436 983	1 057 959	926 225
Greater than one year	117 733	108 352	159 851	104 857
	770 832	545 335	1 217 810	1 031 082

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

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
Investment securities:				
At beginning of year	1 149 292	968 612	904 718	805 254
By acquisition of subsidiary undertaking	981	-	141 323	-
Additions	768 059	446 939	2 616 030	2 225 247
Sold/matured	(1 220 982)	(914 999)	(2 492 824)	(2 053 477)
Exchange movements	(20 416)	(7 103)	(19 955)	(8 412)
At end of year	676 934	493 449	1 149 292	968 612

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
16. Equity shares				
Dealing securities at market value				
Listed	230 605	230 605	33 298	33 298
Unlisted	-	-	-	-
	230 605	230 605	33 298	33 298
Investment securities at cost less impairment				
Listed	1 082	1 047	982	908
Unlisted	23 556	1 430	31 097	10 617
	24 638	2 477	32 079	11 525
Total equity shares	255 243	233 082	65 377	44 823
Investment securities at fair value				
Listed	1 082	1 047	982	908
Unlisted	32 134	1 430	35 568	10 617
	33 216	2 477	36 550	11 525

Unlisted investment securities are assessed by the directors for impairment at each reporting date. To the extent that the book value has been impaired, a provision has been made through the profit and loss account. As market prices are not available the fair values have been estimated by management.

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

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
Investment securities at book value				
At beginning of year	54 389	25 305	57 775	44 789
By acquisition of subsidiary undertaking	1 717	-	-	-
Additions	5 712	158	8 832	397
Disposals	(6 761)	(1 075)	(11 359)	(3 483)
Transfer to other participating interests (note 18)	(8 750)	(8 750)	-	-
Transfer to subsidiary undertaking	-	-	-	(15 656)
Exchange movements	(1 065)	(373)	(859)	(742)
At end of year	45 242	15 265	54 389	25 305
Provisions on investment securities				
At beginning of year	(22 310)	(13 780)	(21 792)	(13 423)
Provisions released/(made) during the year	1 241	708	(1 332)	(701)
Provisions utilised	274	95	673	211
Exchange movements	191	189	141	133
At end of year	(20 604)	(12 788)	(22 310)	(13 780)
Book value at the end of year	24 638	2 477	32 079	11 525

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
17. Interests in associated undertakings				
Interests in associated undertakings consist of:				
Net asset value	852	639	899	684
Goodwill	715	658	1 062	913
Investment in associated undertakings	1 567	1 297	1 961	1 597
Analysis of the movement in our share of net assets:				
At beginning of year	899	684	-	-
Exchange movements	(90)	(45)	(3)	-
Acquisition of subsidiary undertaking	-	-	889	684
Operating profits, net of dividends	43	-	13	-
At end of year	852	639	899	684
Analysis of the movement in goodwill:				
At beginning of year	1 062	913	-	-
Acquisition of subsidiary undertaking	-	-	1 062	913
Goodwill amortisation	(360)	(300)	-	-
Exchange movements	13	45	-	-
At end of year	715	658	1 062	913
All of the associated undertakings are unlisted.				
18. Other participating interests				
Investment in other participating interests at cost	9 135	9 135	-	-
Analysis of the movement in investment:				
At beginning of year	-	-	-	-
Addition	385	385	-	-
Transfer from equity shares (note 16)	8 750	8 750	-	-
At end of year	9 135	9 135	-	-
Other participating interests:				
Listed	385	385	-	-
Unlisted	8 750	8 750	-	-
	9 135	9 135	-	-
Market value of listed securities	873	873	-	-

The only significant interest is a 35% investment in Hargreave Hale Limited. In the prior year financial statements this holding was shown within Equity Shares. The directors do not consider Hargreave Hale Limited to be an associated undertaking because they do not excercise significant influence over the operating and financial policies of Hargreave Hale Limited.

Notes to the financial statements

For the year ended 31 March

(£000)	2004	2003
19. Shares in group undertakings		
Cost		
At beginning of year	146 590	85 489
Additions	109 550	61 401
Recapitalisation of subsidiaries	549	-
Dividend declared by subsidiaries out of pre-acquisition reserves	-	(300)
At end of the year	256 689	146 590
Provision for impairment in value		
At beginning of year	-	-
Provision made	(12 185)	-
At end of the year	(12 185)	-
Net book value at the end of the year	244 504	146 590

All subsidiary undertakings are unlisted.

Notes to the financial statements

For the year ended 31 March

(£000)	Total	Goodwill	Negative goodwill
20. Intangible fixed assets			
Group			
Goodwill			
At beginning of year	41 831	50 531	(8 700)
Additions (note 21)	12 967	19 972	(7 005)
Exchange movements	(207)	(207)	-
At end of year	54 591	70 296	(15 705)
Accumulated amortisation			
At beginning of year	(16 301)	(20 434)	4 133
Charge to the profit and loss account	(8 468)	(16 343)	7 875
At end of year	(24 769)	(36 777)	12 008
Net book value at 31 March 2004	**29 822**	**33 519**	**(3 697)**
Net book value at 31 March 2003	25 530	30 097	(4 567)

Additions represent goodwill arising on current year acquisitions, as outlined in note 21. Goodwill is being amortised over periods of between 5 and 10 years.

Negative goodwill is released to the profit and loss account over a period of 10 years.

(£000)	Total
Bank	
Goodwill	
At beginning and end of year	19 442
Accumulated amortisation	
At beginning of year	(10 472)
Charge to the profit and loss account	(2 869)
At end of year	(13 341)
Net book value at 31 March 2004	**6 101**
Net book value at 31 March 2003	8 970

21. Acquisitions

As reported in last year's financial statements, on 13 June 2003 the company acquired a subsidiary undertaking, Investec Holdings (Australia) Limited, from another group company. The sole asset of Investec Holdings (Australia) Limited was a 100% shareholding in Investec Bank (Australia) Limited.

