Corporate information

Investec Bank (UK) Limited

Secretary and Registered Office

Richard Vardy
2 Gresham Street
London EC2V 7QP
United Kingdom
Telephone
(44) 20 7597 4485
Facsimile
(44) 20 7597 4491

Internet address

www.investec.com

Registration Number

Investec Bank (UK) Limited
Reg. No. 489604

Auditors

Ernst & Young LLP

Investec offices - contact details

Refer to details at the end of the report

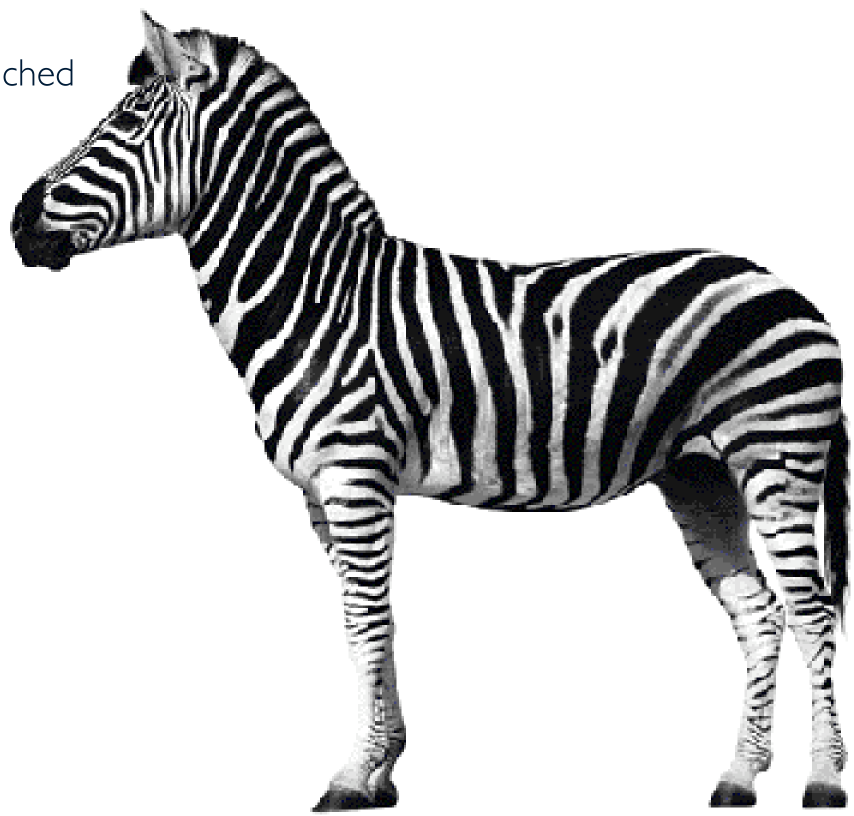
Contents

Investec in perspective

Niched

Our strategic goals and objectives are based on a strong aspiration to be recognised as a distinctive specialist banking group. Rather than try to be all things to all people, we aim to build well-defined, value-added businesses that serve the needs of select market niches where we can compete effectively.

Niched



Overview of the Investec group

Investec (comprising Investec plc and Investec Limited) is an international, specialist banking group that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974, we acquired a banking licence in 1980 and were listed on the JSE Securities Exchange South Africa in 1986.

In July 2002, we implemented a Dual Listed Companies structure with linked companies listed in London and Johannesburg. A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, we have an efficient integrated international business platform, offering all our core activities in South Africa and the UK and select activities in Australia.

We are organised as a network comprising five business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities. Our head office provides certain group-wide integrating functions and is also responsible for our central funding and the Trade Finance business.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist banking group. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

Mission statement

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

Values

Distinctive Performance

- Outstanding talent - empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

Dedicated Partnerships

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

Client Focus

- Distinctive offering
- Leverage resources
- Break china for the client

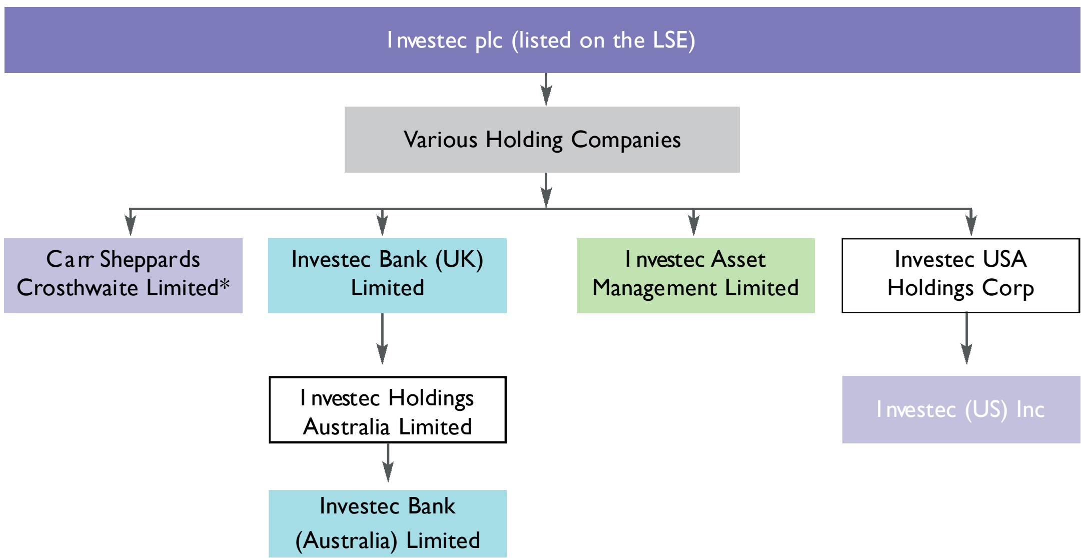
Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Investec plc organisational structure

In terms of the implementation of the DLC structure (refer to page 3), Investec plc is the controlling company of the majority of our non-Southern African operations. Investec plc has a primary listing on the London Stock Exchange (LSE) and a secondary listing on the JSE Securities Exchange South Africa (JSE). Investec Bank (UK) Limited is the main banking subsidiary of Investec plc.

As at 31 March 2005



Key: activities conducted

- Private Client Portfolio Management and Stockbroking
- Other Activities
- Private Banking, Investment Banking, Treasury and Specialised Finance and Other Activities
- Asset Management

* Post year end Carr Sheppards Crosthwaite Limited was merged into Rensburg Plc, in which we retain a significant stake.

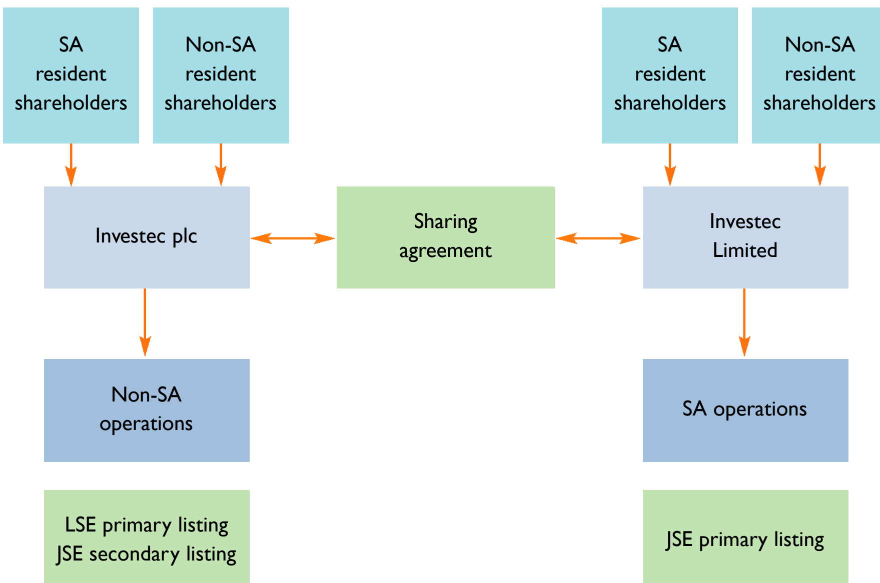
Note: All shareholdings are 100%, unless otherwise stated.

Overview of Investec's Dual Listed Companies structure

Introduction

During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore businesses on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002.

DLC structure:



Salient features:

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms.
- Investec operates as if it is a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company.
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Further information on our DLC structure is available in the circular mentioned above, as well as in the preliminary offering circular issued on 8 July 2002. A copy of these circulars can be found on our website at www.investec.com/grouplinks/investorrelations

Chairman's statement

Taking advantage of trading conditions

The global economic and geopolitical climate was largely favourable during the year under review. Nonetheless, the period was not without its difficulties, particularly high oil prices and a sluggish performance in the Eurozone economies. Global equity markets posted modest but sustainable gains, the FTSE All Share Index in particular rising by 12% during the year under review. Australian economic growth was firm but showed signs of slowing towards the end of the year. Overall the residential property markets in the UK and Australia peaked during the year, and by the year end there were visible signs of a correction.

Taking advantage of these benign trading conditions I am pleased once again to be able to report a most favourable result for the year under review with profits before taxation increasing from £49.6 million to £70.6 million. The principal reasons for this increase were solid performances by the structured and project finance activities within Treasury and Specialised Finance, very strong performance by the Private Bank and the underlying private equity funds in the Investment Banking Division, and pleasing results from the property investment activity and the Irish branch of the bank. Investec Bank (Australia) Limited has continued to make progress in all core areas of activity.

I reported last year that on 6 June 2004 we reached an agreement in principle for the sale of the bank's subsidiary, Investec Bank (Israel) Limited, to the First International Bank of Israel Limited. Following completion of the due diligence, and after regulatory approval was obtained, the sale was completed on 22 December 2004. These results include profit before tax for the 9 month period up to completion of £4.0 million (year to 31 March 2004: £5.9 million) and, as an exceptional item, the loss on sale of the investment which amounted to £6.4 million - the majority of this representing the write down to market value of the Israel bank's headquarters building in Tel Aviv. No significant acquisitions were made in the year under review.

A more detailed analysis of the performance of each division is set out in the Chief Executive Officer's review and the overview of activities which follow this statement.

Capital resources

The bank's capital resources increased from £701.7 million to £720.1 million after declaring a final dividend of £15 million (2004: £16.5 million) making a total dividend of £30 million (2004: £30 million) in respect of the year under review. The bank's capital is comfortably within its regulatory requirement.

Management changes

Michael Jameson-Till retired from the bank on 30 June 2004. Michael came into the group following the acquisition by Investec of Clive Discount Company Limited and he had been a director of the bank since 1998. We wish him well on his retirement.

Richard Hickinbotham retired from the bank for personal reasons on 29 October 2004. Craig Tate who runs the securities activities of Investec on a global basis, joined the bank from Investec in South Africa, and now runs the Investment Banking division jointly with David Currie.

The future

Global economic conditions look set to cool as the US economy loses momentum, partly due to the strength of the oil price, and the Euro zone economies fail to gather pace. At the time of writing the European political climate looks uncertain with two EU founder members rejecting the Constitution in public referendums and with an early election likely in Germany during the autumn. In the UK there has been a noticeable slowdown in the pace of consumer spending while the manufacturing industry is feeling the effects of lower global economic growth. Overall the coming year looks set to present a more challenging economic environment than the past year.

My gratitude is once again extended to our staff, management and my board for their vigour and dedication. The results achieved for the year under review fully reflect their continued effort. Notwithstanding the prospects of a more difficult trading environment in the coming year, with this energetic and capable team, we face this challenge with confidence.

Hugh Herman
Chairman

Chief Executive Officer's review

Capturing growth opportunities and improving profits

This year, the bank grew profits to £47.2 million from £30.6 million in the prior year. This 54.1% increase in after tax profits was generated by focussing on organic growth across all of the banks product lines and geographies. Other than the sale of our interest in Investec Bank (Israel) Limited - which is described in the Chairman's statement - there were no significant corporate actions impacting the bank and its subsidiaries. As was the case for the prior financial year, client development and revenue growth were the themes of this year's results.

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

United Kingdom and Europe

The Private Bank showed particularly pleasing growth in financial performance for the year under review. Operating profit before tax and amortisation of goodwill grew 47.5% to £42.6 million. Whilst the single most significant contributor to the overall level of performance was the lending activities, all private banking business areas grew in the year, including our Growth Finance and Investment operations. The Private Bank serves individuals and their enterprises across the UK, Guernsey, Jersey, Switzerland and Ireland. Over the course of the year, we opened an office in Manchester to complement our London-based operation. Over the last few years this division has seeded a number of growth initiatives which have now begun to deliver value - and from which we expect meaningful contribution in the years ahead.

The Investment Banking division continued to grow its client list, profitability and reputation in the UK market. The corporate client base grew once again, adding 23 new brokerships since the end of last year. The Securities business has also made significant progress achieving a number 2 overall position in the most recent Sunday Times Starmine Survey (for UK equity recommendations and forecasts). The division continues to focus on building quality clients, enhancing its reputation and recruiting distinctive professionals.

The Treasury and Specialised Finance business reported a net operating profit before tax and amortisation of goodwill of £16.3 million, marginally below the prior year's profits of £17.7 million. The business, based in London and Dublin, operates through a focussed group of banking/advisory and trading desks. The banking and advisory businesses, including Project Finance, Structured Finance and Acquisition Finance, have grown in prominence, client penetration and visibility over the last year. In Dublin, the Equity Financing team continued making progress in its market.

Australia

The operating net profit before goodwill and amortisation for Investec Bank Australia was A$28.3 million. This represents growth of 23% over the previous year. The region has continued to make steady progress in all core areas of activity. In particular, the Corporate Finance and Private Equity areas made an extensive contribution to the region's net income, as did the Private Banking business. Whilst the Private Bank is still very much at the stage of emergence, it generated A$10.8 million in contribution against A$7.3 million for the prior year. The expectations remain positive for that business, which has a low market share and good growth potential.

Australia remains one of our three core geographies (together with South Africa and the UK). Whilst our current operation is very much in growth phase, the group has built a strong foundation in the Australian market. During the year under review, we appointed Brian Schwartz as Chief Executive of the business. Brian joins us from Ernst & Young where he was most recently managing partner of Ernst & Young's Australian practice.

Branding update

As was the case over the previous few years, we have further extended our brand building efforts which continues to feature the Investec zebra. For the fifth year running, we sponsored the Twickenham-based Investec rugby Challenge test series, which, we believe, continues to have extensive brand impact in the bank's target community. Together with the overall group drive, each of the divisions and geographies tailor the approach for their own markets.

Business going forward

The management team look forward to building the business across our products and geographies, ensuring at all times that we have sufficient client impact. Our group's mission remains to "strive to be a distinctive banking group, driven by commitment to our core philosophies and values". We continue to screen our growth initiatives, our strategic and operational plans and our client service using the pursuit of distinctiveness as a primary driver for decision making. Our overall approach going forward, therefore, remains around the steadfast pursuit of the group's primary mission - namely, to be distinctive.

Conclusion

In conclusion, we express our thanks and appreciation to our primary stakeholders, namely:

- Our people on whom we rely to deliver value to our clients and shareholders, driven by the group's philosophies and values.
- Our clients, counterparties 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

Partnership

We encourage internal partnerships between business units, smaller teams and individuals, and undertake external partnerships with clients, corporates, communities and other stakeholders. At the core of these partnerships are internal networks that use the skills across our businesses.

Through close cooperation, we ensure that our clients and other stakeholders benefit to the maximum from the expertise of an integrated international banking group.

Partnership

Overview of Investec Bank (UK) Limited activities

Overview of Investec Bank (UK) Limited activities

The principal business units of Investec Bank (UK) Limited are Private Banking, Treasury and Specialised Finance, Investment Banking and Property Activities. Each division provides specialised products and services to defined target markets. Furthermore, our head office fulfils certain functions including Risk Management, Information Technology, Finance, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding.

Investec Bank (Australia) Limited is one of our subsidiaries.

Private Banking

Our range of private banking services targets select high net worth individuals in chosen niche markets. These services include:
- Structured Property Finance
- Specialised Lending Activities
- Trust and Fiduciary Services
- Treasury and Banking Services
- Investment Management
- Growth Finance

We position ourselves as "an investment bank for private clients" in the high value advisory market, striving to "out-think" not "out muscle" our competitors. One of our key strengths is the ability to originate new business by leveraging off the strong client relationships that we establish through our lending activities. This operating model sets us apart from other private banks that depend on the more traditional asset-gathering model.

We are based in London, with offshore subsidiaries in the Channel Islands and Switzerland and operate from the bank's branch in Ireland. Our target market comprises high income and high net worth individuals, including property developers, and investors and management buy-out/buy-in candidates of owner managed businesses. Our unique offering has a strong franchise among successful entrepreneurs and self-directed internationally mobile clients, with a specific focus on select niches and community groups.

Our principal private banking products and services are described in further detail below.

Structured Property Finance
Structured property finance, a key part of our business, concentrates on the provision of senior debt, mezzanine and equity in residential and commercial property markets.

Specialised Lending
We provide credit facilities and derivative structures to clients with complex financing requirements. Our focus is on transactions where leverage can significantly enhance a client's after-tax cash flow returns. These services are used for bespoke liquidity and gearing facilities on equity and debt securities, international tax planning and immigration /emigration planning structures.

Trust and Fiduciary Services
The ability to implement appropriate structures on behalf of clients is critical to all areas of the Private Bank. Investec Trust operates in a unique space in the fiduciary market, as a bank owned trust company with the independence to operate with partners best suited to client needs. Working alongside these partners, we specialise in the delivery and administration of complex and effective international financial structures.

Treasury and Banking Services
We provide a wide range of onshore and offshore banking services from various jurisdictions in multiple currencies. These include currency deposits, money market deposits, transactional accounts, foreign exchange, structured deposits and cash management services.

Investment Management
Our ultra high net worth and family office-type clients benefit from an independent wealth management service. Driven by each individual's specific requirements, our offering represents a bespoke strategic asset allocation where a dedicated investment practitioner proactively partners each client on an ongoing basis. Through an open architecture, this highly disciplined yet personal service encapsulates a diversity of asset types, blending traditional and alternative investments in accordance with the targeted risk profile and agreed objectives. Our investment methodology, detailed qualitative and quantitative due diligence process, and access to the expertise of some of the world's leading financial institutions enable us to offer our clients products and services that are often exclusive and institutional in nature.

Growth Finance
We provide entrepreneurs and management teams with mezzanine or composite debt funding and minority equity investment. To fulfil the needs of UK based mid-market companies with an enterprise value of £8 million to £50 million, we offer flexible and bespoke finance for implanting acquisition and organic growth strategies.

Overview of Investec Bank (UK) Limited activities

Treasury and Specialised Finance

Our Treasury and Specialised Finance division provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. We undertake the bulk of Investec's proprietary trading activities. Furthermore, all non-private client deposit taking, corporate and public sector lending, project finance, advisory and structuring activities are transacted through us.

Our activities can be described as either banking or financial markets operations.

Banking Activities comprise structured and asset finance, project finance, commodity and resource finance, financial products, corporate treasury and balance sheet management.

Financial Markets Activities consist of foreign exchange, equity derivatives and interest rates. These units are mainly involved in the execution of client driven transaction flow, structuring and proprietary trading. Speculative proprietary trading is limited.

The breadth of activities allows us to provide a portfolio whereby sustained growth should be achievable.

Banking Activities

Treasury - corporate treasury and asset and liability management
Treasury provides Sterling, Euro and US Dollar funding to the group, and manages liquidity and interest rate risk on behalf of the group. We offer a broad range of treasury products and services to the corporate and public sector markets.