Also during the year two acquisitions were made by subsidiaries of the bank. The names of the companies and the dates acquired are as follows:

Investec Property (Businesss Centres) Limited (formerly Enterprise Business Centres Limited)	29 August 2003
Investec Investments (UK) Limited (formerly Nationale Nederlanden (UK) Limited)	15 October 2003

Notes to the financial statements

21. Acquisitions (continued)

The acquisitions were satisfied by the payment of cash. This cash was, in part, raised through an issue of ordinary shares at par to the bank's immediate parent undertaking. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below.

(£000)	Book value at date of acquisition Investec Holdings (Australia) Limited	Book value at date of acquisition Other acquisitions	Fair value adjustment See below	Fair values at date of acquisition
Cash and balances at central banks	2 133	-	-	2 133
Treasury bills	71 133	-	-	71 133
Loans and advances to banks	48 011	40 000	-	88 011
Loans and advances to customers	174 584	-	-	174 584
Debt securities, equity shares and investments in associates	1 719	981	-	2 700
Tangible fixed assets	981	155	-	1 136
Other assets - deferred tax (note 28)	1 592	-	10 950	12 542
Other assets	1 171	196	-	1 367
Total assets	301 324	41 332	10 950	353 606
Deposits from banks	(4 244)	(40 000)	-	(44 244)
Customer accounts	(159 425)	-	-	(159 425)
Debt securities in issue	(41 250)	-	-	(41 250)
Other liabilities	(6 827)	(304)	(1 000)	(8 131)
Total liabilities	(211 746)	(40 304)	(1 000)	(253 050)
Net assets / fair value of net assets	89 578	1 028	9 950	100 556
Goodwill	19 972	2 945	(9 950)	12 967
Fair value of consideration	109 550	3 973	-	113 523

The fair value adjustments relate mainly to deferred tax assets available to the acquiror but not recognised by the company acquired.

The start of Investec Bank (Australia) Limited's financial year is 1 April. The summarised consolidated profit and loss accounts of Investec Bank (Australia) Limited for the period from the beginning of its financial year to the date of acquisition, and for the prior financial year, are as follows:

	Period to date acquired	Previous financial year
Net interest income	1 498	7 816
Net fees and commissions receivable	1 178	9 987
Dividend income	-	192
Dealing profits	(31)	(7)
Other operating income	-	64
Operating income	2 645	18 052
Administrative expenses	(2 158)	(11 646)
Amortisation of goodwill	(453)	(2 601)
Provision for bad and doubtful debts	17	(432)
Operating profit	51	3 373
Tax on profit on ordinary activities	(151)	(2 452)
(Loss)/profit for the period	(100)	921

Notes to the financial statements

For the year ended 31 March

(£000)	Freehold properties	Leasehold improvement	Furniture & vehicles	Computer equipment	Total
22. Tangible fixed assets					
Group					
Cost or valuation					
At beginning of year	20 937	16 641	4 582	18 771	**60 931**
Exchange movements	(2 718)	(25)	(178)	(1 683)	**(4 604)**
Acquisition of subsidiary undertakings	-	317	792	808	**1 917**
Reclassifications	-	-	8 699	(8 699)	**-**
Additions	89	291	1 022	985	**2 387**
Disposals	-	-	(206)	(1 406)	**(1 612)**
At end of year	18 308	17 224	14 711	8 776	**59 019**
Accumulated depreciation and amortisation					
At beginning of year	(7 374)	(3 107)	(3 338)	(13 984)	**(27 803)**
Exchange movements	883	(13)	(90)	1 132	**1 912**
Disposals	-	-	128	948	**1 076**
Acquisition of subsidiary undertakings	-	-	(339)	(442)	**(781)**
Reclassifications	-	-	(6 464)	6 464	**-**
Charge for the year	(319)	(968)	(1 793)	(1 114)	**(4 194)**
At end of year	(6 810)	(4 088)	(11 896)	(6 996)	**(29 790)**
Net book value at 31 March 2004	**11 498**	**13 136**	**2 815**	**1 780**	**29 229**
Net book value at 31 March 2003	13 563	13 534	1 244	4 787	33 128

	2004	2003
Carrying value of properties occupied by group entities	11 260	12 977

Notes to the financial statements

For the year ended 31 March

(£000)	Leasehold improvement	Furniture & vehicles	Computer equipment	Total
22. Tangible fixed assets (continued)				
Bank				
Cost or valuation				
At beginning of year	15 126	3 472	6 827	**25 425**
Additions	-	442	71	**513**
Disposals	-	-	(1 221)	**(1 221)**
At end of year	15 126	3 914	5 677	**24 717**
Accumulated depreciation and amortisation				
At beginning of year	(2 916)	(2 564)	(5 195)	**(10 675)**
Disposals	-	-	802	**802**
Charge for the year	(777)	(1 059)	(606)	**(2 442)**
At end of year	(3 693)	(3 623)	(4 999)	**(12 315)**
Net book value at 31 March 2004	**11 433**	**291**	**678**	**12 402**
Net book value at 31 March 2003	12 210	908	1 632	14 750

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
23. Other assets				
Settlement debtors	162 114	156 120	109 670	109 652
Deferred tax asset (note 28)	22 080	7 046	15 858	11 808
Derivative instruments positive fair values	137 056	124 402	63 928	47 597
Dealing properties	22 648	22 648	29 600	29 600
Other debtors	39 647	26 369	33 886	20 102
	383 545	336 585	252 942	218 759

The asset, shown above, resulting from derivative instruments is stated after deducting £48,592,000 (2003 - £18,911,000) of cash collateral meeting the offset criteria of FRS5.

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
24. Deposits by banks				
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	231 115	291 179	15 997	114 347
Up to three months, excluding on demand	482 216	703 654	1 215 617	1 370 244
Three months to one year	51 803	61 803	274 164	281 654
One year to five years	-	-	683	683
Greater than five years	4 208	4 208	3 292	3 292
	769 342	1 060 844	1 509 753	1 770 220
Balances with group companies	10 334	308 653	9 330	273 729
25. Customer accounts				
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	1 192 053	636 060	940 187	483 203
Up to three months, excluding on demand	1 569 718	775 491	1 797 172	1 099 814
Three months to one year	79 791	28 300	453 075	388 200
One year to five years	108 553	102 046	100 982	87 166
Greater than five years	114 658	336 268	16 767	68 501
	3 064 773	1 878 165	3 308 183	2 126 884
Balances with group companies	42 146	292 763	52 512	103 986

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
26. Debt securities in issue				
Other debt securities in issue repayable:				
Not more than three months	121 379	52 257	35 000	35 000
Over three months but not more than one year	37 077	-	26 327	26 327
Over one year but not more than two years	35 663	-	-	-
Over two years but not more than five years	26 740	-	-	-
In more than five years	-	-	-	-
	220 859	52 257	61 327	61 327
			Restated	Restated
27. Other liabilities				
Settlement creditors	199 196	196 102	111 072	105 432
Short positions (see below)	467 245	467 245	78 536	78 536
Corporation and other taxes	13 202	7 527	5 899	2 213
Shareholders ordinary dividend	16 500	16 500	26 000	26 000
Derivatives instruments negative fair values	58 895	47 032	45 984	28 597
Other creditors and accruals	22 937	13 286	44 036	32 735
	777 975	747 692	311 527	273 513
Short positions comprise:				
Gold	4 974	4 974	-	-
Equities	462 271	462 271	78 536	78 536
	467 245	467 245	78 536	78 536

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
28. Deferred tax				
Deferred tax asset				
Deferred capital allowances	14 454	1 329	8 565	4 325
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income	919	917	3 186	3 186
General provisions	4 800	4 800	4 297	4 297
Other timing differences	1 907	-	(190)	-
	22 080	7 046	15 858	11 808
Reconciliation of deferred tax asset				
At beginning of year	15 858	11 808	6 995	1 622
(Release) / charge to profit and loss	(6 389)	(4 762)	8 863	10 186
Acquisition of subsidiary undertakings (see note 21)	12 542	-	-	-
Exchange movements	69	-	-	-
At end of year	22 080	7 046	15 858	11 808

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

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
29. Subordinated liabilities				
Dated subordinated debt				
Issued by Investec Finance plc				
- a wholly owned subsidiary of Investec Bank (UK) Limited				
Guaranteed Subordinated Step-up notes	195 775	-	-	-
Issued by Investec Bank (UK) Limited				
Zero Coupon Bonds	6 596	6 596	-	-
Variable Rate Notes	-	-	39 300	39 300
	202 371	6 596	39 300	39 300
Remaining maturity:				
In one year or less, or on demand	-	-	-	-
In more than one year, but not more than two years	-	-	-	-
In more than two years, but not more than five years	6 596	6 596	-	-
In more than five years	195 775	-	39 300	39 300
	202 371	6 596	39 300	39 300

Guaranteed subordinated step-up notes

On 1 March 2004 Investec Finance plc issued £200,000,000 of 7.75% Guaranteed Subordinated Step-up notes due 2016 at a discount. Interest is paid annually. The notes are guaranteed by Investec Bank (UK) Limited and are listed on the Luxembourg Stock Exchange. The Step-up notes may be redeemed by the issuer, at par, at any time after 1 March 2011, subject to the prior consent of the Financial Services Authority. On 1 March 2011 the interest rate will be reset to become the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt.

Zero coupon bonds

On 29 March 2004 the bank issued 9,253 zero coupon bonds of £1,000 each at an effective yield of 6.89094%. The bonds mature on 25 March 2009.

The £39.3m of subordinated debt issued to Investec Holdings (UK) Limited was repaid at par on 2 March 2004.

Notes to the financial statements

For the year ended 31 March

(£000)	2004	2003
30. Called up share capital		
Group and Bank		
Authorised		
The authorised share capital is £1,000 million (2003: £1,000 million) comprising 1,000 million ordinary shares of £1 each (2003: 1,000 million shares of £1 each).		
Issued, allotted and fully paid		
Nominal value of ordinary shares - GBP		
At beginning of year	314 000	314 000
Issued during the year at par for cash	40 000	-
At end of year	354 000	314 000

The proceeds for the share issue in the year were used to fund, in part, the purchase of subsidiary undertakings (see note 21).

31. Reconciliation of shareholders' funds and movements in reserves

Group	Share capital	Share premium account	Profit and loss account	Total
At 31 March 2002 - as previously reported	**314 000**	**37 365**	**106 276**	**457 641**
Prior year adjustment (note 1 : Retirement benefits)	-	-	732	732
At 31 March 2002 - as restated	**314 000**	**37 365**	**107 008**	**458 373**
Year ended 31 March 2003				
Foreign currency adjustments	-	-	1 717	1 717
Retained loss for the year	-	-	(10 374)	(10 374)
At 31 March 2003 - as restated	**314 000**	**37 365**	**98 351**	**449 716**
Year ended 31 March 2004				
Foreign currency adjustments	-	-	(4 052)	(4 052)
Retained profit for the year	-	-	103	103
Issue of shares (note 30)	40 000	-	-	40 000
At 31 March 2004	**354 000**	**37 365**	**94 402**	**485 767**

Notes to the financial statements

For the year ended 31 March

31. Reconciliation of shareholders' funds and movements in reserves (continued)

(£000)