Financial Products
We are involved in commercial paper, bond origination, securitisation, financial engineering, preference share investments and structures, equities scrip lending, credit structuring, credit derivatives and the development of investment products.

Structured and Asset Finance
This focuses on structured and conventional lending, bond origination, securitisation and advice, asset leasing and finance, preference share finance, mezzanine debt financing, leveraged buy-out funding, executive share schemes and financing solutions for corporate, government and public sector clients.

Project Finance
We provide advisory services, debt arranging and underwriting and equity raising in infrastructure and industrial sectors with a focus on roads, ports, healthcare, defence projects, transport and power.

Commodities and Resource Finance
We are a participant in the precious and base metals markets, and provide hedging and structured trades for clients in the spot and derivatives markets.

We also offer advisory services, debt arranging and underwriting, equity raising in the mining resources industry and structured hedging solutions.

Financial Markets Activities

Interest Rates
This unit is involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements.

Foreign Exchange
We are a participant in the spot, forward exchange, currency swaps and currency derivatives markets, principally in G7 currencies.

Equity Derivatives
Our focus is on major equity index options, certain single stock options, equity structured products, futures index arbitrage and equity warrants. We provide hedging and structuring services to financial intermediaries, institutions and companies.

Investment Banking

We operate our Investment Banking division under the name Investec Investment Banking and Securities, which trades as Investec. We focus on two distinct activities: corporate finance and institutional broking, both specialising in companies capitalised at £50 million to £500 million. We also provide institutional broking services to large capitalisation companies where we have strong research capabilities and we have a small managed private equity portfolio.

Corporate Finance

We provide financial advisory services, particularly for mergers and acquisitions. We also advise on and participate in equity capital market fundraisings for our clients. Our corporate client list currently comprises 73 quoted companies and a number of private company advisory roles and we continue to expand our client base.

Institutional Broking

Our Institutional broking activities in the UK are carried out under the name of Investec Securities. We provide research, sales, trading and market making services to a full range of UK and international institutional clients. A team of about 23 equity analysts compiles research coverage on approximately 255 companies in the UK, focusing on 17 sectors. Our research effort was recently highly acknowledged when we were awarded second place in the Starmine survey, which reflects the quality of research by measuring the accuracy of both forecasts and research recommendations. In addition, our individual analysts received 11 top three rankings, including five number one rankings. This achievement is particularly significant in that the survey included a number of "bulge bracket" banks. We also act as market maker for approximately 137 small to mid cap stocks and have further introduced price making in selected large cap stocks.

Private Equity

In 1998 we inherited a UK managed private equity portfolio as part of the Guinness Mahon and Hambros acquisitions.

Property Activities

Our Property Activities offer agency and investment, professional property management and bank valuation services. Following the sale of our only development property during 2002, our direct property portfolio consists of a number of investment properties with prospects for value enhancement through active management.

We now devote an increasing amount of time to assisting the Private Bank with mezzanine investments in client transactions. These niche investments have attractive risk/reward profiles and we therefore intend to allocate some of the capital from the property group to them.

Group Services

Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations. While these services do not form part of the operating divisions, we recently adopted a policy of allocating a portion of these costs to the divisions.

Our principal Central Services, relating to the operations and control of our business, are Group Risk Management, Group Information Technology, Group Finance, Group Marketing and Organisation Development. Other group support services include: Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information Centre, Regulatory and Facilities. As certain costs are strategic in nature, they have not been allocated to the operating divisions.

Central Funding

Our business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. We use various sources of funding, depending on the specific financial and strategic requirements we face at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to our principal operating divisions.

Investec Bank (Israel) Limited

On 22 December 2004, the bank concluded the sale of its 80.28% stake in Investec Bank (Israel) Limited to First International Bank of Israel.

Investec Bank (Australia) Limited

Investec entered the Australian investment banking market in March 2001, with the acquisition of Wentworth Associates (since renamed Investec Wentworth), one of the leading corporate finance boutiques in Australia. This acquisition provided a platform to expand our activities into the corporate finance and private equity arenas in Australia.

In August 2002, we received a banking licence which opened up many growth opportunities. These included expansion of the Private Client division, specialising in property investment banking, investment management services and more recently, growth and acquisition finance.

Furthermore, we have established a project finance capability which, coupled with a limited range of treasury activities, has led to significant strategic diversification of our Australian operation.

Entrepreneurial

Entrepreneurship is inspired through a flat integrated management structure that encourages individuality and fosters the constant creativity needed to capture growth opportunities. We promote entrepreneurial flair and the freedom to operate within the context of risk consciousness, sound judgement and the obligation to do things properly. This mind-set together with our strong values system creates a working environment that encourages extraordinary performance.

Entrepreneurial

Financial review

Commentary on the results of Investec Bank (UK) Limited for the year ended 31 March 2005

Introduction

Investec Bank (UK) Limited reported operating profit before exceptional items and amortisation of goodwill of £84.5 million increasing 44.7%. We benefited from continued strict focus on driving profitable growth in our core businesses supported by favourable economic conditions.

An analysis of the performance of each business unit operating within the bank is provided below.

Financial highlights

As at 31 March	2005	2004	% change
Net interest income (£'million)	75	68	10%
Operating income (£'million)	246	198	24%
Profit before tax (£'million)	77	50	54%
Total capital resources at year end (£'million)	720	702	3%
Total assets (£'million)	7 310	5 592	31%
Cost to income ratio	63.6%	68.4%	
Capital adequacy ratio	17.7%	19.3%	
Tier 1 ratio	15.7%	17.7%	

Ten year summary for the years ended 31 March

£'million	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Profit before tax	77	50	4	40	60	57	15	5	4	3
Capital resources	720	702	505	497	456	410	357	162	55	51
Total assets	7 310	5 592	5 796	7 874	7 760	8 180	5 688	4 885	375	324
Customer loans *	2 608	2 260	1 510	1 117	901	684	459	312	199	167
Customer deposits *	2 667	2 882	2 539	1 614	1 380	1 333	622	406	304	245

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

Commentary on the results of Investec Bank (UK) Limited for the year ended 31 March 2005

Business unit review

Private Banking

Overview of performance

Private Banking performed well, increasing operating profit before exceptional items and amortisation of goodwill by 47.5% to £42.6 million.

We continued to benefit from the diverse nature of our activities with contributions from Structured Property Finance, Specialised Lending, Growth Finance and Investment Management activities.

The Private Banking lending book growth since 31 March 2004 was as follows:
- UK and Europe grew by 20.3% to £1 491 million.
- Australia grew by 33.0% to £294 million.

The Private Banking deposit book growth since 31 March 2004 was as follows:
- UK and Europe grew by 15.8% to £1 826 million.
- Australia grew by 30.0% to £182 million.

Developments

UK and Europe
- Our Structured Property Finance distribution capability increased within London, Manchester and Dublin.
- We established a leading facilitation role among providers of specialised lending products for high net worth individuals.
- Our Growth and Acquisition Finance brand was entrenched in the market and we concluded 12 transactions.
- We succeeded in attracting talented investment practitioners.

Australia
- A Growth and Acquisition Finance team was established and concluded 6 transactions during the period.
- We continued to enhance and achieve growth in our Structured Property Finance and advisory capability with further expansion into the Melbourne and Brisbane markets.
- We raised private client money of A$172 million into the Investec Wentworth Specialised Property Trust and Private Equity Fund.

Outlook

We have carefully planned growth strategies, which include increased distribution capability, a pipeline of new initiatives and existing deal flow that will support the current momentum. Although the Structured Property Finance specialisation grew strongly over the last three years, we reduced dependency on this business by developing scale in our Growth and Acquisition Finance, Investment Management and Specialised Lending areas.

Strategic focus

Mission: To be the specialist banking partner of choice in the creation of distinctive value for our targeted clientele.

What is our strategy?
- Our strategy is to provide both financial leverage and acumen necessary to achieve our clients' financial dreams.
- It is our intent to be recognised as a leading, distinct and specialist wealth generator.
- In the pursuit of risk adjusted returns for our clients, partners and shareholders, we seek to differentiate ourselves by leveraging our core competence in risk management to create, hold and provide privileged access to niched credits and niched investment opportunities.

How is it implemented?
- Identified specialisations leverage off our core competence and exploit distinct value and margin opportunity.
- We achieve this through a chosen talent pool delivering distinctive value through partnerships and a diagnostic approach to our select clients.
- We concentrate on growth markets and client segments where we have an affinity and can establish and maintain a leadership position.
- Adherence to our core philosophies and brand values underpin our platform for growth and aspiration.
- The focus for the forthcoming period will be to:
  - Establish scale in each of the existing specialisations.
  - Invest in new and enhance existing specialisations.

Treasury and Specialised Finance

Overview of performance

The Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of £16.3 million, down from £17.7 million. The banking activities performed well but this was offset by the weaker performance of the financial markets activities with losses incurred by the Commodities desk and a weak performance from the Equity Derivatives desk.

Developments

Our focus on specialised and niche activities continued during the year and we have developed a strong platform and are well positioned for growth.

Banking Activities

Treasury

- UK and Europe: Asset creation opportunities increased and a €500 million commercial paper programme and a £1 billion medium-term note programme were established, with both completing successful issues.
- Australia: We remained well funded and continued to have excess liquidity.

Financial Products

- UK and Europe: Structuring opportunities remained good in the UK and a number of collateralised loan obligation and collateralised debt obligation deals were successfully arranged and structured in a joint venture. This resulted in good structuring fees and a growing annuity of management fees.

Structured and Asset Finance

- Momentum in aircraft finance was positive, with a number of lead mandates and specialist leasing opportunities successfully concluded.
- UK and Europe:
  - A number of leasing deals were concluded during the year, generating good fee income.
  - The Acquisition Finance business was successfully established, with asset creation well ahead of expectations.
  - The Asset Finance business was bolstered with the recruitment of a small team from Barclay's Capital. After year end, a business comprising structured medium ticket asset finance was acquired from Citigroup. The business has a book of £70 million, manages assets of £240 million and employs 18 people.

Project and Infrastructure Finance

- We remained highly rated and were ranked the leading bank advisor by number of closed projects in the Europe, Africa and Middle East region in 2004.
- UK and Europe:
  - We successfully lead arranged, participated and structured the largest power deal in Ireland, Tynagh Power.
  - A number of mandates were successfully concluded in the health and transport sectors and we expanded to increase our capability in the power sector. Defence sector remains a core competence.
- Australia:
  - We completed significant transactions earning substantial fees well in excess of prior years.
  - The build up of assets in partnership with Viridis for a proposed listing and launch of the Viridis Clean Energy Fund in Australia, in which we have a large stake in the management company, is progressing well.

Commodities and Resource Finance

- UK and Europe: To ensure that the proprietary trading losses from the first half of the financial year were not repeated, strict discipline was enforced and we restructured the business to focus on resource finance and related commodity hedging.

Financial Markets Activities

Equity Derivatives

- The Equity Finance business in Ireland continued to perform well and we successfully diversified our product range and client base.
- The Equity Derivatives business was hampered by declining equity volatilities in the second half of the year.

Foreign Exchange

- The corporate business expanded actively and differentiated its client base after a disappointing year.
- In Australia, foreign exchange trading commenced during the period, largely to capture margin on internally generated deal flow.

Interest Rates

- The business was set up to facilitate internal deal flow and no new plans are in the pipeline.

Outlook

There is a good level of positive momentum in the business, which is more apparent than at the same time last year. Line of sight income is good. Initiatives with potential benefit in the year ahead relate to leveraging off existing platforms, with greater penetration of the existing client base and active measures to increase this. On balance, we have built a strong platform and are well positioned to target significant and sustainable growth.

Commentary on the results of Investec Bank (UK) Limited for the year ended 31 March 2005

Strategic focus

Our objectives include:

- Continuing to remain a focused and specialised business, targeting markets and products where we can be distinctive and competitive.
- Ensuring, through strong discipline centred on clients and delivery of structured products:
  - Asset creation opportunities
  - Product structuring and distribution
  - Trading, hedging and proprietary market opportunities
  - Advisory business
- Developing our market leading position, focusing on growth initiatives and growing a portfolio of quality term assets.
- Continuing to concentrate on systems, processes and automation, particularly in the trading businesses, to ensure maximum competitive advantage and long-term cost savings.
- Taking advantage of a significant opportunity to use our skill to launch specialist funds. A number of initiatives are under way which should ensure significant annuity fees in time.
- Targeting significant and sustainable growth.

Investment Banking

Overview of performance

The Investment Banking division recorded a substantial increase in operating profit before exceptional items and amortisation of goodwill from £10.6 million to £22. 5million. The division benefited from favourable equity markets and a good performance from the Private Equity portfolio.

Developments

Corporate Finance

UK and Europe

- We benefited from a higher level of M&A activity and an improved IPO market as investor confidence returned.
- Five IPO's were concluded during the financial year, the most notable being Virgin Mobile.
- Completed 19 M&A transactions during the year, with a value of £1.1 billion (2004: 18 transactions with a value of £960 million).
- Completed 12 fundraisings during the year, raising in aggregate £376 million, including £150 million in relation to Dignity and £125 million for Virgin Mobile where we worked with other brokers (2004: 13 transactions with a value of £174 million).
- We continued to build the quality and size of the corporate client list, gaining 23 new clients during the year, with the total number of quoted clients at 73.

Australia

- Strong cross-border activity was maintained between Australia and South Africa.
- Continued strengthening of the advisory franchise, advising on 18 transactions (2004: 15) valued at A$26.7 billion (2004: A$2.7 billion) during the financial year.
- Increased level of activity in private equity advisory (internally and externally).

Institutional Research, Sales and Trading

- Secondary commissions improved over the prior period despite market volumes being relatively unchanged. This was largely as a result of the following:
- Increased research coverage.
- First fully operational year for support services research team.
- Increased market traction in sales and sales trading.
- Greater use of balance sheet to facilitate broking commissions in both market making and selected large cap stocks.
- Hedge funds are an important source of new business.
- Rankings (Starmine Survey, 2004):
  - Second place overall.
  - Individual analysts received 11 top three rankings, including five number one rankings.

Private Equity

UK and Europe

- We benefited from the sale of investments in the underlying funds of the private equity portfolio.

Outlook

UK and Europe

- The pipeline is looking positive as a result of an increase in the number of planned IPOs and fundraisings as clients look to raise equity capital. However, optimism should be tempered by a concern that a high level of fundraisings in the market may reduce investor demand.
- Generally the client list is looking more active. We have also gained traction in the market, shown by our pitching for syndicate roles on large floats as well as pitching and winning brokerships in larger corporates.

Australia

- With strong recognition and brand building, the growing Australian platform will provide growth opportunities in future.

Strategic focus

Mission: To be a premier international investment bank distinguished by our leadership in chosen niches; our people and their approach; and our bond with our clients.

The primary objective of the division is to secure its current positions and continue to build its operations in each of the markets in which it operates, with a strong focus on enhancing overall profitability.

UK and Europe
- Perpetuate full service offering.
- Improve position in mid cap space.
- Continue to grow independent large cap securities franchise in specialist sectors.
- Focus externally on gaining clients and providing superior service.
- Improve institutional rankings via a systematic account management programme.

Australia
- Maintain and grow market share.
- Expand network and continue to leverage off reputation.
- Build a solid deal pipeline.
- Continue to build Private Equity portfolio.
- Leverage off enhanced brand awareness.
- Further integrate operations into Investec's international network.

Property Activities

Overview of performance

Property Activities posted operating profit before exceptional items and amortisation of goodwill of £5.1 million, up significantly from £1.5 million in the previous year as a result of realised gains earned during the year.

Outlook and strategic focus

- The commercial property market in the UK is still in a good space and we are co-investing alongside quality professionals as opposed to direct participation.
- We are beginning to look at overseas markets for co-investment where more value is perceived than exists currently.

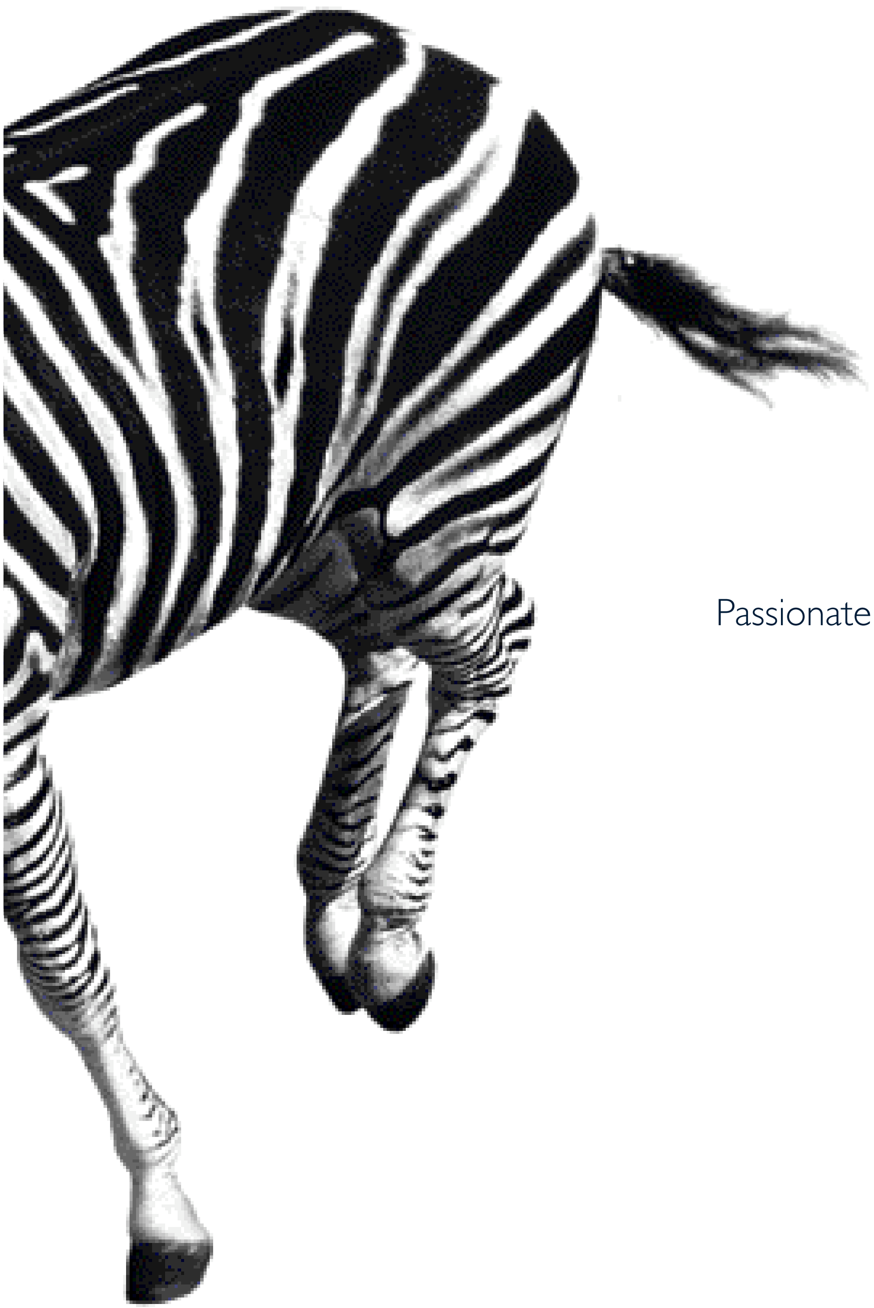
Group Services and Other Activities

Overview of performance

The Group Services and Other Activities division posted an operating loss before exceptional items and amortisation of goodwill of £1.9 million compared to a loss of £0.3 million in the previous year. This was largely attributable to increased costs of compliance as well as costs arising from the bank's start up activities in Asia.

Passionate

We employ individuals of the highest calibre, who have integrity, intellect and the ability to innovate. The quality of our people is a definitive aspect of our success and it is their passion to succeed and persistent dedication that allows us to provide distinctive service for our clients.



Passionate

Risk management and corporate governance

Corporate governance

This section provides a summary of our corporate governance philosophy and practices.

Our values and philosophies form the framework against which behaviour, practices and activities are measured, to assess the characteristics of good governance. Our values require directors and employees to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

Accordingly sound corporate governance is implicit in our values, culture, processes, functions and organisational structure and the structures designed to formalise oversight of and to ensure that the values remain embedded in all businesses and processes. We continue to refine both these structures, and a written Statement of Values, which serves as our Code of Ethics and has always been a pillar of our culture.

Governance highlights and achievements

- Ernst & Young LLP conducted a comprehensive review of Investec plc's compliance with the 2003 revised London Combined Code of Corporate Governance during the period under review. The Investec plc board considered the recommendations arising from the review and implemented measures to take these recommendations forward.

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec Bank (UK) Limited financial statements, accounting policies and the information contained in the Annual Report.

The financial statements have been prepared on a going concern basis. The board is of the opinion, based on its knowledge of the bank, key processes in operation and specific enquiries, that there are adequate resources to support the bank on a going concern basis over the next year.

Board of directors

The composition of the board of Investec Bank (UK) Limited is set out on page 29.

The board is responsible for reviewing and guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks we face, and determining our risk tolerance and the processes in operation to mitigate these.

The board has defined the limits of delegated authority and is ultimately responsible for assessing and managing risk policies and philosophies; overseeing major capital expenditures, acquisitions and disposals; approving the establishment of businesses; and approving the introduction of new products and services.

In fulfilling its responsibilities, the board is supported by management, who are required to implement the plans and strategies approved by the board. The board monitors management's progress on an ongoing basis.

The majority of the board members are non-executive directors. The board is of the view, that all non-executive directors are independent and promote the interests of stakeholders. The balance of executive and non-executive directors is such that no one person or group can dominate the board processes.

The board is considered to be appropriately skilled with regard to their responsibilities and the activities of the group. The skill and experience profile of the board is regularly considered, to ensure an appropriate and relevant board composition.

Board committees

The board is supported by specialist committees listed below. These committees are either specifically mandated as direct committees of the board or form part of the corporate governance structure of Investec plc (as marked with an *) of which the bank is a subsidiary.

- Audit Committee*
  - Audit sub-committee
  - Audit and Compliance Implementation Forum
- Board Risk Review Committee*
  - Executive Risk Review Forum*
  - Group Credit Committee*
  - Asset and Liability Committee
  - Group Market Risk Forum
  - Investment Committee
  - Operational Risk Committee
  - Legal Risk Forum
  - Country Risk Forum
- Nomination Committee*
- Remuneration Committee*
- Capital Committee

These committees have specific terms of reference, appropriately skilled members, independent non-executive director membership, senior management participation and access to specialist advice when necessary.

Management and succession planning

Business unit heads, geographic management, and heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network.

Furthermore, each strategic business unit has an executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision. Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

Internal control

We embed the principles of the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code"), issued by the Institute of Chartered Accountants of England and Wales in 1999, throughout the group during the year under review.

Risks and controls are reviewed regularly for relevance and effectiveness. The Investec plc Board Risk Review Committee assists the board in this regard. Sound risk management practices are promoted by the Group Risk Management function, which is independent of operational management.

The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

The system of internal control is designed to manage, not eliminate, the significant risks that we face and was in place for the year under review. It is recognised that such a system can only provide reasonable, and not absolute, assurance against material error, omission, misstatement or loss. This is achieved through a combination of risk identification, evaluation and monitoring process, appropriate decision and oversight forums and assurance and control functions such as Risk Management, Internal Audit and Compliance. These ongoing processes were in place for the year under review.

As part of the process, risk and control identification is completed and assessed at business unit level. Each business unit has responsibility and accountability for management of its own risk, following a consistent risk assessment process through workshops facilitated by Group Risk Management. Risks to shareholder value are defined, and the risks to these objectives and controls for each risk are identified and evaluated. The action plans and risk and control issues arising from this process are reviewed regularly at the relevant executive and management committees based at a business unit level.

Senior management review these risk assessments regularly.

Internal Audit reports control recommendations to senior management, Risk Management and the Investec plc Audit Committee. Appropriate processes ensure that timely corrective actions are taken on matters raised by Internal Audit.

Significant risks are reviewed weekly by the Investec plc Executive Risk Review Forum and monthly by the Investec plc Board Risk Review Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Investec plc Board Risk Review Committee and the Audit Committee.

Internal financial control

Our financial controls focus on critical risk areas. These areas are, as appropriate, identified by operational management, confirmed by group management, reviewed by Group Risk Management, and assessed by the risk control functions of Internal Audit and Compliance. Accordingly the information may be conveyed to the board from one or more quarters to enable the latter to monitor the process of identifying these risks.

External audit

Our external auditor is Ernst & Young LLP. The independence of the external auditors is recognised, and reviewed with the auditors by the Investec plc Audit Committee on an annual basis.

The Investec plc Audit Committee meet with the external auditors to review the scope of the external audit, budgets and any audit matters arising.

Non-audit services are dealt with in terms of a policy set by the Investec plc Audit Committee.

Risk management

Introduction

The majority of our business streams involve some degree of risk. Effective risk management is therefore critical to the continued success of our operations.

We follow a comprehensive risk management process to identify, understand, manage and mitigate the risks associated with our business.

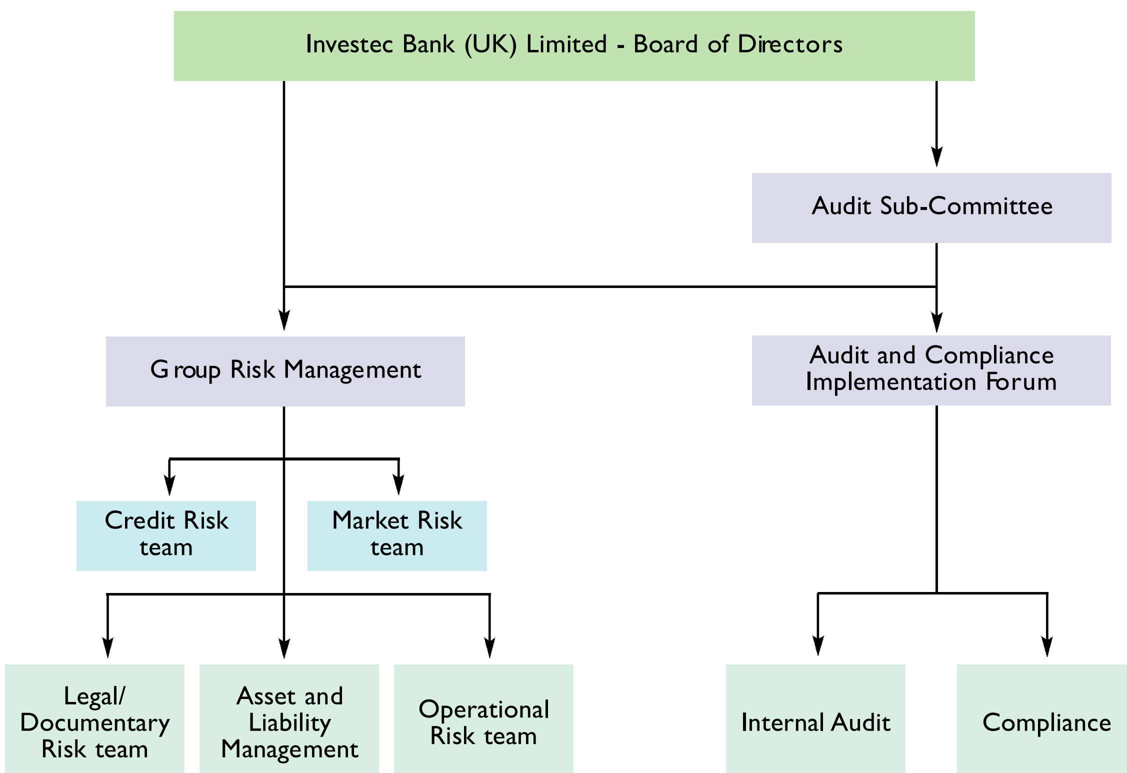
Risks are monitored and controlled through dedicated market, credit, liquidity, operational and legal risk teams, which together comprise our Group Risk Management function.

The business units and their embedded risk managers have primary responsibility for risk management.

The main objectives of Group Risk Management are to:

- Ensure a culture of risk awareness, risk mitigation and prudential management.
- Ensure the board approved policies defining risk appetite and limits are properly implemented.
- Proactively measure and monitor risk across all risk classifications.
- Provide an objective independent decision process for all classes of risk as mandated by the Board of Directors.
- Provide regular reporting and assurance to the executive and the board.

Risk management framework



Risk management

Risk management committees and forums

The board is supported by specialist committees and forums which operate in complimentary ways to provide a comprehensive process to identify, monitor and mitigate risks.

Credit Committee

- Considers and approves credit lines to counterparties.
- Sets geographic, sector concentration and industry limits.
- Sets large exposure limits.
- Formulates credit policy for approval by the board.
- Approves provisions policy.
- Approves excess and arrears policy.
- Ensures credit risk is mitigated where necessary by appropriately valued security or other collateral.

Asset and Liability Management Committee

- Sets and reviews funding, liquidity, and interest rate mismatch policy.
- Ensures there is adequate funding to meet forecasted asset growth and deposit maturities.
- Produces contingency plans to prudently manage any unforeseen events.

Capital Committee

- Regularly monitors the current and forecasted use of capital.
- Provides assurance that there are sufficient resources to meet the business needs.

Market Risk Committee

- Manages market risk by identifying and quantifying risks on the basis of current and future expectations.
- Ensures that any trading occurs within the limits approved by the board.

Legal Risk Forum

- Considers and manages legal risks throughout the bank with particular emphasis on loan and market counterparty documentation.

Operational Risk Committee

- Monitors operational risks and ensures remedial action is taken to resolve any trends or one-off events.

Business Continuity Committee

- Ensures each business unit has an appropriate business continuity plan which is regularly tested and fit for purpose.

Engagement Committee

- Processes the necessary information on potential clients to ensure that they are appropriate for our target market and that we are able and equipped to meet their demands.

Underwriting Committee

- Checks and approves all potential commitments before binding agreements are issued.

Investment Committee

- Meets to decide when an investment is to be taken in any venture.

Audit Sub-Committee

- An executive review function to ensure all audit and compliance issues are dealt with efficiently and effectively.

Audit and Compliance Implementation Forum

- Refers any substantial issues to the Audit Sub-Committee.

Risk management information and the board

Senior management, executive and non-executive directors receive regular detailed risk information.

Reports contain an assessment of the significant risks and detail exposures, limits and scenarios should markets change.

The board approves all risk management policies which define risk appetite and prudential limits. As part of the risk management reporting, the board receives assurance that policies and limits are observed.

At least annually the board receives an enterprise risk assessment to ensure all significant risks are identified and have appropriate effective controls in place.

Credit risk management

Credit risk represents the potential loss to the group as a result of a counterparty being unable or unwilling to meet its obligations. Credit risk arises from two types of transactions:

- Lending transactions, giving rise to counterparty risk. This is the risk that a counterparty to a transaction would be unable or unwilling to repay capital and interest on advances and loans granted to it.
- Trading transactions, giving rise to issuer, settlement and replacement risk. Issuer risk is the risk that payments due from the issuer of a financial instrument will not be received. Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled. Replacement risk is the risk that an "in-the-money" derivative instrument needs to be replaced following default by the original counterparty.

The nature and degree of credit risk vary depending on the type of business transactions entered into.

Management and measurement of credit risk

To manage, measure and mitigate credit risk, there are independent credit committees with board approved terms of reference and limits. A centralised decision making structure with some small de-centralised limits is the basis on which applications for credit are entertained. Transactions that are non-standard in nature and those transactions that exceed local delegated credit limits are presented to the main credit committee. All decisions are taken on a consensus basis.

We use the following fundamental principles to manage credit risk:

- A clear definition of our target market.
- A quantitative and qualitative assessment of the creditworthiness of our counterparties.
- Appropriately defined credit criteria.
- An analysis of all related risks, including concentration risk (concentration risk includes asset class, industry, counterparty, and geographical concentration).
- Prudential limits.
- Secured lending unless counterparties are well rated.
- Regular monitoring of existing and potential exposures once facilities have been approved.
- Appropriate level of executive and non-executive involvement in decision-making and review.

In addition to the Group Credit Committee, the following specialist forums assist in managing, measuring and monitoring credit risk:

- Arrears Committee, which investigates all arrears to ensure they are dealt with correctly and there are no concerning trends.
- Watch List Committee, which oversees and manages exposures that may potentially become distressed as a result of customer delinquency, changes in the economic environment, adverse share price movements or vulnerability to volatile exchange rate or interest rate movements. These exposures are collectively referred to as the "managed book" and details are shown in the asset quality table.
- Provisions Committee, which ensures that the general provisions policy is followed and specific provisions are taken if required.
- Mezzanine Risk Committee, which regularly reviews higher risk exposures.

A dedicated team that ensures the implementation of necessary systems and models to meet the forthcoming requirements relative to Basel II. It is expected that we will assume the standardised approach to credit risk. Quantitative studies show broadly a neutral overall position with some business streams absorbing more capital and others less.

Provisions for bad and doubtful debts

It is our policy to make appropriate provision for specific impairments and calculate the appropriate level of general provisions promptly on a consistent basis in accordance with established board policy.

Two types of provision are in place: specific and general.

Specific provision

The specific provision represents the quantification of actual and inherent losses from individually identified accounts. Due to the relative high value and low volume nature of our exposures it is considered more appropriate to manage these accounts individually rather than on a portfolio basis.

Specific provisions are evaluated on a case-by-case basis, for all non-performing exposures. In determining specific impairments the following factors are considered:
- Our exposure to the customer.
- Capability of the client to generate sufficient cash flow to service debt obligations and the viability of the client's business.
- Realisable value of security held (or other collateral credit risk mitigants).
- Likely dividend available on liquidation or bankruptcy.
- Nature and extent of claims by other creditors.
- Amount and timing of expected cash flows.
- Ability of the client to make payments from other means.
- Deduction of any recovery related costs.

General provision

The general provision supplements the specific provision defined above and provides cover for loans which are impaired at the balance sheet date but which have not been identified as such.

Arrears

There is a documented, prudent arrears definition and account arrears are modest with no worrying trends evidenced.

Non-performing loans and suspension of interest

An exposure is considered to be non-performing where interest due and/or principal repayments are overdue by more than 90 days and there may be insufficient security assets to fully meet the documented obligation.

Qualitative and quantitative criteria are used to ascertain when it is appropriate to suspend interest and/or make specific provision.

Write-offs

Exposures (or a portion of an exposure) will be written off in the event of the recovery being deemed unrealistic and where there are no expectations of further proceeds from realisation of the security provided in respect of such accounts.

£'000	31 March 2005	31 March 2004
Asset quality and general provisions		
Total loans and advances to customers	3 409 089	3 049 739
Less: intergroup loans	178 918	163 205
Less: cash equivalent debtors and trading book loans	956 735	1 004 518
Core loans and advances to customers	2 273 436	1 882 016
Managed book	(33 268)	(48 846)
Net loans and advances to customers	**2 240 168**	**1 833 170**
Average net loans and advances to customers	2 034 218	1 728 052
Consolidated profit and loss provision charge	5 221	4 246
Specific provisions	4 994	10 752
General provisions	24 000	21 004
Total provisions	**28 994**	**31 756**
Gross non-performing loans	22 119	22 757
Security	(17 108)	(13 721)
Net non-performing loans	**5 011**	**9 036**
Adequacy of provisions		
Consolidated profit and loss provision charge as a % of average loans and advances to customers	0.25%	0.25%
Specific provisions as a % of core loans and advances to customers	0.22%	0.57%
General provisions as a % of net loans and advances to customers	1.07%	1.15%
Total provisions as a % of core loans and advances to customers	1.28%	1.69%
Total provisions as a % of gross non-performing loans	131.08%	139.54%
Total provisions as a % of net non-performing loans	578.61%	351.44%
Gross non-performing loans as a % of core loans and advances to customers	0.97%	1.21%

The table below shows our loans and advances to customers by loan type

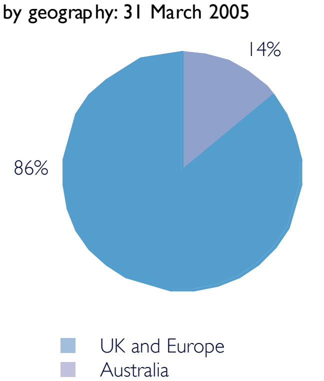
£'000	31 March 2005	31 March 2004
Category analysis		
Corporate and public sector	301 146	100 393
Commercial property	1 186 306	954 594
Residential mortgages	116 182	143 730
Other secured private bank lending	538 730	624 814
Lease and instalment debtors	105 822	24 900
Other loans and advances	25 250	33 585
	2 273 436	**1 882 016**

Asset quality information by geography

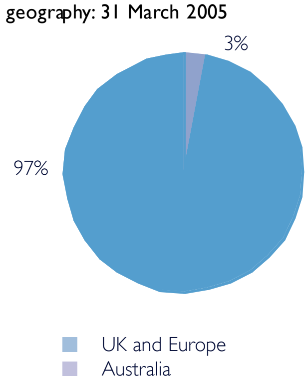
£'000	Core loans and advances	General provisions	Specific provisions	Total provisions	Gross NPLs	Security held against NPLs	Net NPLs
31 March 2005							
UK and Europe	1 950 041	21 495	4 417	25 912	21 542	17 108	4 434
Australia	323 395	2 505	577	3 082	577	-	577
Total group	**2 273 436**	**24 000**	**4 994**	**28 994**	**22 119**	**17 108**	**5 011**
31 March 2004							
UK and Europe	1 425 971	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	**1 882 016**	**21 004**	**10 752**	**31 756**	**22 757**	**13 721**	**9 036**

Where: NPLs are non-performing loans.

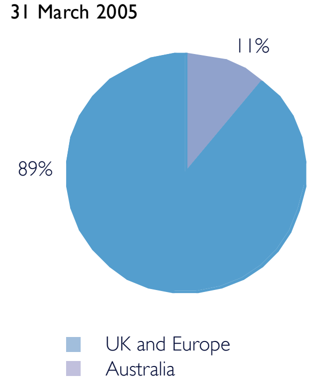
Core loan and advances to customers by geography: 31 March 2005



Gross non-performing loans by geography: 31 March 2005



Total provisions by geography: 31 March 2005



Risk management

Credit risk in the UK and Europe

The UK and European group comprises businesses in the following jurisdictions: UK, including a branch in Dublin and banking businesses in Guernsey and Zurich.

Credit risk mainly arises through the Private Banking and Treasury and Specialised Finance activities which includes inter-bank placements. Some settlement risk is assumed in the Investment Banking area but is to approved market counterparties.

Private Banking dominates the business in Guernsey, Zurich and the Dublin branch, with the bulk of Treasury and Specialised Finance activities from London.