Bank	Share capital	Share premium account	Profit and loss account	Total
At 31 March 2002 - as previously reported	314 000	37 365	58 369	409 734
Prior year adjustment (note 1 : Retirement benefits)	-	-	732	732
At 31 March 2002 - as restated	314 000	37 365	59 101	410 466
Year ended 31 March 2003				
Foreign currency adjustments	-	-	179	179
Retained loss for the year	-	-	(15 547)	(15 547)
At 31 March 2003 - as restated	314 000	37 365	43 733	395 098
Year ended 31 March 2004				
Foreign currency adjustments	-	-	(132)	(132)
Retained loss for the year	-	-	(19 623)	(19 623)
Issue of shares (note 30)	40 000	-	-	40 000
At 31 March 2004	354 000	37 365	23 978	415 343

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
32. Annual commitments in respect of non-cancellable operating leases				
Leasehold properties				
Within one year	146	-	-	-
Between one and five years	193	-	320	-
Over five years	1 762	-	715	-
	2 101	-	1 035	-
33. Commitments				
Forward repurchase agreements	-	-	129 091	129 091
Undrawn facilities	311 074	228 169	217 572	155 781
Other commitments	5 436	-	3 905	-
	316 510	228 169	350 568	284 872
The group has also entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business.				
34. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
- guarantees and irrevocable letters of credit	147 857	86 584	133 165	122 506
- other contingent liabilities	473	473	1 508	-
	148 330	87 057	134 673	122 506

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 in respect of taxation and other matters on disposal of various shareholdings.

Notes to the financial statements

35. Risk management

The group's risk management objectives and policies, including market risk, credit risk and the management of risks that arise in connection with the use of financial instruments, are detailed in the risk management review on pages 17 to 24.

In the notes below, short-term debtors and creditors are included in the interest rate repricing analysis, non trading currency risk tables and the table detailing assets and liabilities denominated in sterling and foreign currencies. All other disclosures exclude these short-term balances.

Financial Instruments, including Derivatives and Risk Disclosure
Fair values

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

The fair values of securities held for non-trading book purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values are based on market prices where a liquid and active market exists as defined by FRS13. The fair value of other non-trading balances approximate on their carrying value in the balance sheet.

Derivatives (off-balance sheet financial instruments)

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

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 fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date. The replacement cost is considered to be the same as the positive fair value.

Detailed below is the derivative exposure for both trading and non trading portfolios.

Notes to the financial statements

For the year ended 31 March

(£000)	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004	Notional principal amounts 2003	Positive fair value 2003	Negative fair value 2003
35. Risk management (continued)						
Trading derivatives						
Group						
Foreign exchange derivatives						
Forward foreign exchange	2 296 143	18 042	20 531	1 572 936	20 262	16 698
Currency swaps	14 306	-	-	412 810	4 631	5 244
OTC options bought and sold	797 327	4 222	4 383	92 206	588	781
Other foreign exchange contracts	28 455	-	-	-	-	-
OTC derivatives	3 136 231	22 264	24 914	2 077 952	25 481	22 723
Exchange traded futures	131 972	299	28	-	-	-
Exchange traded options	-	-	-	-	-	-
	3 268 203	22 563	24 942	2 077 952	25 481	22 723
Interest rate derivatives						
Caps and floors	-	-	-	91 514	-	-
Swaps	606 095	14 997	12 214	1 594 541	27 515	16 552
Forward rate agreements	10 143	-	2	1 041 278	2 413	3 021
OTC options bought and sold	-	-	-	-	-	-
Other interest rate contracts	-	-	-	-	-	-
OTC derivatives	616 238	14 997	12 216	2 727 333	29 928	19 573
Exchange traded futures	1 582 181	-	58	426 629	2	-
Exchange traded options	-	-	-	-	-	-
	2 198 419	14 997	12 274	3 153 962	29 930	19 573
Equity and stock index derivatives						
OTC options bought and sold	699 177	20 945	20 695	447 852	12 203	18 975
Equity swaps and forwards	60 708	4 026	4 193	40 245	496	347
OTC derivatives	759 885	24 971	24 888	488 097	12 699	19 322
Exchange traded futures	440 101	155	73	-	-	-
Exchange traded options	1 091 015	10 441	6 444	8 344	1 328	100
Warrants	40 540	41 603	-	912	212	27
	2 331 541	77 170	31 405	497 353	14 239	19 449

Notes to the financial statements

For the year ended 31 March

(£000)	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004	Notional principal amounts 2003	Positive fair value 2003	Negative fair value 2003
35. Risk management (continued)						
Commodity derivatives						
OTC options bought and sold	755 212	26 419	6 720	633 663	16 778	8 375
Commodity swaps and forwards	365 223	25 275	8 798	108 657	3 239	1 742
OTC derivatives	1 120 435	51 694	15 518	742 320	20 017	10 117
Exchange traded futures	3 312 844	135 665	162 191	1 513 923	-	-
Exchange traded options	1 601 844	62 867	40 678	319 374	-	-
	6 035 123	250 226	218 387	2 575 617	20 017	10 117
Credit derivatives						
Credit linked notes bought and sold	-	-	-	-	-	-
Credit swaps bought and sold	58 573	233	20	124 678	291	152
	58 573	233	20	124 678	291	152
Gross fair values		365 189	287 028		89 958	72 014
Effect of netting		(228 133)	(228 133)		(26 030)	(26 030)
Amounts included in other assets/liabilities		**137 056**	**58 895**		**63 928**	**45 984**
Non-trading derivatives						
Group						
Foreign exchange derivatives						
Forward foreign exchange	17 188	476	86	56 941	706	412
Currency swaps	8 378	141	-	-	-	-
OTC derivatives	25 566	617	86	56 941	706	412
Exchange traded futures	-	-	-	-	-	-
Exchange traded options	-	-	-	-	-	-
	25 566	617	86	56 941	706	412
Interest rate derivatives						
Caps and floors	-	-	-	-	-	-
Swaps	856 129	3 886	13 026	408 931	3 254	2 428
OTC derivatives	856 129	3 886	13 026	408 931	3 254	2 428
Exchange traded futures	17 626	535	-	262 550	1 601	-
	873 755	4 421	13 026	671 481	4 855	2 428