Private Banking

The business is focused towards high net worth individuals, privately owned corporates and other client entities.

The business streams follow client needs and are asset backed with, on average, a short dated amortisation profile. Typical lending is secured by property, liquid investments or a direct charge over corporate worth.

While there is predominance towards the property market, this is well spread with no individual concentration risk. Property is well located residential or good quality commercial with recognised tenant covenant. There is little lending against speculative commercial property development. Some views are taken on properties where there is the potential of value uplift due to planning gain. Loan to value ratios are conservative and where a more commercial view is taken increased returns are expected.

Treasury and Specialised Finance

The Central Treasury area places surplus funds with other banks. These are all highly rated counterparties. Trading for customers is undertaken in interest rates, foreign exchange, commodities and equities. These positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of default.

Credit exposures also arise through project finance, resource finance, corporate lending and structured transactions.

There are pre-approved limits as to the maximum exposure for each individual counterparty to ensure there is no concentration risk.

Most facilities are secured on the assets of the underlying corporate. For those facilities that are unsecured the standing of the counterparty is predominantly investment grade or better.

Year in review

The residential property market has shown elements of sluggishness due to an imbalance between buyer and seller expectations. Initially low interest rates helped the market but the increases have contributed to a general weakening of sales volumes.

Against this background our spread of exposures to high net worth and market professional individuals who can afford rate rises and have equity at risk gives comfort.

We have not pursued the buy-to-let market, remaining client rather than asset focused.

Good quality investment property remains strong with a number of funds underweight in this asset class.

Corporate credit has shown good trends and there is no significant exposure to one counterparty.

Project Finance opportunities remain strong with revenue derived from good advisory positioning rather than credit exposure.

General

Arrears across the whole lending book are extremely modest with no worrying trends evidenced.

Appropriate levels of provisions are maintained within the stated board policy.

Credit Risk in Australia

Investec Bank (Australia) Limited operates within a clearly defined framework for managing credit risk. Credit risk management policies and procedures are consistent with those adopted by the group and are compliant with the prudential standards issued by the domestic regulator.

Credit risk is assumed through traditional lending to target private and corporate clients, project finance and the placement of surplus liquidity with rated domestic banks and financial institutions.

The majority of exposures are secured by assets which are predominantly property or liquid securities. The exposure to the property market is mitigated by the spread of assets and the ability of clients to meet interest from other resources.

Year in review
The loan portfolio performed exceedingly well during the year and the underlying quality of the book is considered high. This is reflected by low arrears and borrower default over the period.

Market risk management

Our trading activity covers interest rates, foreign exchange, commodities (metals) and exchange traded equities. The focus of these businesses is predominantly to support client activity. Our philosophy is that trading should be conducted largely to facilitate primary clients in deal execution.

Market risk exists since the market value of any positions (including derivatives) has the potential to change, caused by adverse movements in market factors such as interest and foreign exchange rates; equity, bond and commodity prices; volatility; and credit spreads. The Market Risk Management team's role is to independently identify, quantify, monitor and manage these risks.

Market risk management team

The Market Risk Management team performs the following functions:

- Articulates the policy for the board's approval and ensures compliance with this policy.
- Proposes risk limits for approval by the board. This involves:
  - Preparing an in-depth analysis of the various risks considering both normal market conditions and extreme or infrequent events.
  - Deciding on appropriate methodology and manner in which to set a limit.
  - Determining an appropriate level at which the risks should be set.
- Reviews and approves pricing and other risk models.
- Ensures the complete capture of market risk in risk measurement and reporting systems.
- Monitors risk limits and the nature of market risks on a daily basis, including reviewing concentrated positions.
- Calculates and analyses Value at Risk (VaR) daily.
- Performs a profit attribution, where our daily traded income is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.
- Reviews the market risks on our books and ensures that it is prudently positioned, taking into account agreed policies, prevailing markets and liquidity, hedging strategies and the relationship between risk and reward.
- Deals with any excesses to risk limits.
- Ensures internal market risk financial models meet good practice and meet the regulators rules and guidance.
- Checks the value of market positions from independent price feeds.
- Has responsibility for the maintenance and control of an independent risk management system with appropriate models. This enables VaR calculations, scenario analysis and stress testing to be carried out.

Measurement of market risk

A variety of measurement techniques are used to quantify the market risk arising from our trading activities. These include sensitivity analysis and VaR. Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR is a technique for estimating future potential losses on current portfolios, due to adverse price movements over a given time horizon, at a stated level of confidence. Our assessment of past movements is based on data for the past year. We apply these historical changes in risk factors directly to our current positions, a method known as Historical Simulation. We use historically simulated VaR based on historical prices over a 250-day period, a 95% confidence level and a one-day holding period. This means that there is a one in 20 chance that daily losses will be at least as large as the reported VaR amount. 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, however, does not indicate how much we can expect to lose in these cases. We further analyse the results beyond the 95% confidence level - the tails of the distribution - to better understand the potential risks of the portfolio. Expected Tail Loss (ETL) quantifies the amount the group can expect to lose when the VaR threshold is exceeded.

The tables below show the bank's VaR and ETL on trading portfolios as at 31 March 2005, for a 95% confidence level and a one-day holding period, assuming no mitigating action is taken.

We use a two-tier approach to stress testing. The first stress is designed to replicate a normal daily move in the different risk factors while the second is designed to replicate a crash type scenario and is based on a 15 standard deviation move. The sensitivity analysis of the various risk factors is carried out using historical data going back up to 10 years. Each risk factor is analysed in isolation and there is no implicit assumption regarding the correlation between the risk factors.

Scenario analysis makes use of historical crashes to simulate potential losses on our current positions if a similar crash was to happen again. The major benefit of using historical scenarios is that the correlation between the various risk factors is implicit in the scenarios.

Year in review

The following major external events occurred during the period under review:

- Volatility levels of equity stocks and indices globally fell during the year and reached historic lows. This had an unfavourable impact on the UK Equity Derivatives desk, as the desk was long stock and index volatility.
- Volatility levels of base metals fell sharply during the first half of the year and reached historic lows. This had an unfavourable impact on the Commodities desk as the desk was long base metal volatility.

During the year, in general, there has been a gradual reduction in the amount of proprietary market risk on the various desks. The VaR for the Equity Derivatives desk did close the year at its highest position as trading opportunities were taken.

VaR 95 % (one-day)

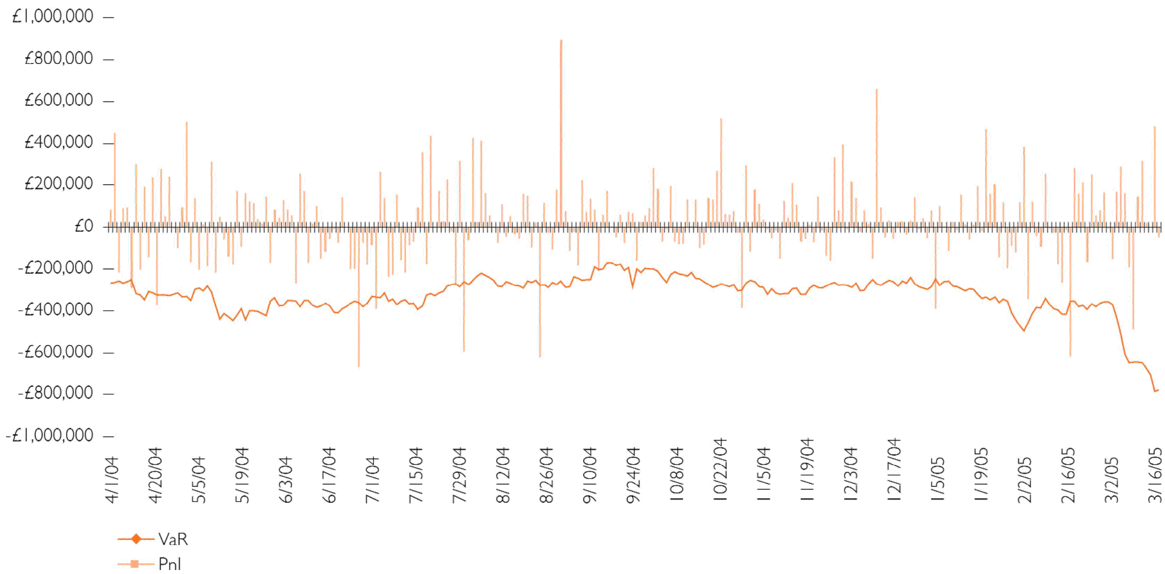
£'000	31 March 2005	31 March 2004
Interest rates	10	4
Equity	856	358
Foreign exchange	11	20
Commodities	24	125
Consolidated*	**836**	**424**
Limits (aggregated)	2 325	3 050
Highest	836	462
Lowest	171	214
Average	323	330

* 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 result of the correlation between the various asset classes.

All VaR models, while forward-looking, are based on past events and are dependent on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored by a process called Backtesting. This involves comparing the actual trading revenues arising from the previous day's closing positions with the 1-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the 1-day VaR, a "backtesting breach" is considered to have occurred. Considering 1-day 95% VaR, a backtesting breach is expected (on average) one day in twenty.

The graph below provides a visual representation of the Backtesting process. It compares the daily profits and losses with the 95% 1-day VaR for Investec Bank (UK) Limited over the past financial year. Based on these we can gauge the accuracy of the VaR figures. Out of the 250 trading days in this period, there were 11(4.4% of the time) 'backtesting breaches' in the bank. These indicate that the VaR figures provide a fairly accurate predictor of potential losses.

Investec Bank (UK) Limited daily profit and loss (pnl) vs 95% VaR



Most of the outliers in the bank were due to large declines in equity and base metal volatility (as mentioned in the 'Year in Review' section) where the moves were significantly larger than the normal moves experienced in the past year and hence resulted in losses that were larger than the corresponding VaR figures.

ETL 95% (one-day)

£'000	31 March 2005	31 March 2004
Interest rates	15	6
Equity	1 180	503
Foreign exchange	14	84
Commodities	36	143
Consolidated*	**1 160**	**554**

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

Stress testing

£'000

The portfolio stress tested under extreme market conditions (15 standard deviations) will result in a loss of £6.9 million in the bank.

	31 March 2005	31 March 2004
Interest rates	77	29
Equity	6 551	2 743
Foreign exchange	84	151
Commodities	182	959
Consolidated	**6 895**	**3 883**

Risk management

Liquidity risk

Liquidity risk is the risk that we do not have sufficient funds to meet our financial obligations mainly arising through deposit maturities and asset growth.

We have always recognised the importance of liquidity risk management. Liquidity management is vital to preserving market confidence, safeguarding our reputation, and ensuring sustainable growth.

We have a strong retail and private client base which is the principal source of stable and well diversified funding for our private banking risk assets. We continue to develop products to attract and service the deposit needs of the growing Private Bank client base. Although the contractual repayments of many retail customer accounts are on demand or at short notice, in practice over a long period the retail short-term deposit balances have remained a stable source of funds.

Access to the wholesale markets via the treasury area has produced good term funding.

Our liquidity management processes are based on the following elements with principles approved by the Financial Services Authority:

- Maintenance of a stock of readily available, high quality liquid assets and near cash in excess of its statutory requirements as well as strong balance sheet liquidity ratios.
- Preparation of cash flow projections (assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch, which are translated into short- and long-term funding strategies.
- Management of concentration risk, being undue reliance on any single counterpart or counterpart group, sector, market, product, instrument, currency and tenor.
- Daily management of funding and liquidity risk by Treasury subject to independent ALCO review.
- Maintenance of liquidity contingency plans and the identification of alternative sources of funds in the market so as to ensure that cash flow estimates and commitments can be met under a range of adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

Year in review

We embarked on several initiatives which had the effect of depositor substitution via permanent capital raising and term debt funding. This ensured that we maintained liquidity well above internal and external liquidity targets whilst growing our profitable lending portfolios. These developments were:

- Investec Finance plc implemented an EMTN programme in August of 2004, followed by its debut bond issue in October - a 3 year €175 million FRN.
- A second, three-year fixed rate bond issue of £175 million by Investec Finance plc in February 2005 took advantage of specific appetite in the sterling market.
- Investec Finance plc created an ECP programme for issuance of short-dated commercial paper to institutional investors. At 31 March 2005 amounts raised by the programme were £10 million, €45.5 million and US$21.0 million.

We are currently unaware of any circumstances that could significantly detract from our ability to raise term funding.

Operational risk management framework

Operational risk is defined as the risk of loss or earnings volatility arising from failed or inadequate internal processes, people, systems or from external events.

Operational risk is inherent in our operations and is recognised as such. We seek to manage this risk within acceptable levels and to minimise unexpected events.

Senior management within the business units is responsible for identifying and mitigating operational risks. The director of Risk Management is responsible for ensuring the implementation of the board approved policy and framework which includes promoting sound practices, facilitating operational risk initiatives and monitoring the operational risk environment.

Operational Risk Management focuses on:

- Identification and assessment of operational risks.
- Indicator development.
- Incident and loss event data recording and analysis.

Enterprise-wide operational risk programmes are in place to support and mitigate:

- Business continuity risk.
- Information security risk.
- IT change management risk.
- Track any changes to business objectives that might give rise to changes in risks and controls.

Year in review

Sound operational risk management practices

Key developments during the year include:

- A Risk Assessment Framework was developed during the year based on the existing Turnbull risk assessment process and incorporating operational risks. Reference was made to leading practices in developing the framework. Risk identification and assessment is an ongoing process to ensure relevance and appropriateness. External events are monitored for emerging issues as are internal risk incidents and loss events.
- An integrated technology solution linking risk assessment, indicators and incidents was sourced and is being implemented throughout the group.

- During the year further progress was made on recording and reporting risk incidents and loss events. These are monitored and appropriate corrective action taken to minimise losses and reoccurrence.
- Operational risk management practice disclosures will continue to be assessed and refined as the discipline develops internally and industry-wide.
- Outsourcing arrangements were reviewed, a register established and the group outsourcing policy enhanced in line with the Bank of International Settlements "Outsourcing in Financial Services" recommendations.
- Gaps in compliance with the proposed Basel II requirements for operational risk are being assessed so as to ensure readiness on the effective dates. Evolving regulatory developments are being monitored to ensure Basel II readiness.

Enterprise risk programmes

Business continuity risk

We have a comprehensive programme in place to assess and ensure our capability to support the availability of systems, restore technology platforms, resume operations and deliver core business processes. The business continuity capability is subject to independent monitoring, review and assessment by Operational Risk and Internal Audit.

No significant disruptions to operations occurred during the year.

Information security risk

Information Security has continued to receive attention to assess and respond proactively to threats to data, systems and information. Our policies and practices are based on ISO17799 standards.

There were no significant incidents during the year. Regular tests were carried out and enhancements made where necessary.

IT change management risk

Changes to IT systems can introduce risk if not planned, assessed and implemented with care. Changes to live and business continuity environments are subject to a robust process to minimise disruptions.

Financial crime

Matters of attempted financial crime, whether arising from internal and external sources, are one of our particular concerns. Incidents are fully investigated to understand source and cause, achieve recovery and initiate legal action, and implement appropriate mitigating action.

Reputational risk management

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. Such damage may be caused by a breakdown of trust, confidence or business relationships. Reputational risk may arise as a result of other risks manifesting and not being mitigated.

Various policies and practices are in operation to mitigate reputational risk. These include a strong values statement that is regularly and proactively reinforced. In addition, we subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

We are acutely aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. Our policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessments, internal audit and regulatory compliance review, as well as risk management practices.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable when called upon. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable in circumstances where a counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered.

Our policy is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their control and allocating clear independent responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring procedures. This will include outsourcing certain processes to external solicitors.

The board delegates responsibility for implementation of its policy to the Head of Legal Risk who, in turn, assigns responsibility for controlling these risks to the managers of appropriate departments and a focused legal risk team.
The scope of our activities, which brings about legal risk, is continuously reviewed and includes the following areas:
- Relationship contracts.
- Legislation/governance.
- Litigation.
- Corporate events.
- Changes brought about through case law

Legal risk is also regularly reviewed at group level by the global legal risk team. This ensures adequate resource and effectiveness.

Basel II

The revised international capital adequacy framework, commonly referred to as Basel II, was published during the year.

This framework is designed to differentiate minimum regulatory capital requirements in a risk sensitive manner and incentivise and recognise sound risk management, internal control and governance practices. Basel II allows choices in terms of approaches to be adopted for the determination of minimum regulatory capital, subject to demonstrating best practices as part of the regulatory approval process.

The group has a number of initiatives underway to address particular aspects of Basel II, in particular:

Credit risk

- During the year under review additional resources were employed in order to effect a Basel II compliant framework within the organisation as a whole. A project is on course to meet the Financial Services Authority's standardised approach for capital determination.

Operational risk

- Implementation of sound operational risk management practices supported by an integrated operational risk technology solution that allows risk identification, indicators, and incidents and loss events to be recorded and linked. This allows for a dynamic informed approach to operational risk management as well as providing the appropriate building block approach to migrate to advanced approaches.

During the year various readiness assessments were concluded which assist us in planning aspects of the implementation.

An immediate capital saving is not expected since supervisors and banks will need to gather experience and confidence in the processes and practices that will need to be relied on, whilst at the same time not diluting capital and supporting financial stability.

Whilst emphasis is placed on Pillar 1, the minimum capital requirements determination principles, the group recognises that Pillar 2, supervisory practices, including capital allocation and Pillar 3, market discipline which covers disclosure, are equally important and attention has been given to reviewing practices and disclosures in line with Basel II expectations.

Basel II issues and developments are regularly reported on to the board, and are given oversight by the Executive Risk Review Forum. As a group and in line with our strong focus on risk management practices, we are integrating the Basel II expectations into our practices, enhancing processes and technology requirements as needed.

Investec Bank (UK) Limited

Hugh S Herman (64)
BA LLB LLD (Honoris CAUSA)
Non-Executive Chairman

Bradley Fried (39)
BCom CA(SA) MBA
Chief Executive Officer

George F O Alford (56)
BSc (Econ) FCIS FIPD MSI

Bernard Kantor (55)

Ian R Kantor (58)
BSc(Eng) MBA

Sir Chips Keswick (65)

Stephen Koseff (53)
BCom CA(SA) H Dip BDP MBA

Alan Tapnack (58)
BCom CA(SA)

David M van der Walt (40)
BCom (Hons) CA (SA)

Ian R Wohlman (50)
ACIB

Sustainability

While short term performance is important, we believe that our long term success is dependent on building a sustainable track record. Consequently, we have set financial targets that challenge and inspire us to perform. We recognise that doing the right thing for our employees, clients, shareholders and communities over a long period of time will enable us to meet the aspirations of all our stakeholders.

Sustainability

Financial statements

Directors' report

The directors present their report and financial statements for the year ended 31 March 2005.

Business and principal activities

The principal activities of Investec Bank (UK) Limited (the "bank") and its subsidiaries (together, the "group") are investment banking, private banking, treasury and specialised finance, private equity 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 group's business for the year and future proposed activities can be found in the Chief Executive Officer's review and the commentary on the results on pages 10 to 14.

Results and dividends

The results for the year are shown on page 38. Movements in reserves are shown in note 31 to the financial statements.

An interim dividend of £15 000 000 was paid on 23 November 2004.

The directors recommend the payment of a final dividend of £15 000 000 for the year ended 31 March 2005 (2004: £16 500 000), subject to approval at the General Meeting.

Directors and their interests

The directors of the bank for the year ended 31 March 2005 are shown on page 29. Mr John Abell passed away on 26 May 2004. Mr Michael Jameson-Till and Mr Richard Forlee resigned as directors on 30 June 2004 and 23 June 2004, respectively.