Notes to the financial statements

For the year ended 31 March

(£000)	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004	Notional principal amounts 2003	Positive fair value 2003	Negative fair value 2003
35. Risk management (continued)						
Equity and stock index derivatives						
OTC options bought and sold	-	-	-	-	-	-
	-	-	-	-	-	-
Credit derivatives						
Credit link notes bought and sold	8 378	-	-	-	-	-
Credit swaps bought and sold	-	-	-	-	-	-
	8 378	-	-	-	-	-
Total	**907 699**	**5 038**	**13 112**	**728 422**	**5 561**	**2 840**
Trading derivatives						
Bank						
Foreign exchange derivatives						
Forward foreign exchange	2 014 889	18 064	20 553	1 587 292	20 667	16 715
Currency swaps	-	-	-	-	-	-
OTC options bought and sold	182 599	403	582	92 206	588	782
Other foreign exchange contracts	-	-	-	-	-	-
OTC derivatives	2 197 488	18 467	21 135	1 679 498	21 255	17 497
Exchange traded futures	131 972	299	28	-	-	-
Exchange traded options	-	-	-	-	-	-
	2 329 460	18 766	21 163	1 679 498	21 255	17 497
Interest rate derivatives						
Caps and floors	-	-	-	91 514	-	-
Swaps	604 303	13 493	11 544	1 571 303	27 059	16 040
Forward rate agreements	10 143	-	2	1 040 926	2 413	3 021
OTC options bought and sold	-	-	-	-	-	-
Other interest rate contracts	-	-	-	-	-	-
OTC derivatives	614 446	13 493	11 546	2 703 743	29 472	19 061
Exchange traded futures	1 580 606	-	58	426 628	2	-
Exchange traded options	-	-	-	-	-	-
	2 195 052	13 493	11 604	3 130 371	29 474	19 061

Notes to the financial statements

For the year ended 31 March

(£000)	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004	Notional principal amounts 2003	Positive fair value 2003	Negative fair value 2003
35. Risk management (continued)						
Equity and stock index derivatives						
OTC options bought and sold	699 177	20 945	20 695	24 551	562	7 334
Equity swaps and forwards	60 708	4 026	4 193	39 903	491	342
OTC derivatives	759 885	24 971	24 888	64 454	1 053	7 676
Exchange traded futures	36 490	155	73	-	-	-
Exchange traded options	39 557	4 066	69	8 344	1 328	100
Warrants	40 540	41 603	-	912	212	27
	876 472	70 795	25 030	73 710	2 593	7 803
Commodity derivatives						
OTC options bought and sold	755 212	26 419	6 720	633 663	16 778	8 375
Commodity swaps and forwards	339 717	24 946	8 408	108 538	3 236	1 739
OTC derivatives	1 094 929	51 365	15 128	742 201	20 014	10 114
Exchange traded futures	3 312 844	135 665	162 191	1 513 923	-	-
Exchange traded options	1 601 844	62 867	40 678	319 374	-	-
	6 009 617	249 897	217 997	2 575 498	20 014	10 114
Credit derivatives						
Credit linked notes bought and sold	-	-	-	-	-	-
Credit swaps bought and sold	58 573	233	20	124 678	291	152
	58 573	233	20	124 678	291	152
Gross fair values		353 184	275 814		73 627	54 627
Effect of netting		(228 782)	(228 782)		(26 030)	(26 030)
Amounts included in other assets/liabilities		**124 402**	**47 032**		**47 597**	**28 597**

Notes to the financial statements

For the year ended 31 March

(£000)	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004	Notional principal amounts 2003	Positive fair value 2003	Negative fair value 2003
35. Risk management (continued)						
Non-trading derivatives						
Bank						
Foreign exchange derivatives						
Forward foreign exchange	-	-	-	-	-	-
Currency swaps	-	-	-	-	-	-
OTC derivatives	-	-	-	-	-	-
Exchange traded futures	-	-	-	-	-	-
Exchange traded options	-	-	-	-	-	-
	-	-	-	-	-	-
Interest rate derivatives						
Caps and floors	-	-	-	-	-	-
Swaps	814 034	3 574	12 948	397 937	1 335	1 253
OTC derivatives	814 034	3 574	12 948	397 937	1 335	1 253
Exchange traded futures	17 626	535	-	262 550	1 600	-
	831 660	4 109	12 948	660 487	2 935	1 253
Equity and stock index derivatives						
OTC options bought and sold	-	-	-	-	-	-
	-	-	-	-	-	-
Credit derivatives						
Credit link notes bought and sold	-	-	-	-	-	-
Credit swaps bought and sold	-	-	-	-	-	-
	-	-	-	-	-	-
Total	**831 660**	**4 109**	**12 948**	**660 487**	**2 935**	**1 253**

Notes to the financial statements

For the year ended 31 March

(£000)	Up to one year 2004	One to five years 2004	Greater than five years 2004	Notional principal amounts 2004	Up to one year 2003	One to five years 2003	Greater than five years 2003	Notional principal amounts 2003
35. Risk management (continued)								
Trading & non-trading derivatives Group								
Foreign exchange derivatives								
Forward foreign exchange	2 253 766	50 335	9 230	**2 313 331**	1 615 994	13 883	-	**1 629 877**
Currency swaps	22 684	-	-	**22 684**	412 810	-	-	**412 810**
OTC options bought and sold	797 327	-	-	**797 327**	92 206	-	-	**92 206**
Other foreign exchange contracts	28 455	-	-	**28 455**	-	-	-	**-**
OTC derivatives	3 102 232	50 335	9 230	**3 161 797**	2 121 010	13 883	-	**2 134 893**
Exchange traded futures	131 972	-	-	**131 972**	-	-	-	**-**
Exchange traded options	-	-	-	**-**	-	-	-	**-**
	3 234 204	50 335	9 230	**3 293 769**	2 121 010	13 883	-	**2 134 893**
Interest rate derivatives								
Caps and floors	-	-	-	**-**	-	91 514	-	**91 514**
Swaps	357 035	549 214	555 975	**1 462 224**	969 138	796 727	237 607	**2 003 472**
Forward rate agreements	10 143	-	-	**10 143**	932 896	108 382	-	**1 041 278**
OTC options bought and sold	-	-	-	**-**	-	-	-	**-**
Other interest rate contracts	-	-	-	**-**	-	-	-	**-**
OTC derivatives	367 178	549 214	555 975	**1 472 367**	1 902 034	996 623	237 607	**3 136 264**
Exchange traded futures	978 830	620 977	-	**1 599 807**	490 996	198 183	-	**689 179**
Exchange traded options	-	-	-	**-**	-	-	-	**-**
	1 346 008	1 170 191	555 975	**3 072 174**	2 393 030	1 194 806	237 607	**3 825 443**
Equity and stock index derivatives								
OTC options bought and sold	608 811	90 366	-	**699 177**	445 135	2 717	-	**447 852**
Equity swaps and forwards	60 708	-	-	**60 708**	40 245	-	-	**40 245**
OTC derivatives	669 519	90 366	-	**759 885**	485 380	2 717	-	**488 097**
Exchange traded futures	440 101	-	-	**440 101**	-	-	-	**-**
Exchange traded options	1 076 510	14 505	-	**1 091 015**	8 344	-	-	**8 344**
Warrants	-	30 023	10 517	**40 540**	743	64	105	**912**
	2 186 130	134 894	10 517	**2 331 541**	494 467	2 781	105	**497 353**

Notes to the financial statements

For the year ended 31 March

(£000)	Up to one year 2004	One to five years 2004	Greater than five years 2004	Notional principal amounts 2004	Up to one year 2003	One to five years 2003	Greater than five years 2003	Notional principal amounts 2003
35. Risk management (continued)								
Commodity derivatives								
OTC options bought and sold	172 413	320 742	262 057	**755 212**	62 004	212 270	359 389	**633 663**
Commodity swaps and forwards	274 026	89 294	1 904	**365 224**	88 150	20 507	-	**108 657**
OTC derivatives	446 439	410 036	263 961	**1 120 436**	150 154	232 777	359 389	**742 320**
Exchange traded futures	2 854 340	458 504	-	**3 312 844**	1 304 732	209 191	-	**1 513 923**
Exchange traded options	1 175 708	426 135	-	**1 601 843**	288 923	30 451	-	**319 374**
	4 476 487	1 294 675	263 961	**6 035 123**	1 743 809	472 419	359 389	**2 575 617**
Credit derivatives								
Credit linked notes bought and sold	8 378	-	-	**8 378**	-	-	-	**-**
Credit swaps bought and sold	29 681	28 892	-	**58 573**	61 976	62 702	-	**124 678**
	38 059	28 892	-	**66 951**	61 976	62 702	-	**124 678**
Trading & non-trading derivatives Bank								
Foreign exchange derivatives								
Forward foreign exchange	1 973 492	35 613	5 784	**2 014 889**	1 573 256	14 036	-	**1 587 292**
Currency swaps	-	-	-	**-**	-	-	-	**-**
OTC options bought and sold	182 599	-	-	**182 599**	92 206	-	-	**92 206**
OTC derivatives	2 156 091	35 613	5 784	**2 197 488**	1 665 462	14 036	-	**1 679 498**
Exchange traded futures	131 972	-	-	**131 972**	-	-	-	**-**
Exchange traded options	-	-	-	**-**	-	-	-	**-**
	2 288 063	35 613	5 784	**2 329 460**	1 665 462	14 036	-	**1 679 498**
Interest rate derivatives								
Caps and floors	-	-	-	**-**	-	91 514	-	**91 514**
Swaps	348 359	514 003	555 975	**1 418 337**	947 490	786 672	235 079	**1 969 241**
Forward rate agreements	10 143	-	-	**10 143**	932 544	108 382	-	**1 040 926**
OTC derivatives	358 502	514 003	555 975	**1 428 480**	1 880 034	986 568	235 079	**3 101 681**
Exchange traded futures	978 732	619 500	-	**1 598 232**	490 994	198 183	-	**689 177**
	1 337 234	1 133 503	555 975	**3 026 712**	2 371 028	1 184 751	235 079	**3 790 858**