According to the register of directors' interests, no director holding office at 31 March 2005 had any debentures or beneficial interest in the shares of the bank during the year.

The beneficial interests in shares, debentures and options in the ultimate parent company, Investec plc, of Messrs H Herman, B Kantor, I Kantor and S Koseff 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 Companies structure is set out on page 3.

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.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2005

Name	Beneficial and non-beneficial interest [1] Investec plc [2] 1 April 2004	Beneficial and non-beneficial interest [1] Investec plc [2] 31 March 2005	Beneficial and non-beneficial interest [1] Investec Limited [3] 1 April 2004	Beneficial and non-beneficial interest [1] Investec Limited [3] 31 March 2005
Bradley Fried	-	-	150 000	270 653
David van der Walt	3 150	3 150	151 850	246 570
Ian Wohlman	-	-	50 000	56 133
Total number	**3 150**	**3 150**	**351 850**	**573 356**

Notes:

[1] The entitlements of the participants in Spurwing are included in the amounts reflected under beneficial interest.

[2] The market price of an Investec plc share as at 31 March 2005 was £15.55 (2004: £10.89).

[3] The market price of an Investec Limited share as at 31 March 2005 was R178.00 (2004: R125.30).

Directors' interests in the Investec Limited Security Purchase and Option Scheme Trust as at 31 March 2005

Investec plc shares

Name	Balance of shares at 1 April 2004	Number of shares for which liability was settled during the year	Date liability was settled	Average original offer price	Market price at date of repayment of liability	Balance of shares at 31 March 2005
David van der Walt	1 599	650	11 Mar 2005	R69.03	R191.16	949

Investec Limited shares

Name	Balance of shares at 1 April 2004	Number of shares for which liability was settled during the year	Date liability was settled	Average original offer price	Market price at date of repayment of liability	Balance of shares at 31 March 2005
David van der Walt	939	382	11 Mar 2005	R69.03	R191.16	557

Note:
The shares in the tables above were held in terms of the Investec Limited share purchase scheme, for which the directors had a liability for any related scheme debt. No shares were granted in terms of this scheme during the year. No options were allocated to directors in terms of this scheme.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2005

Name	Entitlement to Investec plc and Investec Limited shares 1 April 2004	Entitlement to Investec plc and Investec Limited shares 31 March 2005	Settlement period
Bradley Fried	53 160	66 450	1 Apr 05 to 31 Jul 08
David van der Walt	62 020	-	
Total number	**115 180**	**66 450**	

Note:
All the shares to which the directors are entitled in terms of the Fintique II scheme are fully tradeable and so "fully vested" as the term is understood in the UK, and can be taken up at a price of R69.93 per share, based on the valuation of the scheme as at 31 March 2005. The market price of Investec plc shares and Investec Limited shares as at 31 March 2005 was £15.55 and R178.00, respectively. While the combined Investec plc and Investec Limited share entitlement will remain unchanged, the mix of Investec plc and Investec Limited shares may vary from time to time. The directors are at risk for any shortfall on maturity of the scheme.

B Fried acquired entitlements to 13 290 Investec Limited shares during the year.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique III as at 31 March 2005

	Net underlying entitlement to Investec plc shares on maturity of the scheme	Net underlying entitlement to Investec Limited shares on maturity of the scheme
David van der Walt	-	99 216
Ian Wohlman	-	7 632
Total number	**-**	**106 848**

Notes:
Fintique III became a fully vested scheme in terms of the scheme structure on 15 December 2004. Due to the leveraged nature of the scheme, the directors' entitlement to Investec shares was 72.83% per unit on maturity of the scheme.

The above share entitlements are shown prior to the settlement of the directors' share of the outstanding loan obligations in terms of the scheme of an amount of R102.38 or £5.45 per share. The participants in the Fintique III scheme were eligible to acquire and/or sell their shares received in terms of the scheme on 15 December 2004 after settlement of their loan obligation. The above net share entitlement received by the directors is now reflected as part of their beneficial and non-beneficial shareholdings as shown on page 31.

Directors' interest in options as at 31 March 2005

Investec plc shares

Name	Holdings in Investec plc share options 1 April 2004	Options granted during the year	Options exercised during the year [1]	Options lapsed during the year	Holdings in Investec plc share options 31 March 2005	Period exercisable
Bradley Fried	97 436	-	23 413	-	74 023	20 Jun 2005 to 20 Mar 2012
David van der Walt	97 286	-	23 376	-	73 910	20 Jun 2005 to 20 Mar 2012
Ian Wohlman	27 943	-	5 877	-	22 066	20 Jun 2005 to 20 Mar 2012

Notes:
[1] **Details with respect to options exercised:**
- B Fried exercised his options and sold 14 962 Investec plc shares on 17 September 2004 when the share price was £10.91 and 8 451 Investec plc shares on 3 January 2005 when the share price was £16.97. The performance conditions with respect to these options were met.

- D van der Walt exercised his options and sold 15 750 Investec plc shares on 17 September 2004 when the share price was £10.91 and 7 626 Investec plc shares on 15 March 2005 when the share price was £16.45. The performance conditions with respect to these options were met.

- I Wohlman exercised his options and sold 3 150 Investec plc shares on 17 September 2004 when the share price was £10.91, 1 026 Investec plc shares on 6 January 2005 when the share price was £16.63 and 1 701 shares on 1 March 2005 when the share price was £16.10. The performance conditions with respect to these options were met.

Directors' interest in options as at 31 March 2005

Investec Limited shares

Name	Holdings in Investec Limited share options 1 April 2004	Options granted during the year	Options exercised during the year [1]	Options lapsed during the the year [2]	Holdings in Investec Limited share options 31 March 2005	Period exercisable
Bradley Fried	52 564	-	4 354	8 788	39 422	20 Jun 2005 to 20 Mar 2008
David van der Walt	52 714	-	3 928	9 250	39 536	20 Jun 2005 to 20 Mar 2008
Ian Wohlman	10 957	-	528	2 849	7 580	20 Jun 2005 to 20 Mar 2008

Notes:
No new grants were made during the financial year. The market price of an Investec plc share as at 31 March 2005 was £15.55 (2004: £10.89). A total of 74.6 million Investec plc shares were in issue as at 31 March 2005. The market price of an Investec Limited share as at 31 March 2005 was R178.00 (2004: R125.30) A total of 44.0 million Investec Limited shares were in issue as at 31 March 2005.

[1] Details with respect to options exercised:
- B Fried exercised his options and sold 4 354 Investec Limited shares on 3 January 2005 when the share price was R186.50. The performance conditions with respect to these options were met.

- D van der Walt exercised his options and sold 3 928 Investec Limited shares on 15 March 2005 when the share price was R188.00. The performance conditions with respect to these options were met.

- I Wohlman exercised his options and sold 528 Investec Limited shares on 6 January 2005 when the share price was R186.50. The performance conditions with respect to these options were met.

[2] Details with respect to options lapsed:
- B Fried forfeited options in terms of the scheme rules in respect of 8 788 Investec Limited shares.

- D van der Walt forfeited options in terms of the scheme rules in respect of 9 250 Investec Limited shares.

- I Wohlman forfeited options in terms of the scheme rules in respect of 2 849 Investec Limited shares.

Directors' interest in Long Term Incentive Plans

Name	Date of award	Exercise price	Number of Investec plc shares at 1 April 2004	Number of Investec plc shares at 31 March 2005	Period exercisable
Bradley Fried	16 March 2005	nil	-	80 000	75% on 30 Jun 2009 and 25% on 30 Jun 2010
David van der Walt	16 March 2005	nil	-	65 000	75% on 30 Jun 2009 and 25% on 30 Jun 2010
Ian Wohlman	16 March 2005	nil	-	30 000	75% on 30 Jun 2009 and 25% on 30 Jun 2010

Directors' report

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.

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 fully and fairly considered bearing in mind their qualifications and abilities to perform the job. In the event of employees becoming disabled, every effort is made to ensure their continued employment by providing training and career development opportunities. 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 can be found in the Investec group's 2005 Sustainability Report.

Political donations and expenditure

The group has a long-standing policy of not making contributions to any political party and has not incurred any political expenditure within the year.

Donations

During the year the group made donations for charitable purposes in the UK, totalling £268 705.

Auditors

The bank has passed an elective resolution pursuant to Section 379A of the Companies Act 1985 dispensing with the holding of annual general meetings, the laying of annual reports and financial statements before shareholders in general meeting. In accordance with Section 386 of the Companies Act 1985, the bank has elected to dispense with the obligation to appoint auditors annually; accordingly Ernst & Young LLP remain in office.

By order of the board,

Richard Vardy
Secretary

17 June 2005

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
- 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 2005 which comprise the Consolidated profit and loss account, Consolidated statement of total recognised gains and losses, Consolidated balance sheet, Balance sheet for the bank and the related notes 1 to 38. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the bank'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 bank'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 bank and the bank'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

As described in the Statement of directors' responsibilities the bank's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the bank has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specifed by law regarding directors' remuneration and transactions with the bank is not disclosed.
We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the bank and of the group as at 31 March 2005 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
17 June 2005

Consolidated profit and loss account

For the year ended 31 March

£'000	Notes	2005 Before goodwill and exceptional items	2005 Goodwill and exceptional items	2005 Total	2004 Before goodwill and exceptional items	2004 Goodwill and exceptional items	2004 Total
Interest receivable- interest income arising from debt securities		55 572	-	55 572	46 690	-	46 690
Interest receivable- other interest income		173 651	-	173 651	168 233	-	168 233
Interest payable		(153 981)	-	(153 981)	(146 448)	-	(146 448)
Net interest income		**75 242**	**-**	**75 242**	**68 475**	**-**	**68 475**
Dividend income	3	460	-	460	288	-	288
Fees and commissions receivable		144 026	-	144 026	112 041	-	112 041
- annuity		79 735	-	79 735	72 342	-	72 342
- deal		64 291	-	64 291	39 699	-	39 699
Fees and commission payable		(6 098)	-	(6 098)	(7 491)	-	(7 491)
Dealing profits	4	14 991	-	14 991	20 782	-	20 782
Other operating income		17 507	-	17 507	4 301	-	4 301
Other income		**170 886**	**-**	**170 886**	**129 921**	**-**	**129 921**
Total operating income		**246 128**	**-**	**246 128**	**198 396**	**-**	**198 396**
Administrative expenses	5	(153 527)	-	(153 527)	(131 556)	-	(131 556)
Depreciation and amortisation		(2 889)	(7 206)	(10 095)	(4 194)	(8 468)	(12 662)
- tangible fixed assets	22	(2 889)	-	(2 889)	(4 194)	-	(4 194)
- amortisation and impairment of goodwill	20	-	(7 206)	(7 206)	-	(8 468)	(8 468)
Provision for bad and doubtful debts	14	(5 221)	-	(5 221)	(4 246)	-	(4 246)
Operating profit	**6**	**84 491**	**(7 206)**	**77 285**	**58 400**	**(8 468)**	**49 932**
Share of income of associated undertakings		(368)	-	(368)	(317)	-	(317)
Loss on disposal of subsidiary undertaking	9	-	(6 350)	(6 350)	-	-	-
Profit on ordinary activities before taxation		**84 123**	**(13 556)**	**70 567**	**58 083**	**(8 468)**	**49 615**
Tax on profit on ordinary activities	10	(23 346)	-	(23 346)	(18 966)	-	(18 966)
Profit on ordinary activities after taxation		**60 777**	**(13 556)**	**47 221**	**39 117**	**(8 468)**	**30 649**
Minority interests-equity		(808)	-	(808)	(546)	-	(546)
Profit attributable to shareholders		**59 969**	**(13 556)**	**46 413**	**38 571**	**(8 468)**	**30 103**
Dividends:							
- interim		(15 000)	-	(15 000)	(13 500)	-	(13 500)
- final	27	(15 000)	-	(15 000)	(16 500)	-	(16 500)
Retained profit for the year		**29 969**	**(13 556)**	**16 413**	**8 571**	**(8 468)**	**103**

Consolidated statement of recognised gains and losses

For the year ended 31 March

£'000	2005	2004
Profit for the year attributable to shareholders	46 413	30 103
Currency translation differences on foreign currency net investments	(2 994)	(4 052)
Total recognised gains relating to the year	**43 419**	**26 051**
Prior year adjustment	-	732
Total gains recognised since the last annual report	**43 419**	**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

As at 31 March

£'000	Notes	2005	2004
Assets			
Cash and balances at central banks		10 308	258 999
Treasury bills and other eligible bills	11	142 182	144 781
Loans and advances to banks	12	1 797 238	663 750
Loans and advances to customers	13	3 380 095	3 017 983
Debt securities	15	1 135 948	770 832
Equity shares	16	276 924	255 243
Interests in associated undertakings	17	1 767	1 567
Other participating interests	18	9 124	9 135
Intangible fixed assets	20	17 440	29 822
Tangible fixed assets	22	15 973	29 229
Other assets	23	466 612	383 545
Prepayments and accrued income		56 851	27 505
		7 310 462	**5 592 391**
Liabilities			
Deposits by banks	24	775 488	769 342
Customer accounts	25	2 981 168	3 064 773
Debt securities in issue	26	637 843	220 859
Other liabilities	27	2 109 543	777 975
Accruals and deferred income		86 319	57 688
		6 590 361	**4 890 637**
Capital resources			
Subordinated liabilities	29	219 516	202 371
Minority interests-equity		1 399	13 616
Called up share capital	30	354 000	354 000
Share premium account	31	37 365	37 365
Profit and loss account	31	107 821	94 402
Equity shareholders' funds		499 186	485 767
		720 101	**701 754**
		7 310 462	**5 592 391**
Memorandum items			
Commitments	33	366 698	316 510
Contingent liabilities	34	59 028	148 330
		425 726	**464 840**

The directors approved the accounts on 17 June 2005.

Bradley Fried
Chief Executive Officer

Balance sheet for the bank

For the year ended 31 March

£'000	Notes	2005	2004
Assets			
Cash and balances at central banks		8 833	8 505
Treasury bills and other eligible bills	11	6 813	6 663
Loans and advances to banks	12	1 468 402	403 044
Loans and advances to customers	13	2 872 767	2 372 468
Debt securities	15	868 120	545 335
Equity shares	16	269 000	233 082
Interests in associated undertakings		1 997	1 297
Other participating interests	18	9 124	9 135
Shares in group undertakings	19	361 822	244 504
Intangible fixed assets	20	4 213	6 101
Tangible fixed assets	22	11 559	12 402
Other assets	23	436 487	336 585
Prepayments and accrued income		47 416	26 777
		6 366 553	**4 205 898**
Liabilities			
Deposits by banks	24	1 101 914	1 060 844
Customer accounts	25	2 373 854	1 878 165
Debt securities in issue	26	91 491	52 257
Other liabilities	27	2 087 682	747 692
Accruals and deferred income		70 869	45 001
		5 725 810	**3 783 959**
Capital resources			
Subordinated liabilities	29	218 998	6 596
Called up share capital	30	354 000	354 000
Share premium account	31	37 365	37 365
Profit and loss account	31	30 380	23 978
Equity shareholders' funds		421 745	415 343
		640 743	**421 939**
		6 366 553	**4 205 898**
Memorandum items			
Commitments	33	263 074	228 169
Contingent liabilities	34	85 495	87 057
		348 569	**315 226**

The directors approved the accounts on 17 June 2005.

Bradley Fried
Chief Executive Officer

Accounting policies

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

Basis of presentation

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.

Basis of consolidation

The group financial statements incorporate the financial results of the bank and its subsidiaries. All subsidiaries 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, except entities where they are held with a view to subsequent resale.

Entities, other than subsidiary undertakings, in which the group has a participating interest and exercises significant influence over operating and financial policies, are treated as associates. In the group accounts, associates are accounted for using the equity method by including the attributable share of the results and reserves of associated undertakings. 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 on which the group does not exercise significant influence 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 foreign subsidiaries and associated undertakings 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 and derivatives which are used to hedge the net investment in foreign subsidiaries are also taken to reserves.

Goodwill arising on the acquisition of foreign entities is translated at the closing exchange rate.

Foreign currency transactions

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

Notes to the financial statements

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, credit derivatives, forward rate agreements, futures, options and combinations of these instruments. In addition, the use of derivatives and their sale to customers as risk management products 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 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; and
- adequate evidence of the intention to link with the underlying risk inherent in the asset, liability or cashflow; and
- 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 superceded, 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 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 balances outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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 provision for bad and doubtful debts in the profit and loss account includes the unserviced interest which has been transferred to specific provisions. Doubtful debts are written off against the balance sheet 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 weighted by management in determining the adequacy of provisions. These factors include management's view of the extent of existing risks in the loan portfolio and 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 annual rates used to depreciate assets are as follows:

Computer equipment	33%
Motor vehicles	20% - 25%
Furniture and fittings	10% - 20%
Freehold properties	2%

Leasehold improvements are amortised over the shorter of 20 years and the remaining period of the leases.

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 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 netted in the balance sheet against accrued interest receivable or, as the case may be, the amount debited to the borrower. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Dealing profits is 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 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.

The closed 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.

Notes to the financial statements

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.

For the year ended 31 March

	Principal activity	Country of incorporation	Interest % 2005	Interest % 2004
1. Principal subsidiary and associated undertakings				
Direct subsidiary undertakings 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 subsidiary undertakings of Investec Bank (UK) Limited				
Investec Bank (Australia) Limited	Banking Institution	Australia	100%	100%
Investec Bank (Channel Islands) Limited	Banking Institution	Guernsey	100%	100%
Investec Bank (Israel) Limited (sold 22 December 2004)	Banking Institution	Israel	0%	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	Trust company	Jersey	100%	100%
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100%	100%
All of the above subsidiary undertakings are included in the consolidated accounts.				
Principal associated undertaking of Investec Bank (UK) Limited				
iMarkets Holdings Limited	Supplier of trading platforms	British Virgin Islands	34%	25%

Notes to the financial statements

For the year ended 31 March

£'000	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Property Activities	Group Services and Other Activities	Total group
2. Segmental analysis						
Business analysis 2005						
Net interest income	47 815	13 145	1 094	(788)	13 976	75 242
Dividend income	-	2	186	-	272	460
Net fees and commissions receivable	57 466	30 915	42 541	6 229	777	137 928
Dealing profits	576	13 378	868	919	(750)	14 991
Other operating income	101	(25)	15 629	794	1 008	17 507
Operating income	**105 958**	**57 415**	**60 318**	**7 154**	**15 283**	**246 128**
Administrative expenses	(58 450)	(40 959)	(37 586)	(2 086)	(14 446)	(153 527)
Depreciation	(1 486)	(134)	(234)	-	(1 035)	(2 889)
Provision for bad and doubtful debts	(3 440)	(43)	-	3	(1 741)	(5 221)
Operating profit/(loss) before amortisation and impairment of goodwill	**42 582**	**16 279**	**22 498**	**5 071**	**(1 939)**	**84 491**
Share of (loss)/income of associated undertakings	223	(304)	-	-	(287)	(368)
Amortisation and impairment of goodwill	(3 733)	3 650	(7 123)	-	-	(7 206)
Loss on disposal of subsidiary undertaking	-	-	-	-	(6 350)	(6 350)
Profit/(loss) on ordinary activities before taxation	**39 072**	**19 625**	**15 375**	**5 071**	**(8 576)**	**70 567**
Net intercompany interest	(2 138)	(20 154)	(630)	(797)	29 779	6 060
Total assets (£'million)	**1 785**	**4 743**	**289**	**25**	**468**	**7 310**

For the year ended 31 March

£'000	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Property Activities	Group Services and Other Activities	Total group
2. Segmental analysis (continued)						
Business analysis 2004						
Net interest income	41 536	13 508	2 245	(1 267)	12 453	68 475
Dividend income	-	-	112	-	176	288
Net fees and commissions receivable	42 587	21 332	38 759	950	922	104 550
Dealing profits	362	18 925	396	1 149	(50)	20 782
Other operating income	174	104	3 029	1 540	(546)	4 301
Operating income	**84 659**	**53 869**	**44 541**	**2 372**	**12 955**	**198 396**
Continuing operations						
Ongoing	74 851	52 645	36 301	2 372	9 128	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)	(805)	(12 469)	(131 556)
Depreciation	(1 321)	(176)	(433)	-	(2 264)	(4 194)
Provision for bad and doubtful debts	(5 264)	(446)	-	(46)	1 510	(4 246)
Operating profit/(loss) before amortisation and impairment of goodwill	**28 869**	**17 680**	**10 598**	**1 521**	**(268)**	**58 400**
Continuing operations						
Ongoing	22 786	17 680	6 167	1 521	1 253	49 407
Acquisition - Investec Bank (Australia) Limited	6 083	-	4 431	-	(1 521)	8 993
Share of (loss)/income 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**	**1 521**	**191**	**49 615**
Continuing operations						
Ongoing	16 136	20 740	2 905	1 521	1 712	43 014
Acquisition - Investec Bank (Australia) Limited	6 083	-	2 039	-	(1 521)	6 601
Net intercompany interest	1 618	(25 586)	(358)	(1 208)	17 193	(8 341)
Total assets (£'million)	**1 867**	**2 661**	**148**	**26**	**890**	**5 592**

For the year ended 31 March

£'000	United Kingdom and Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2005				
The group geographical analysis is based on the location of the office at which the transaction was recorded.				
Net interest income	54 420	13 768	7 054	75 242
Dividend income	381	64	15	460
Net fees and commissions receivable	116 983	14 580	6 365	137 928
Dealing profits	14 822	(8)	177	14 991
Other operating income	16 217	1 066	224	17 507
Operating income	**202 823**	**29 470**	**13 835**	**246 128**
Administration expenses	(127 076)	(17 570)	(8 881)	(153 527)
Depreciation	(2 002)	(354)	(533)	(2 889)
Provision for bad and doubtful debts	(4 698)	(88)	(435)	(5 221)
Operating profit before amortisation and impairment of goodwill	**69 047**	**11 458**	**3 986**	**84 491**
Share of income/(loss) of associated undertakings	(359)	(81)	72	(368)
Amortisation and impairment of goodwill	(113)	(7093)	-	(7 206)
Loss on disposal of subsidiary undertaking	-	-	(6 350)	(6 350)
Profit/(loss) on ordinary activities before taxation	**68 575**	**4 284**	**(2 292)**	**70 567**
Taxation	(18 379)	(3 507)	(1460)	(23 346)
Minorities	(252)	-	(556)	(808)
Profit/(loss) attributable to shareholders	**49 944**	**777**	**(4 308)**	**46 413**
Net intercompany interest	5 644	374	42	6 060
Balance sheet				
Cash and balances at central banks	9	1	-	10
Treasury bills and other eligible bills	7	135	-	142
Loans and advances to banks	1 775	22	-	1 797
Loans and advances to customers	3 060	320	-	3 380
Debt securities	1 089	47	-	1 136
Equity shares	274	3	-	277
Interests in associated undertakings	2	-	-	2
Other participating interests	9	-	-	9
Intangible fixed assets	11	6	-	17
Tangible fixed assets	15	1	-	16
Other assets, prepayments and accrued income	517	7	-	524
Total assets (£'million)	**6 768**	**542**	**-**	**7 310**

For the year ended 31 March

£'000	United Kingdom and Europe	Australia	Other geographies	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	11 036	68 475
Dividend income	249	12	27	288
Net fees and commissions receivable	83 228	11 394	9 928	104 550
Dealing profits	19 498	307	977	20 782
Other operating income	3 490	11	800	4 301
Operating income	**152 192**	**23 436**	**22 768**	**198 396**
Administration expenses	(102 939)	(13 701)	(14 916)	(131 556)
Depreciation	(3 033)	(225)	(936)	(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**	**6 173**	**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**	**1 626**	**49 615**
Taxation	(12 857)	(2 682)	(3 427)	(18 966)
Minorities	(41)	-	(505)	(546)
Profit/(loss) attributable to shareholders	**28 661**	**3 748**	**(2 306)**	**30 103**
Net intercompany interest	(8 016)	(325)	-	(8 341)
Balance sheet				
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	18	12	-	30
Tangible fixed assets	15	1	13	29
Other assets, prepayments and accrued income	395	5	11	411
Total assets (£'million)	**4 384**	**480**	**728**	**5 592**

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 disclosure. 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 exceptional items and goodwill amortisation is shown below:

For the year ended 31 March

£'000	United Kingdom and Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
2005				
Private Client Activities	36 412	4 119	2 051	42 582
Treasury and Specialised Finance	14 993	1 496	(210)	16 279
Investment Banking	16 818	3 515	2 165	22 498
Property Activities	5 071	-	-	5 071
Group Services and Other Activities	(4 247)	2 328	(20)	(1 939)
Total	**69 047**	**11 458**	**3 986**	**84 491**
2004				
Private Client Activities	24 681	3 588	600	28 869
Treasury and Specialised Finance	15 084	129	2 467	17 680
Investment Banking	3 101	4 431	3 066	10 598
Property Activities	1 521	-	-	1 521
Group Services and Other Activities	(1 282)	974	40	(268)
Total	**43 105**	**9 122**	**6 173**	**58 400**

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

	2005	2004
Private Client Activities	**42 582**	**28 869**
Treasury and Specialised Finance		
Banking Activities	15 409	13 843
Financial Market Activities	870	3 837
	16 279	**17 680**
Investment Banking		
Corporate Finance	8 132	4 808
Institutional Research and Sales and Trading	2 165	3 064
Private Equity	12 201	2 726
	22 498	**10 598**
Property Activities	**5 071**	**1 521**
Group Services and Other Activities		
Investec Hong Kong	(857)	-
Asset Management	185	255
	(672)	255
Central Funding	5 671	4 216
Central Costs	(6 938)	(4 739)
	(1 939)	**(268)**
Total	**84 491**	**58 400**

For the year ended 31 March

£'000	Group 2005	Group 2004
3. Dividend income		
Income from equity shares	460	288
4. Dealing profits		
Interest rate instruments	3 303	4 909
Foreign exchange instruments	4 675	54
Commodities trading	(1 263)	2 089
Profit on disposal of dealing properties	919	1 149
Equities and other securities	6 932	12 581
Credit derivatives	425	-
	14 991	20 782
5. Administrative expenses		
Staff costs (including directors' remuneration)		
Wages and salaries	88 211	72 653
Social security costs	9 411	6 061
Pension fund contributions	4 828	4 337
	102 450	83 051
Other administrative expenses		
Premises (excluding depreciation)	4 140	3 198
Premises rental recharge from fellow group undertakings	7 493	7 723
Operating lease rental expenses for premises	2 237	2 587
Equipment (excluding depreciation and operating lease rental expenses)	845	1 046
Business expenses	31 586	29 459
Marketing expenses	4 776	4 492
	51 077	48 505
Total administrative expenses	153 527	131 556
The following amounts were paid to the auditors		
Audit fees	1 031	920
Other services	1 539	402
	2 570	1 322
Number of employees		
The average number of persons employed by the group was as follows:-	**Number**	**Number**
Private Client Activities	400	400
Treasury and Specialised Finance	171	176
Investment Banking	164	173
Group Services and Other Activities	300	330
	1 035	1 079

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

Notes to the financial statements

For the year ended 31 March

£'000	Group 2005	Group 2004
6. Group profits		
Operating profit is stated after:		
Income:		
Gains on disposal of investment securities	16 463	1 500
Operating lease rentals	3 273	3 093

7. Pension costs

Pension costs relate to defined contribution schemes. The Investec plc group has 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 contributions of £128 000 to the scheme in the year ended 31 March 2005 (31 March 2004 - £nil).

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 2005. This was performed by a qualified, independent actuary. The valuation showed a deficit in the scheme of £8 224 000 (31 March 2004 - £14 821 000). This deficit, after recognition of the related deferred tax asset has been recognised in the financial statements of Investec plc.

8. Directors' emoluments

	Group 2005	Group 2004
Aggregate emoluments (excluding pension contributions)	2 763	2 974
Contributions to defined contributions scheme	58	132
	2 821	3 106
Number of directors in defined contributions scheme	4	5
Number of directors in closed defined benefits scheme	-	1

Emoluments of the highest paid director were £1 119 716 (2004 - £935 285) excluding £nil pension contribution to the defined contributions scheme (2004 - £ nil) contribution to the defined contributions scheme).

The highest paid director in 2005 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 and Investec Limited. 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.

9. Non-operational exceptional items

Losses of £6.35 million on the sale of the group's holding in Investec Bank (Israel) Limited which was completed on 22 December 2004.

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
10. Tax				
Corporation tax				
United Kingdom				
-current tax on income for the year	8 020	6 148	5 810	5 479
-double tax relief	(1 370)	-	(502)	(502)
-adjustments in respect of prior years	-	-	(544)	28
	6 650	6 148	4 764	5 005
Overseas current tax charge				
Current tax on income for the year:				
-Europe	1 615	-	1 587	-
-Australia	3 537	-	2 811	-
-Israel	1 463	-	3 678	-
-Other	-	-	(47)	-
	6 615	-	8 029	-
Adjustment in respect of prior years:				
-Overseas	-	-	(216)	-
	-	-	(216)	-
Total corporation tax	13 265	6 148	12 577	5 005
Deferred tax				
United Kingdom:				
- current year	12 333	667	6 722	4 762
- prior year	(2 222)	(1 860)	-	-
Australia	(30)	-	(129)	-
Israel	-	-	(204)	-
Total deferred tax	10 081	(1 193)	6 389	4 762
Total tax charge for the year	23 346	4 955	18 966	9 767
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	
£ nil (2004 - £3.1million) 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%	

Notes to the financial statements

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
10. Tax (continued)				
Profit on ordinary activities before taxation	70 567		49 615	
Tax on profit on ordinary activities	13 265		12 577	
Effective tax rate	19%		25%	
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%	21 170		14 885	
Losses (utilised)/carried forward	(3 767)		1 010	
Overseas profits	(736)		(85)	
Taxation relating to prior years	-		(544)	
Capital allowances in excess of depreciation	(4 441)		(7 136)	
Goodwill amortisation	2 162		2 540	
Expenses not deductible for tax purposes	4 351		1 208	
Group relief surrendered	339		439	
Other timing differences	1 162		(1 960)	
Loss on disposal of subsidiary undertaking	1 905		-	
Statutory deduction in relation to manufactured overseas dividend payments	(8 880)		(10 950)	
Sale of lease receivables	-		13 170	
Current tax charge	13 265		12 577	
11. Treasury bills and other eligible bills				
Investment securities held at cost				
Other eligible bills - banks	135 369	-	138 118	-
Other eligible bills - other	6 813	6 813	6 663	6 663
	142 182	6 813	144 781	6 663
Investment securities:				
Opening balance	144 781	6 663	-	-
Acquired with subsidiary undertakings	-	-	71 133	-
Purchases	1 013 937	27 422	1 207 153	33 904
Maturities	(1 014 935)	(27 478)	(1 139 028)	(27 123)
Exchange adjustments	(1 601)	206	5 523	(118)
Closing balance	142 182	6 813	144 781	6 663
Treasury bills and other eligible bills are unlisted, mainly short term in maturity and have a book value not materially different from market value.				
12. Loan and advances to banks				
Remaining maturity:				
Repayable on demand	1 446 193	1 385 692	336 088	247 944
Up to three months, excluding on demand	349 417	77 397	300 853	132 932
Three months to one year	-	-	16 894	10 903
One year to five years	1 628	1 628	9 915	7 155
Greater than five years	-	3 685	-	4 110
	1 797 238	1 468 402	663 750	403 044
Balances with group companies	6 034	9 049	10 182	13 887

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
13. Loans and advances to customers				
Remaining maturity:				
Repayable on demand or at short notice	1 114 594	1 119 576	1 208 228	1 132 694
Up to three months, excluding on demand or at short notice	271 919	312 727	256 707	148 044
Three months to one year	549 521	360 309	409 458	248 646
One year to five years	901 419	561 281	779 664	480 951
Greater than five years	571 636	542 763	395 682	382 260
Provision for bad and doubtful debts (note 14)	(28 994)	(23 889)	(31 756)	(20 127)
	3 380 095	2 872 767	3 017 983	2 372 468
Balances with group companies	178 918	383 098	163 205	179 528
Balances with associated undertakings	16 588	-	745	-
Included in loans and advances to customers are:				
Core loans and advances to customers (refer to risk management)	2 273 436		1 882 016	
Net investment in finance leases	96 216		17 216	
Net investment in operating leases	7 685		5 226	
14. Provisions for bad and doubtful debts				
Specific provisions				
At beginning of year	10 752	4 289	10 470	3 672
Charged against income	1 216	682	2 864	2 155
(Disposed)/acquired with subsidiary undertakings	(6 190)	-	695	-
Utilised	(767)	(565)	(2 457)	(1 479)
Exchange adjustments	(17)	10	(820)	(59)
At end of year	4 994	4 416	10 752	4 289
General provisions				
At beginning of year	21 004	15 838	17 797	15 360
Charged against income	4 005	3 591	1 382	629
(Disposed)/acquired with subsidiary undertakings	(1 047)	-	2 084	-
Utilised	-	-	(69)	(69)
Exchange adjustments	38	44	(190)	(82)
At end of year	24 000	19 473	21 004	15 838
Total provisions				
At beginning of year	31 756	20 127	28 267	19 032
Charged against income	5 221	4 273	4 246	2 784
(Disposed)/acquired with subsidiary undertakings	(7 237)	-	2 779	-
Utilised	(767)	(565)	(2 526)	(1 548)
Exchange adjustments	21	54	(1 010)	(141)
At end of year	28 994	23 889	31 756	20 127

Included within the year-end specific provision balance for both group and bank is an amount of £2 337 000 (2004: £1 656 000) of interest in suspense.

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
15. Debt securities				
Dealing and market making securities held at fair value				
Government securities	-	-	64 701	22 688
Other debt securities	23 639	23 639	29 197	29 198
	23 639	23 639	93 898	51 886
Investment securities at cost				
Government securities	1 930	-	87 859	-
Unlisted bank and building society certificates of deposit	705 460	635 274	475 147	385 199
Other unlisted debt securities	404 919	209 207	113 928	108 250
	1 112 309	844 481	676 934	493 449
Total debt securities	1 135 948	868 120	770 832	545 335
Amounts include:				
Unamortised net premiums on investment securities	68	68	-	-
The fair value of investment securities	1 116 586	848 759	676 388	493 024

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.

Remaining maturity	Group 2005	Bank 2005	Group 2004	Bank 2004
Up to one year	852 736	745 345	653 099	436 983
Greater than one year	283 212	122 775	117 733	108 352
	1 135 948	868 120	770 832	545 335

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

Investment securities	Group 2005	Bank 2005	Group 2004	Bank 2004
At beginning of year	676 934	493 449	1 149 292	968 612
(Disposed)/acquired with subsidiary undertakings	(73 233)	-	981	-
Additions	1 414 138	774 843	768 059	446 939
Sold/matured	(905 053)	(422 765)	(1 220 982)	(914 999)
Exchange adjustments	(477)	(1 046)	(20 416)	(7 103)
At end of year	1 112 309	844 481	676 934	493 449

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
16. Equity shares				
Dealing and market making securities held at fair value				
Listed	263 884	263 884	230 605	230 605
Unlisted	-	-	-	-
	263 884	263 884	230 605	230 605
Investment securities at cost less impairment				
Listed	2 701	1 438	1 082	1 047
Unlisted	10 339	3 678	23 556	1 430
	13 040	5 116	24 638	2 477
Total equity shares	276 924	269 000	255 243	233 082
Investment securities at fair value				
Listed	2 701	1 438	1 082	1 047
Unlisted	17 343	3 678	32 134	1 430
	20 044	5 116	33 216	2 477

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 2005	Bank 2005	Group 2004	Bank 2004
Investment securities at cost				
At beginning of year	45 242	15 265	54 389	25 305
Acquired with subsidiary undertakings	-	-	1 717	-
Additions	6 892	1 600	5 712	158
Disposals	(31 787)	(7 050)	(6 761)	(1 075)
Transfer to participating interests (note 18)	-	-	(8 750)	(8 750)
Exchange adjustments	(181)	(84)	(1 065)	(373)
At end of year	20 166	9 731	45 242	15 265
Provisions on investment securities				
At beginning of year	(20 604)	(12 788)	(22 310)	(13 780)
Provisions released during the year	13 447	8 138	1 241	708
Provisions utilised	-	-	274	95
Exchange adjustments	31	35	191	189
At end of year	(7 126)	(4 615)	(20 604)	(12 788)
Book value at the end of year	**13 040**	**5 116**	**24 638**	**2 477**

For the year ended 31 March

£'000	Group 2005	Group 2004
17. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	776	852
Goodwill	991	715
Investment in associated undertakings	1 767	1 567
Analysis of the movement in our share of net assets:		
At beginning of year	852	899
Additions	229	-
Capital reduction	(350)	-
Disposed with subsidiary undertakings	(258)	-
Operating profits, net of dividends	335	43
Exchange adjustments	(32)	(90)
At end of year	776	852
Analysis of the movement in goodwill:		
At beginning of year	715	1 062
Additions	1 123	-
Disposed with subsidiary undertakings	(17)	-
Impairment of carrying value	(303)	(300)
Goodwill amortisation	(400)	(60)
Exchange adjustments	(127)	13
At end of year	991	715

All of the associated undertakings are unlisted.

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
18. Other participating interests				
Investment in other participating interests at cost	9 124	9 124	9 135	9 135
Analysis of the movement in investment:				
At beginning of year	9 135	9 135	-	-
Addition	-	-	385	385
Exchange adjustments	(11)	(11)	-	-
Transfers from equity shares (note 16)	-	-	8 750	8 750
At end of year	9 124	9 124	9 135	9 135
Other participating interests:				
Listed	374	374	385	385
Unlisted	8 750	8 750	8 750	8 750
	9 124	9 124	9 135	9 135
Market value of listed securities	287	287	873	873

The only significant interest is a 35% investment in Hargreave Hale Limited. The directors do not consider Hargreave Hale Limited to be an associated undertaking because they do not exercise significant influence over the operating and financial policies of Hargreave Hale Limited.

	Bank 2005	Bank 2004
19. Shares in group undertakings		
Cost		
At beginning of year	256 689	146 590
Transfer of shares in subsidiary	250	109 550
Liquidation of subsidiary	(60 051)	-
Recapitalisation of subsidiaries	163 079	549
Exchange adjustments	2 226	-
At end of the year	362 193	256 689
Provision for impairment in value		
At beginning of year	(12 185)	-
Provision made	(371)	(12 185)
Liquidation of subsidiary	12 185	-
At end of the year	(371)	(12 185)
Net book value at the end of the year	361 822	244 504

All subsidiary undertakings are unlisted.