Notes to the financial statements

For the year ended 31 March

(£000)	Up to one year 2004	One to five years 2004	Greater than five years 2004	Notional principal amounts 2004	Up to one year 2003	One to five years 2003	Greater than five years 2003	Notional principal amounts 2003
35. Risk management (continued)								
Equity and stock index derivatives								
OTC options bought and sold	608 811	90 366	-	**699 177**	21 834	2 717	-	**24 551**
Equity swaps and forwards	60 708	-	-	**60 708**	39 904	-	-	**39 904**
OTC derivatives	669 519	90 366	-	**759 885**	61 738	2 717	-	**64 455**
Exchange traded futures	36 490	-	-	**36 490**	-	-	-	**-**
Exchange traded options	25 052	14 506	-	**39 558**	8 344	-	-	**8 344**
Warrants	-	30 022	10 517	**40 539**	742	64	105	**911**
	731 061	134 894	10 517	**876 472**	70 824	2 781	105	**73 710**
Commodity derivatives								
OTC options bought and sold	172 413	320 742	262 057	**755 212**	62 004	212 270	359 389	**633 663**
Commodity swaps and forwards	248 519	89 294	1 904	**339 717**	88 031	20 507	-	**108 538**
OTC derivatives	420 932	410 036	263 961	**1 094 929**	150 035	232 777	359 389	**742 201**
Exchange traded futures	2 854 340	458 504	-	**3 312 844**	1 304 732	209 191	-	**1 513 923**
Exchange traded options	1 175 709	426 135	-	**1 601 844**	288 923	30 451	-	**319 374**
	4 450 981	1 294 675	263 961	**6 009 617**	1 743 690	472 419	359 389	**2 575 498**
Credit derivatives								
Credit link notes bought and sold	-	-	-	**-**	61 976	62 702	-	**124 678**
Credit swaps bought and sold	29 681	28 892	-	**58 573**	-	-	-	**-**
	29 681	28 892	-	**58 573**	61 976	62 702	-	**124 678**
Total	**8 837 020**	**2 627 577**	**836 237**	**12 300 834**	**5 912 980**	**1 736 689**	**594 573**	**8 244 242**

Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
35. Risk management (continued)				
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 potential future exposure and the nature of the counterparty.				
The credit risk weighted amounts of OTC derivatives, analysed by type of counterparty, are as follows:				
For trading purposes				
Banks and other financial institutions	20 932	20 890	15 507	16 343
Other corporate and public bodies	111 321	56 789	30 880	10 193
	132 253	77 679	46 387	26 536
For non-trading purposes				
Banks and other financial institutions	366	366	1 554	1 554
Other corporate and public bodies	128	128	-	-
	494	494	1 554	1 554
Hedging instruments				
Mark to market gains and losses on derivatives used for hedging are recognised in line with the underlying items that are being hedged. These values have been calculated by reference to the ultimate maturity date of the derivatives.				
Unrecognised gains to be recognised within one year	1 407		114	
Unrecognised gains to be recognised in more than one year	3 851		1 569	
Total unrecognised gains	5 258		1 683	
Unrecognised losses to be recognised within one year	402		25	
Unrecognised losses to be recognised in more than one year	12 211		966	
Total unrecognised losses	12 613		991	
Total recognised loss in current year	(1 479)		(13)	
Portion of recognised loss which was unrecognised in prior year	(2 533)		(372)	
Net recognised gain arising in the current year	1 054		359	

Notes to the financial statements

For the year ended 31 March

(£000)	2004	2003
35. Risk management (continued)		
Assets and liabilities denominated in sterling and foreign currencies		
Denominated in sterling	2 141 196	2 780 737
Denominated in currencies other than sterling	3 451 195	3 015 299
Total assets	**5 592 391**	**5 796 036**
Denominated in sterling	1 845 366	2 457 581
Denominated in currencies other than sterling	3 247 642	2 873 594
Total liabilities(*)	**5 093 008**	**5 331 175**

(*) Includes subordinated liabilities.

Non-trading currency risk - structural currency exposures

Structural non-trading currency risk exposure arises principally from the group's net investments in overseas subsidiaries and associated undertakings, principally in Australia, Israel and Switzerland.

The group's structural currency exposures at each reporting period were as follows:

Currency of structural exposure (£000)	Net investments in overseas operations(*)
31 March 2004	
Israeli Shekel	48 099
Australian Dollar	99 735
Swiss Franc	11 036
US Dollar	218
Euro	3 793
	162 881
31 March 2003	
Israeli Shekel	57 138
Swiss Franc	10 592
US Dollar	388
Euro	3 676
	71 794

(*) There were no borrowings taken out, or derivatives entered into, in the functional currencies of the overseas operations in order to hedge foreign net investments.

Goodwill is not considered to form part of the net investment in overseas operations in the above table.

Notes to the financial statements

For the year ended 31 March

35. Risk management (continued)

The table below shows the group's currency exposures. These non-structural exposures give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the group that are not determined in the functional currency of the operating unit involved.

Net foreign currency monetary assets/(liabilities)

(£000)	Functional currency of group operation	Sterling	South African Rand	US Dollar	Israeli Shekel	Euro	Other	Total
2004								
	Sterling	-	3 657	10 903	4 595	1 186	(30 393)	**(10 052)**
	US Dollar	964	-	-	-	-	-	**964**
	Euro	1 316	-	418	-	-	-	**1 734**
	Israeli Shekel	-	9	(15 382)		16	-	**(15 357)**
	Australian dollar	-	-	-	-	-	-	**-**
	Other	7 263	-	-	-	-	-	**7 263**
		9 543	3 666	(4 061)	4 595	1 202	(30 393)	**(15 448)**
2003								
	Sterling	-	(101)	11 069	3	717	(2 975)	**8 713**
	US Dollar	(1 995)	-	-	5 021	16	-	**3 042**
	Euro	-	-	-	-	-	-	**-**
	Israeli Shekel	-	-	9 931	-	-	-	**9 931**
	Other	8 258	-	-	-	-	-	**8 258**
		6 263	(101)	21 000	5 024	733	(2 975)	**29 944**

The amounts shown do not take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

Notes to the financial statements

35. Risk management (continued)
Interest rate mismatch

For the year ended 31 March

(£000)	Not more than 3 months	More than 3 months less than 6 months	More than 6 months less than 1 year
2004			
Assets			
Cash and balances with central banks	258 997	-	-
Treasury bills and other eligible bills	144 781	-	-
Loans and advances to banks	445 635	10 903	-
Loans and advances to customers	1 836 231	136 428	47 656
Debt securities, equity shares, participating interests and associated undertakings	279 291	203 155	135 753
Other assets	17 952	3 027	2 745
Total assets	2 982 887	353 513	186 154
Liabilities			
Deposits by banks	499 717	51 803	-
Customer accounts	2 712 699	117 108	27 583
Debt securities in issue	195 179	3 625	22 055
Other liabilities	21 262	1 089	1 250
Subordinated liabilities	-	-	-
Minority interests and shareholders' funds	-	-	-
Total liabilities	3 428 857	173 625	50 888
Off-balance sheet items	462 277	(239 592)	(77 413)
Interest rate repricing gap	16 307	(59 704)	57 853
Cumulative repricing gap	16 307	(43 397)	14 456
2003 (restated)			
Assets			
Cash and balances with central banks	254 769	-	-
Loans and advances to banks	603 484	2 822	-
Loans and advances to customers	1 128 189	45 532	26 224
Debt securities, equity shares and associated undertakings	776 372	267 722	67 496
Other assets	20 229	2 047	1 378
Total assets	2 783 043	318 123	95 098
Liabilities			
Deposits by banks	444 181	43 728	30 000
Customer accounts	2 378 029	83 746	34 614
Debt securities in issue	35 000	26 327	-
Other liabilities	29 753	4 563	2 235
Subordinated liabilities	39 300	-	-
Minority interests and shareholders' funds	-	-	-
Total liabilities	2 926 263	158 364	66 849
Off-balance sheet items	155 030	597	2 346
Interest rate repricing gap	11 810	160 356	30 595
Cumulative repricing gap	11 810	172 166	202 761

More than 1 year but less than 5 years	More than 5 years	Non interest bearing	Total non-trading	Trading	Total
-	-	2	258 999	-	258 999
-	-	-	144 781	-	144 781
-	-	67	456 605	207 145	663 750
147 231	73 081	(12 162)	2 228 465	789 518	3 017 983
78 575	8 278	11 481	716 533	320 244	1 036 777
7 319	3 637	143 496	178 176	291 925	470 101
233 125	84 996	142 884	3 983 559	1 608 832	5 592 391
-	-	2	551 522	217 820	769 342
17 075	7 265	-	2 881 730	183 043	3 064 773
-	-	-	220 859	-	220 859
5 203	2 499	85 900	117 203	718 460	835 663
6 596	195 775	-	202 371	-	202 371
-	-	499 383	499 383	-	499 383
28 874	205 539	585 285	4 473 068	1 119 323	5 592 391
(254 738)	109 466	-	-	-	-
(50 487)	(11 077)	(442 401)	(489 509)	489 509	-
(36 031)	(47 108)	(489 509)			
-	-	3	254 772	1 197	255 969
-	-	-	606 306	1 212 383	1 818 689
210 238	85 904	(14 047)	1 482 040	574 715	2 056 755
32 032	4 436	35 274	1 183 332	101 816	1 285 148
8 039	6 173	129 244	167 110	212 365	379 475
250 309	96 513	150 474	3 693 560	2 102 476	5 796 036
682	3 293	-	521 884	987 869	1 509 753
40 110	2 664	-	2 539 163	769 020	3 308 183
-	-	-	61 327	-	61 327
6 868	1 949	90 828	136 196	275 684	411 880
-	-	-	39 300	-	39 300
-	-	465 593	465 593	-	465 593
47 660	7 906	556 421	3 763 463	2 032 573	5 796 036
(51 002)	(106 971)	-	-	-	-
151 647	(18 364)	(405 947)	(69 903)	69 903	-
354 408	336 044	(69 903)			

Notes to the financial statements

For the year ended 31 March

(£000)	2004	2003

36. Related party transactions

Transactions, arrangements and agreements involving directors and officers:

Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company.

For loans to related parties, normal credit parameters are applied.

(a) As permitted by the Companies Act 1985, loans to 4 (2003 - 4) directors and 2 officers (2003 - 2) existed during the year. The amounts outstanding at the end of the year were as follows:

	2004	2003
Directors	2 398	2 557
Officers	1 362	155
	3 760	2 712

(b) Investec Bank (UK) Limited has provided a loan to an investment company, Boutique Finance II Limited, and has that company's investment in shares as security for the loan. Mr I Kantor, who is the director of Investec Bank (UK) Limited, has guaranteed 34% of the loan.

	2004	2003
Loan provided by Investec Bank (UK) Limited	1 480	2 730

The terms of the loan are such that 200% cover is required at all times, if the cover drops below 175% a margin call back to 200% must be made.

Transactions with other related parties of the group

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

Notes to the financial statements

For the year ended 31 March

(£000)	2004	2003
37. Miscellaneous		
Assets subject to sale and repurchase transactions:		
Loans and advances to banks	200 636	1 102 986
Loans and advances to customers	777 824	237 016
	978 460	1 340 002
All the above are trading book loans and advances and are secured with debt securities or equities.		
Value of liabilities secured by assets:		
Deposits by banks	217 821	984 819
Deposits by customers	163 940	333 505
	381 761	1 318 324
Stock borrowing and lending		
Stock borrowed against non-cash collateral	994 364	977 917
Stock lent against non-cash collateral	235 566	130 899

38. Post balance sheet note

On 16 June 2004, the Investec group reached an agreement to sell its 80.28% stake in Investec Bank (Israel) Limited. The purchase price is to be based on the net assets of Investec Bank (Israel) Limited subject to various adjustments.

The sale is, however, dependent on the approval of the relevant regulatory authorities in Israel, South Africa and the United Kingdom, including the Bank of Israel and the Israeli Antitrust authorities. The agreement also requires the approval of the Board of Directors of both parties.

39. Ultimate parent undertaking

The company's immediate parent undertaking is Investec 1 Limited.

The company's ultimate parent undertaking and controlling party is Investec plc, a company incorporated in the UK and registered in England and Wales. The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2V 7QP.

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