For the year ended 31 March

£'000	Total	Goodwill	Negative goodwill
20. Intangible fixed assets			
Group			
Goodwill			
At beginning of year	54 591	70 296	(15 705)
Additions (note 21)	(5 024)	-	(5 024)
Disposal of a subsidiary undertaking	(5 333)	(5 333)	-
Exchange adjustments	682	682	-
At end of year	44 916	65 645	(20 729)
Accumulated amortisation			
At beginning of year	(24 769)	(36 777)	12 008
Charge to the profit and loss account	(7 206)	(13 100)	5 894
Disposal of a subsidiary undertaking	5 333	5 333	-
Exchange adjustments	(834)	(834)	-
At end of year	(27 476)	(45 378)	17 902
Net book value at 31 March 2005	17 440	20 267	(2 827)
Net book value at 31 March 2004	29 822	33 519	(3 697)

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 between 1 and 10 years.

£'000	Total
Bank	
Goodwill	
At beginning and end of year	19 533
Accumulated amortisation	
At beginning of year	(13 432)
Charge to the profit and loss account	(1 888)
At end of year	(15 320)
Net book value at 31 March 2005	4 213
Net book value at 31 March 2004	6 101

For the year ended 31 March

£'000	Book value at date of acquisition	Fair value adjustments see below	Fair value at date of acquisition
21. Acquisitions			
On 7 June 2004 a subsidiary of the bank, Investec Group Investments (UK) Limited, acquired 100% of the issued share capital of ICF Investments Limited (formerly ING UK Corporate Finance Holdings Limited) by way of a cash consideration.			
Assets and liabilities at the date of acquisition and total consideration paid are as follows:			
Loans and advances to banks	38 817	-	38 817
Debt securities	989	-	989
Other assets - deferred tax (note 28)	-	8 880	8 880
Prepayments and accrued income	14	-	14
Total assets	39 820	8 880	48 700
Other liabilities	(38 000)	-	(38 000)
Accruals and deferred income	(294)	(2 000)	(2 294)
Total liabilities	(38 294)	(2 000)	(40 294)
Net assets/fair value of net assets	1 526	6 880	8 406
Goodwill	1 856	(6 880)	(5 024)
Fair value of consideration	3 382	-	3 382

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

Notes to the financial statements

For the year ended 31 March

£'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Computer equipment	Total
22. Tangible fixed assets					
Group					
Cost or valuation					
At beginning of year	18 308	17 224	14 711	8 776	59 019
Exchange adjustments	160	(2)	90	15	263
Disposed with subsidiary undertakings	(17 963)	-	(8 487)	-	(26 450)
Reclassifications	-	-	(113)	113	-
Additions	110	912	705	812	2 539
Disposals	-	(142)	(165)	(285)	(592)
At end of year	615	17 992	6 741	9 431	34 779
Accumulated depreciation and amortisation					
At beginning of year	(6 810)	(4 088)	(11 896)	(6 996)	(29 790)
Exchange adjustments	(62)	(1)	(73)	(16)	(152)
Disposed with subsidiary undertakings	7 029	-	6 693	-	13 722
Reclassification	-	-	23	(23)	-
Disposals	-	29	18	256	303
Charge for the year	(202)	(1 016)	(594)	(1 077)	(2 889)
At end of year	(45)	(5 076)	(5 829)	(7 856)	(18 806)
Net book value at 31 March 2005	570	12 916	912	1 575	15 973
Net book value at 31 March 2004	11 498	13 136	2 815	1 780	29 229
	2005	**2004**			
Carrying value of properties occupied by group entities	332	11 260			
Bank					
Cost or valuation					
At beginning of year		15 126	3 914	5 677	24 717
Additions		270	7	79	356
Disposals		-	(10)	-	(10)
At end of year		15 396	3 911	5 756	25 063
Accumulated depreciation and amortisation					
At beginning of year		(3 693)	(3 623)	(4 999)	(12 315)
Disposals		-	10	-	10
Charge for the year		(814)	(19)	(366)	(1 199)
At end of year		(4 507)	(3 632)	(5 365)	(13 504)
Net book value at 31 March 2005		10 889	279	391	11 559
Net book value at 31 March 2004		11 433	291	678	12 402

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
23. Other assets				
Settlement debtors	272 434	272 434	162 114	156 120
Deferred tax asset (note 28)	20 861	8 239	22 080	7 046
Derivative instruments positive fair values (note 35)	109 094	109 251	137 056	124 402
Dealing properties	21 588	21 588	22 648	22 648
Other debtors	42 635	24 975	39 647	26 369
	466 612	436 487	383 545	336 585
The asset, shown above, resulting from derivative instruments is stated after deducting £989 000 (2004 - £48 592 000) of cash collateral meeting the offset criteria of FRS5.				
24. Deposits by banks				
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	113 055	392 351	231 115	291 179
Up to three months, excluding on demand	419 195	445 967	482 216	703 654
Three months to one year	82 689	102 504	51 803	61 803
One year to five years	141 200	141 668	-	-
Greater than five years	19 349	19 424	4 208	4 208
	775 488	1 01 914	769 342	1 060 844
Balances with group companies	62 611	392 037	10 334	308 653
25. Customer accounts				
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	1 031 650	841 866	1 192 053	636 060
Up to three months, excluding on demand	1 608 898	917 941	1 569 718	775 491
Three months to one year	110 291	65 126	79 791	28 300
One year to five years	132 657	417 683	108 553	102 046
Greater than five years	97 672	131 238	114 658	336 268
	2 981 168	2 373 854	3 064 773	1 878 165
Balances with group companies	47 264	460 089	42 146	292 763
26. Debt securities in issue				
Bonds and medium term notes repayable:				
Over two years but not more than five years	295 211	-	-	-
	295 211	-	-	-
Other debt securities in issue repayable:				
Not more than three months	186 758	77 491	121 379	52 257
Over three months but not more than one year	117 668	14 000	37 077	-
Over one year but not more than two years	38 206	-	35 663	-
Over two years but not more than five years	-	-	26 740	-
	342 632	91 491	220 859	52 257
Total debt securities in issue	637 843	91 491	220 859	52 257

During the year a subsidiary of the bank, Investec Finance plc, has issued both medium term notes and other debt securities. The proceeds of these issues have been placed on deposit with the bank. The bank has issued a guarantee to the holders of the notes and securities limited to, and supported by, the cash deposits.

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
27. Other liabilities				
Settlement creditors	267 157	267 157	199 196	196 102
Short positions (see below)	1 737 616	1 737 616	467 245	467 245
Corporation and other taxes	13 977	6 626	13 202	7 527
Shareholders ordinary dividend	15 000	15 000	16 500	16 500
Derivative instruments negative fair values (note 35)	40 856	41 013	58 895	47 032
Deferred tax liabilities (note 28)	210	-	-	-
Other creditors and accruals	34 727	20 270	22 937	13 286
	2 109 543	2 087 682	777 975	747 692
Short positions comprise:				
Gold	-	-	4 974	4 974
Equities	1 737 616	1 737 616	462 271	462 271
	1 737 616	1 737 616	467 245	467 245
28. Deferred tax				
Deferred tax asset				
Deferred capital allowances	13 992	3 300	14 454	1 329
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income	-	-	919	917
General provisions	4 500	4 500	4 800	4 800
Other timing differences	2 369	439	1 907	-
	20 861	8 239	22 080	7 046
Deferred tax liability				
Other timing differences	(210)	-	-	-
Net deferred tax asset	20 651	8 239	22 080	7 046
Reconciliation of net deferred tax asset				
At beginning of year	22 080	7 046	15 858	11 808
(Release)/charge to profit and loss	(10 081)	1 193	(6 389)	(4 762)
Acquired with subsidiary undertakings (see note 21)	8 880	-	12 542	-
Disposed with subsidiary undertakings	(205)	-	-	-
Exchange adjustments	(23)	-	69	-
At end of year	20 651	8 239	22 080	7 046

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.

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
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	196 254	-	195 775	-
Issued by Investec Bank (UK) Limited				
Zero Coupon Bonds	23 262	23 262	6 596	6 596
Subordinated loan	-	195 736	-	-
	219 516	218 998	202 371	6 596
Remaining maturity:				
In more than one year, but not more than two years	8 494	8 494	-	-
In more than two years, but not more than five years	14 768	14 768	6 596	6 596
In more than five years	196 254	195 736	195 775	-
	219 516	218 998	202 371	6 596

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.

On 29 July 2004 the bank issued 17 000 zero coupon bonds of US$1 000 each at an effective yield of 4.57%. The bonds mature on 31 July 2006.

On 16 November 2004 the bank issued 10 434 zero coupon bonds of £1 000 each at an effective yield of 6.948%. The bonds mature on 16 November 2009.

Subordinated loan

The net proceeds of the issue of the £200 000 000 of step-up Notes by Investec Finance plc have been placed with Investec Bank (UK) Limited on a subordinated basis. The term of the loan will match that of the notes. The interest rate on the loan is fixed at 8.1618% until 1 March 2011 and interest is paid annually. After 1 March 2011 the interest rate will be reset in line with interest rate on the step-up notes.

For the year ended 31 March

£'000	2005	2004
30. Called up share capital		
Group and Bank		
Authorised		
The authorised share capital is £1 000 million (2004: £1 000 million) comprising 1 000 million ordinary shares of £1 each (2004: 1 000 million ordinary shares of £1 each).		
Issued, allotted and fully paid		
Nominal value of ordinary shares - GBP		
At beginning of year	354 000	314 000
Issued during the year	-	40 000
At end of year	354 000	354 000

	Share capital	Share premium account	Profit and loss account	Total
31. Reconciliation of shareholders' funds and movements in reserves				
Group				
At beginning of year	314 000	37 365	98 351	449 716
Foreign currency adjustments	-	-	(4 052)	(4 052)
Retained profit for the year	-	-	103	103
Issue of shares	40 000	-	-	40 000
At 31 March 2004	**354 000**	**37 365**	**94 402**	**485 767**
Foreign currency adjustments	-	-	(2 994)	(2 994)
Retained profit for the year	-	-	16 413	16 413
At 31 March 2005	**354 000**	**37 365**	**107 821**	**499 186**

For the year ended 31 March

£'000	Share capital	Share premium	Profit and loss account	Total
31. Reconciliation of shareholders' funds and movements in reserves (continued)				
Bank				
At beginning of year	314 000	37 365	43 733	395 098
Foreign currency adjustments	-	-	(132)	(132)
Retained loss for the year	-	-	(19 623)	(19 623)
Issue of shares	40 000	-	-	40 000
At 31 March 2004	**354 000**	**37 365**	**23 978**	**415 343**
Foreign currency adjustments	-	-	98	98
Retained profit for the year	-	-	6 304	6 304
At 31 March 2005	**354 000**	**37 365**	**30 380**	**421 745**

	Group 2005	Bank 2005	Group 2004	Bank 2004
32. Annual commitments in respect of non-cancellable operating leases				
Leasehold properties				
Within one year	19	-	146	-
Between one and five years	577	-	193	-
Over five years	1 681	-	1 762	-
	2 277	-	2 101	-
33. Commitments				
Undrawn facilities	362 002	263 074	311 074	228 169
Other commitments	4 696	-	5 436	-
	366 698	263 074	316 510	228 169

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

	Group 2005	Bank 2005	Group 2004	Bank 2004
34. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
- guarantees and irrevocable letters of credit	58 956	85 457	147 857	86 584
- other contingent liabilities	72	38	473	473
	59 028	85 495	148 330	87 057

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

34. Contingent liabilities (continued)

Legal proceedings

Investec is party to various legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the group.

The Bank has received a claim in relation to a loan book sold to another institution in 2000. Proceedings have not yet been issued. The directors have obtained legal advice which is ongoing. The directors consider that even if a claim is brought, and is successful, it will be within the bank's existing provisions and/or any exposure in excess of that will not have a material adverse effect on the position of the bank. Furthermore if the claim is successful, in whole or in part, the bank may in turn have a claim against its professional advisers and/or insurers.

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, is detailed on pages 17 to 28.

In the notes below, other assets and other liabilities 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 FRS 13.

The fair value of other non-trading balances approximate to 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.

In the tables on the following pages, 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 on the following pages is the derivative exposure for both trading and non-trading portfolios.

For the year ended 31 March

£'000	Notional principal amounts 2005	Positive fair value 2005	Negative fair value 2005	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004
35. Risk management (continued)						
Trading derivatives						
Group						
Foreign exchange derivatives						
Forward foreign exchange	2 278 979	12 196	10 391	2 296 143	18 042	20 531
Currency swaps	-	-	-	14 306	-	-
OTC options bought and sold	35 222	773	1 893	797 327	4 222	4 383
Other foreign exchange contracts	41	-	-	28 455	-	-
OTC derivatives	2 314 242	12 969	12 284	3 136 231	22 264	24 914
Exchange traded futures	1 199	-	1	131 972	299	28
	2 315 441	12 969	12 285	3 268 203	22 563	24 942
Interest rate derivatives						
Caps and floors	86 033	-	-	-	-	-
Swaps	396 256	7 994	7 713	606 095	14 997	12 214
Forward rate agreements	-	-	-	10 143	-	2
Other interest rate contracts	-	-	-	-	-	-
OTC derivatives	482 289	7 994	7 713	616 238	14 997	12 216
Exchange traded futures	521 870	1	-	1 582 181	-	58
	1 004 159	7 995	7 713	2 198 419	14 997	12 274
Equity and stock index derivatives						
OTC options bought and sold	861 866	13 357	2 204	699 177	20 945	20 695
Equity swaps and forwards	331 435	3 593	17 701	60 708	4 026	4 193
OTC derivatives	1 193 301	16 950	19 905	759 885	24 971	24 888
Exchange traded futures	20 743	-	-	440 101	155	73
Exchange traded options	588 020	4 634	80	1 091 015	10 441	6 444
Warrants	43 933	28 492	-	40 540	41 603	-
	1 845 997	50 076	19 985	2 331 541	77 170	31 405
Commodity derivatives						
OTC options bought and sold	359 002	21 722	2 065	755 212	26 419	6 720
Commodity swaps and forwards	534 883	23 362	4 266	365 223	25 275	8 798
OTC derivatives	893 885	45 084	6 331	1 120 435	51 694	15 518
Exchange traded futures	1 392 504	3 157	4 130	3 312 844	135 665	162 191
Exchange traded options	1 177 101	1 244	1 550	1 601 844	62 867	40 678
	3 463 490	49 485	12 011	6 035 123	250 226	218 387

For the year ended 31 March

£'000	Notional principal amounts 2005	Positive fair value 2005	Negative fair value 2005	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004
35. Risk management (continued)						
Credit derivatives						
Credit swaps bought and sold	43 350	51	344	58 573	233	20
	43 350	51	344	58 573	233	20
Gross fair values	-	120 576	52 338	-	365 189	287 028
Effect of netting	-	(11 482)	(11 482)	-	(228 133)	(228 133)
Amounts included in other assets/liabilities (notes 23 and 27)	-	109 094	40 856	-	137 056	58 895
Non-trading derivatives						
Group						
Foreign exchange derivatives						
Forward foreign exchange	363 010	1 394	904	17 188	476	86
Currency swaps	98 280	-	2 334	8 378	141	-
OTC options bought and sold	454	3	3	-	-	-
Other foreign exchange contracts	113	-	-	-	-	-
OTC derivatives	461 857	1 397	3 241	25 566	617	86
Exchange traded futures	-	-	-	-	-	-
	461 857	1 397	3 241	25 566	617	86
Interest rate derivatives						
Caps and floors	5 272	-	-	-	-	-
Swaps	1 162 520	9 681	7 177	856 129	3 886	13 026
OTC derivatives	1 167 792	9 681	7 177	856 129	3 886	13 026
Exchange traded futures	2 507	-	-	17 626	535	-
	1 170 299	9 681	7 177	873 755	4 421	13 026
Credit derivatives						
Credit link notes bought and sold	-	-	-	8 378	-	-
	-	-	-	8 378	-	-
Total	1 632 156	11 078	10 418	907 699	5 038	13 112

For the year ended 31 March

£'000	Notional principal amounts 2005	Positive fair value 2005	Negative fair value 2005	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004
35. Risk management (continued)						
Trading derivatives						
Bank						
Foreign exchange derivatives						
Forward foreign exchange	2 280 822	12 057	10 257	2 014 889	18 064	20 553
OTC options bought and sold	35 222	773	1 893	182 599	403	582
Other foreign exchange contracts	-	-	-	-	-	-
OTC derivatives	2 316 044	12 830	12 150	2 197 488	18 467	21 135
Exchange traded futures	1 199	6	1	131 972	299	28
	2 317 243	12 836	12 151	2 329 460	18 766	21 163
Interest rate derivatives						
Caps and floors	86 033	-	-	-	-	-
Swaps	396 256	7 994	7 713	604 303	13 493	11 544
Other interest rate contracts	-	-	-	10 143	-	2
OTC derivatives	482 289	7 994	7 713	614 446	13 493	11 546
Exchange traded futures	521 870	1	-	1 580 606	-	58
	1 004 159	7 995	7 713	2 195 052	13 493	11 604
Equity and stock index derivatives						
OTC options bought and sold	861 689	13 355	2 201	699 177	20 945	20 695
Equity swaps and forwards	331 326	3 590	17 699	60 708	4 026	4 193
OTC derivatives	1 193 015	16 945	19 900	759 885	24 971	24 888
Exchange traded futures	20 743	-	-	36 490	155	73
Exchange traded options	588 020	4 634	81	39 557	4 066	69
Warrants	43 933	28 492	-	40 540	41 603	-
	1 845 711	50 071	19 981	876 472	70 795	25 030
Commodity derivatives						
OTC options bought and sold	359 002	22 017	2 360	755 212	26 419	6 720
Commodity swaps and forwards	534 883	23 362	4 266	339 717	24 946	8 408
OTC derivatives	893 885	45 379	6 626	1 094 929	51 365	15 128
Exchange traded futures	1 392 504	3 157	4 130	3 312 844	135 665	162 191
Exchange traded options	1 177 101	1 244	1 550	1 601 844	62 867	40 678
	3 463 490	49 780	12 306	6 009 617	249 897	217 997
Credit derivatives						
Credit swaps bought and sold	43 350	51	344	58 573	233	20
	43 350	51	344	58 573	233	20
Gross fair values		120 733	52 495		353 184	275 814
Effect of netting		(11 482)	(11 482)		(228 782)	(228 782)
Amounts included in other assets/liabilities (notes 23 and 27)		109 251	41 013		124 402	47 032

For the year ended 31 March

£'000	Notional principal amounts 2005	Positive fair value 2005	Negative fair value 2005	Notional principal amounts 2004	Positive fair value 2004	Negative fair value 2004
35. Risk management (continued)						
Non-trading derivatives						
Bank						
Foreign exchange derivatives						
Forward foreign exchange	327 750	1 090	798	-	-	-
Currency swaps	98 280	-	2 334	-	-	-
OTC derivatives	426 030	1 090	3 132	-	-	-
Exchange traded futures	-	-	-	-	-	-
	426 030	1 090	3 132	-	-	-
Interest rate derivatives						
Swaps	1 118 281	9 271	7 158	814 034	3 574	12 948
OTC derivatives	1 118 281	9 271	7 158	814 034	3 574	12 948
Exchange traded futures	2 507	34	-	17 626	535	-
	1 120 788	9 305	7 158	831 660	4 109	12 948
Total	1 546 818	10 395	10 290	831 660	4 109	12 948

For the year ended 31 March

£'000	Up to one year 2005	One to five years 2005	Greater than five years 2005	Up to one year 2004	One to five years 2004	Greater than five years 2004
35. Risk management (continued)						
Trading and non-trading derivatives						
Group						
Notional principal amounts						
Foreign exchange derivatives						
Forward foreign exchange	2 596 042	40 233	5 868	2 282 221	50 335	9 230
Currency swaps	-	98 280	-	22 684	-	-
Futures	1 199	-	-	131 972	-	-
Options	35 676	-	-	797 327	-	-
	2 632 917	138 513	5 868	3 234 204	50 335	9 230
Interest rate derivatives						
Caps and floors	-	91 304	-	-	-	-
Swaps	322 350	946 198	290 229	357 035	549 214	555 975
Futures	287 203	237 174	-	978 830	620 977	-
Options	-	-	-	-	-	-
Forward rate agreements	-	-	-	10 143	-	-
	609 553	1 274 676	290 229	1 346 008	1 170 191	555 975
Equity and stock index derivatives						
Swaps and forwards	331 435	-	-	60 708	-	-
Futures	18 483	2 260	-	440 101	-	-
Options	1 419 281	30 605	-	1 685 321	104 871	-
Warrants	-	43 933	-	-	30 023	10 517
	1 769 199	76 798	-	2 186 130	134 894	10 517
Commodity derivatives						
Options	497 372	1 038 731	-	1 348 121	746 877	262 057
Futures	838 432	554 072	-	2 854 340	458 504	-
Commodity swaps and forwards	114 485	346 222	74 176	274 026	89 294	1 904
	1 450 289	1 939 025	74 176	4 476 487	1 294 675	263 961
Credit derivatives						
Credit linked notes bought and sold	-	-	-	8 378	-	-
Credit swaps bought and sold	31 787	9 179	2 384	29 681	28 892	-
	31 787	9 179	2 384	38 059	28 892	-
Total	6 493 745	3 438 191	372 657	11 280 888	2 678 987	839 683

For the year ended 31 March £'000	Up to one year 2005	One to five years 2005	Greater than five years 2005	Up to one year 2004	One to five years 2004	Greater than five years 2004
35. Risk management (continued)						
Trading and non-trading derivatives **Bank**						
Notional principal amounts						
Foreign exchange derivatives						
Forward foreign exchange	2 577 752	24 952	5 868	1 973 492	35 613	5 784
Currency swaps	-	98 280	-	-	-	-
Futures	1 199	-	-	131 972	-	-
Options	35 222	-	-	182 599	-	-
	2 614 173	123 232	5 868	2 288 063	35 613	5 784
Interest rate derivatives						
Caps and floors	-	86 033	-	-	-	-
Swaps	314 231	910 077	290 229	348 359	514 003	555 975
Futures	287 203	237 174	-	978 732	619 500	-
Forward rate agreements	-	-	-	10 143	-	-
	601 434	1 233 284	290 229	1 337 234	1 133 503	555 975
Equity and stock index derivatives						
Swaps and forwards	331 326	-	-	60 708	-	-
Futures	18 483	2 260	-	36 490	-	-
Options	1 419 104	30 605	-	633 863	104 872	-
Warrants	-	43 933	-	-	30 022	10 517
	1 768 913	76 798	-	731 061	134 894	10 517
Commodity derivatives						
Options	497 371	1 038 733	-	1 348 122	746 877	262 057
Futures	838 432	554 071	-	2 854 340	458 504	-
Commodity swaps and forwards	114 485	346 222	74 176	248 519	89 294	1 904
	1 450 288	1 939 026	74 176	4 450 981	1 294 675	263 961
Credit derivatives						
Credit swaps bought and sold	31 787	9 179	2 384	29 681	28 892	-
	31 787	9 179	2 384	29 681	28 892	-
Total	6 466 595	3 381 519	372 657	8 837 020	2 627 577	836 237

For the year ended 31 March

£'000	Up to one year 2005	One to five years 2005	Greater than five years 2005	Up to one year 2004	One to five years 2004	Greater five than years 2004
35. Risk management (continued)						
Trading and non-trading derivatives Group						
Positivefair values						
Fo reign exchange derivatives						
Forward foreign exchange	12 030	1 513	47	17 834	608	76
Currency swaps	-	-	-	141	-	-
Futures	-	-	-	299	-	-
Options	776	-	-	4 222	-	-
	12 806	1 513	47	22 496	608	76
Interest rate derivatives						
Swaps	712	9 276	7 684	3 242	10 554	5 088
Futures	-	4	-	462	72	-
	712	9 280	7 684	3 704	10 626	5 088
Equity and stock index derivatives						
Swaps and forwards	3 592	-	-	4 026	-	-
Futures	-	-	-	155	-	-
Options	13 544	4 447	-	17 943	13 443	-
Warrants	-	28 493	-	-	41 083	520
	17 136	32 940	-	22 124	54 526	520
Commodity derivatives						
Options	6 080	16 886	-	58 766	23 002	7 517
Futures	2 055	1 102	-	126 582	9 084	-
Commodity swaps and forwards	9 371	10 139	3 852	18 323	6 621	331
	17 506	28 127	3 852	203 671	38 707	7 848
C redit derivatives						
Credit swaps bought and sold	15	36	-	124	109	-
	15	36	-	124	109	-
Total	48 175	71 896	11 583	252 119	104 576	13 532

For the year ended 31 March

£'000	Up to one year 2005	One to five years 2005	Greater than five years 2005	Up to one year 2004	One to five years 2004	Greater than five years 2004
35. Risk management (continued)						
Trading and non-trading derivatives						
Bank						
Positive fair values						
Foreign exchange derivatives						
Forward foreign exchange	11 689	1 411	47	17 561	442	61
Futures	6	-	-	299	-	-
Options	773	-	-	403	-	-
	12 468	1 411	47	18 263	442	61
Interest rate derivatives						
Swaps	695	8 885	7 685	3 231	8 748	5 088
Futures	32	3	-	463	72	-
Forward rate agreements	-	-	-	-	-	-
	727	8 888	7 685	3 694	8 820	5 088
Equity and stock index derivatives						
Swaps and forwards	3 590	-	-	4 026	-	-
Futures	-	-	-	155	-	-
Options	13 542	4 447	-	11 568	13 443	-
Warrants	-	28 492	-	-	41 083	520
	17 132	32 939	-	15 749	54 526	520
Commodity derivatives						
Options	6 080	17 181	-	58 766	23 002	7 517
Futures	2 055	1 102	-	126 583	9 084	-
Commodity swaps and forwards	9 371	10 139	3 852	17 994	6 621	330
	17 506	28 422	3 852	203 343	38 707	7 847
Credit derivatives						
Credit swaps bought and sold	15	36	-	124	109	-
	15	36	-	124	109	-
Total	47 848	71 696	11 584	241 173	102 604	13 516

For the year ended 31 March £'000	Up to one year 2005	One to five years 2005	Greater than five years 2005	Up to one year 2004	One to five years 2004	Greater five than years 2004
35. Risk management (continued)						
Trading and non-trading derivatives Group						
Negative fair values						
Fo reign exchange derivatives						
Forward foreign exchange	10 680	593	22	20 277	294	46
Currency swaps	-	2 334	-	-	-	-
Futures	1	-	-	28	-	-
Options	1 896	-	-	4 331	52	-
	12 577	2 927	22	24 636	346	46
Interest rate derivatives						
Swaps	963	9 835	4 092	3 324	7 814	14 102
Futures	-	-	-	58	-	-
Forward rate agreements	-	-	-	2	-	-
	963	9 835	4 092	3 384	7 814	14 102
Equity and stock index derivatives						
Swaps and forwards	17 701	-	-	4 193	-	-
Futures	-	-	-	73	-	-
Options	1 925	359	-	20 154	6 985	-
	19 626	359	-	24 420	6 985	-
Commodity derivatives						
Options	2 176	1 442	-	28 188	15 363	3 848
Futures	2 565	1 563	-	146 273	15 917	-
Commodity swaps and forwards	4 016	249	-	8 037	761	-
	8 757	3 254	-	182 498	32 041	3 848
C redit derivatives						
Credit swaps bought and sold	196	-	148	20	-	-
	196	-	148	20	-	-
Total	42 119	16 375	4 262	234 958	47 186	17 996

Notes to the financial statements

For the year ended 31 March

£'000	Up to one year 2005	One to five years 2005	Greater than five years 2005	Up to one year 2004	One to five years 2004	Greater than five years 2004
35. Risk management (continued)						
Trading and non-trading derivatives Bank						
Negative fair values						
Foreign exchange derivatives						
Forward foreign exchange	9 790	1 243	22	20 270	252	31
Currency swaps	-	2 334	-	-	-	-
Futures	1	-	-	28	-	-
Options	1 893	-	-	582	-	-
	11 684	3 577	22	20 880	252	31
Interest rate derivatives						
Swaps	963	9 816	4 092	3 289	7 102	14 101
Futures	-	-	-	58	-	-
Forward rate agreements	-	-	-	2	-	-
	963	9 816	4 092	3 349	7 102	14 101
Equity and stock index derivatives						
Swaps and forwards	17 699	-	-	4 193	-	-
Futures	-	-	-	73	-	-
Options	1 923	359	-	13 779	6 985	-
Warrants	-	-	-	-	-	-
	19 622	359	-	18 045	6 985	-
Commodity derivatives						
Options	2 468	1 442	-	28 188	15 363	3 848
Futures	2 567	1 563	-	146 273	15 917	-
Commodity swaps and forwards	4 017	249	-	7 647	761	-
	9 052	3 254	-	182 108	32 041	3 848
Credit derivatives						
Credit swaps bought and sold	196	-	148	20	-	-
	196	-	148	20	-	-
Total	41 517	17 006	4 262	224 402	46 380	17 980

For the year ended 31 March

£'000	Group 2005	Bank 2005	Group 2004	Bank 2004
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	31 184	31 498	20 932	20 890
Other corporate and public bodies	47 713	48 207	111 321	56 789
	78 897	79 705	132 253	77 679
For non-trading purposes				
Banks and other financial institutions	2 529	2 173	366	366
Other corporate and public bodies	417	108	128	128
	2 946	2 281	494	494

For the year ended 31 March £'000	Group 2005	Group 2004
35. Risk management (continued)		
Hedging instruments		
Gains and losses on derivatives used for hedging are effectively 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	1 647	1 407
Unrecognised gains to be recognised in more than one year	5 236	3 851
Total unrecognised gains	6 883	5 258
Unrecognised losses to be recognised within one year	1 458	402
Unrecognised losses to be recognised in more than one year	6 396	12 211
Total unrecognised losses	7 854	12 613
Total recognised gain / (loss) in current year	226	(1 479)
Portion of recognised loss which was unrecognised in prior year	(2 370)	(2 533)
Net recognised gain arising in the current year	2 596	1 054

	Group 2005	Group 2004
Assets and liabilities denominated in sterling and foreign currencies		
Denominated in sterling	4 219 794	2 141 196
Denominated in currencies other than sterling	3 090 668	3 451 195
Total assets	7 310 462	5 592 391
Denominated in sterling	3 919 475	1 845 366
Denominated in currencies other than sterling	2 890 402	3 247 642
Total liabilities*	6 809 877	5 093 008

* Includes subordinated liabilities.

For the year ended 31 March

£'000	Net investments in overseas operations	Derivatives which hedge the net investments	Remaining structural currency exposure
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 and Switzerland.			
The group's structural currency exposures at each reporting period were as follows:			
Currency of structural exposure			
2005			
Australian Dollar	106 446	(98 280)	8 166
Swiss Franc	9 801	-	9 801
US Dollar	3 978	-	3 978
Euro	103	-	103
	120 328	(98 280)	22 048
2004			
Israeli Shekel	48 099	-	48 099
Australian Dollar	99 735	-	99 735
Swiss Franc	11 036	-	11 036
US Dollar	218	-	218
Euro	3 793	-	3 793
	162 881	-	162 881

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

For the year ended 31 March

£'000	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years
35. Risk management (continued)				
Interest rate mismatch				
2005				
Assets				
Cash and balances with central banks	8 493	-	-	-
Treasury bills and other eligible bills	120 164	22 018	-	-
Loans and advances to banks	439 333	-	-	-
Loans and advances to customers	1 833 547	246 158	187 681	204 755
Debt securities and equity shares	534 755	193 401	198 526	188 969
Other assets	922	-	-	-
Total assets	2 937 214	461 577	386 207	393 724
Liabilities				
Deposits by banks	494 971	79 711	-	141 200
Customer accounts	2 381 363	132 535	32 739	58 720
Debt securities in issue	375 184	79 253	216	183 190
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	15 846
Minority interests and shareholders' funds	-	-	-	-
Total liabilities	3 251 518	291 499	32 955	398 956
Off-balance sheet items	96 334	(205 149)	(33 006)	(21 732)
Interest rate repricing gap	(217 970)	(35 071)	320 246	(26 964)
Cumulative repricing gap	(217 970)	(253 042)	67 205	40 241

	More than 5 years	Non-interest bearing	Total non-trading	Trading	Total
	-	170	8 663	1 645	10 308
	-	-	142 182	-	142 182
	-	1 287	440 620	1 356 618	1 797 238
	111 867	(4 748)	2 579 260	800 835	3 380 095
	4 000	9 926	1 129 577	283 295	1 412 872
	-	161 097	162 019	405 748	567 767
	115 867	167 732	4 462 321	2 848 141	7 310 462
	14 186	-	730 068	45 420	775 488
	61 968	-	2 667 325	313 843	2 981 168
	-	-	637 843	-	637 843
	-	124 223	124 223	2 071 639	2 195 862
	203 670	-	219 516	-	219 516
	-	500 585	500 585	-	500 585
	279 824	624 808	4 879 560	2 430 902	7 310 462
	163 553	-	-	-	-
	(404)	(457 076)	(417 239)	417 239	-
	39 837	(417 239)			

For the year ended 31 March

£'000	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years
35. Risk management (continued)				
Interest rate mismatch				
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	147 231
Debt securities and equity shares	273 702	203 248	135 947	80 389
Other assets	23 541	2 934	2 551	5 505
Total assets	2 982 887	353 513	186 154	233 125
Liabilities				
Deposits by banks	499 717	51 803	-	-
Customer accounts	2 712 699	117 108	27 583	17 075
Debt securities in issue	195 179	3 625	22 055	-
Other liabilities	21 262	1 089	1 250	5 203
Subordinated liabilities	-	-	-	6 596
Minority interests and shareholders' funds	-	-	-	-
Total liabilities	3 428 857	173 625	50 888	28 874
Off-balance sheet items	462 277	(239 592)	(77 413)	(254 738)
Interest rate repricing gap	16 307	(59 704)	57 853	(50 487)
Cumulative repricing gap	16 307	(43 397)	14 456	(36 031)

	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
	73 081	(12 162)	2 228 465	789 518	3 017 983
	10 198	2 346	705 830	320 244	1 026 074
	1 717	152 631	188 879	291 925	480 804
	84 996	142 884	3 983 559	1 608 832	5 592 391
	-	2	551 522	217 820	769 342
	7 265	-	2 881 730	183 043	3 064 773
	-	-	220 859	-	220 859
	2 499	85 900	117 203	718 460	835 663
	195 775	-	202 371	-	202 371
	-	499 383	499 383	-	499 383
	205 539	585 285	4 473 068	1 119 323	5 592 391
	109 466	-	-	-	-
	(11 077)	(442 401)	(489 509)	489 509	-
	(47 108)	(489 509)			

Notes to the financial statements

For the year ended 31 March

£'000	Sterling	South African Rand	US Dollar	Israeli Shekel	Euro	Other	Total
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 on 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)							
Functional currency of group operation							
2005							
Sterling	-	1 959	60 742	8 585	(2 208)	(41 735)	27 343
US Dollar	-	-	-	-	15	-	15
Euro	1	-	-	-	-	-	1
Australian dollar	-	-	491	-	-	-	491
Other	(48)	-	-	-	-	-	(48)
	(47)	1 959	61 233	8 585	(2 193)	(41 735)	27 802
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)

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.

For the year ended 31 March

£'000	2005	2004
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, the bank's normal credit parameters are applied.		
(a) As permitted by the Companies Act 1985, loans to 4 directors (2004 - 4) and 3 officers (2004 - 2) existed during the year. The amounts outstanding at the end of the year were as follows:		
Directors	503	2 398
Officers	2 971	1 362
	3 474	3 760
(b) Investec Bank (UK) Limited has provided a loan to an investment company, Boutique Finance II Ltd, and has that company's investment in shares as security for the loan. Mr I Kantor, who is a director of Investec Bank (UK) Limited, has guaranteed 32% of the loan.		
Loan provided by Investec Bank (UK) Limited	565	1 480

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.

For the year ended 31 March

£'000	2005	2004
37. Miscellaneous		
Assets subject to sale and repurchase transactions, including stock borrowed against cash collateral:		
Loans and advances to banks	1 356 618	20 636
Loans and advances to customers	779 121	777 824
	2 135 739	978 460
All the above are trading book loans and advances and are secured with debt securities or equities.		
Value of liabilities secured by assets, including stock lent against cash collateral:		
Deposits by banks	45 420	217 821
Deposits by customers	291 987	163 940
	337 407	381 761
Stock borrowing and lending		
Stock borrowed against non-cash collateral	3 200 678	994 364
Stock lent against non-cash collateral	1 402 730	235 566

38. 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.

Investec plc is the smallest and the largest group into which the results of the company are consolidated.

Contact details

Investec

Australia, Brisbane

Level 3 320 Adelaide Street
Brisbane QLD 4000 Australia
Telephone (61) 7 3229 5566
Facsimile (61) 7 3229 5533
e-mail australia@investec.com.au

Australia, Melbourne

Level 20 101 Collins Street
Melbourne VIC 3000 Australia
Telephone (61) 3 8660 1000
Facsimile (61) 3 8660 1010
e-mail australia@investec.com.au

Australia, Sydney

Level 31 The Chifley Tower
2 Chifley Square
Sydney NSW 2000 Australia
Telephone (61) 2 9236 000
Facsimile (61) 2 9236 0001
e-mail australia@investec.com.au

Channel Islands, St Helier

PO Box 344
5 Castle Street St Helier
Jersey JE4 8UZ
Telephone (44) 1534 512 512
Facsimile (44) 1534 512 513
e-mail enquiries@investectrust.com

Channel Islands, St Peter Port

PO Box 188 La Vieille Cour
St Peter Port Guernsey GY1 3LP
Telephone (44) 1481 723 506
Facsimile (44) 1481 741 147
e-mail enquiries@investec-ci.com

Hong Kong

2106 - 2108 Jardine House
1 Connaught Place
Central Hong Kong
Telephone (852) 2861 6888
Facsimile (852) 2861 6861
e-mail investec.asia@investecmail.com

Contact details

Ireland, Dublin

The Harcourt Building
Harcourt Street Dublin 2
Telephone (353) 1 421 0000
Facsimile (353) 1 421 0500
e-mail info@investec.ie

Switzerland, Geneva

3 Place des Bergues
1201 Geneva Switzerland
Telephone (4) 1 22 807 2000
Facsimile (4) 1 22 807 2005
e-mail enquiries@investectrust.ch

Switzerland, Zurich

Talacker 41
CH-8001 Zurich Switzerland
Telephone (4) 1 1 226 1000
Facsimile (41) 1 226 1010
e-mail info@investecbank.ch

United Kingdom, London

2 Gresham Street
London EC2V 7QP
Telephone (44) 20 7597 4000
Facsimile (44) 20 7597 4070
e-mail info@investec.co.uk

United Kingdom, Manchester

The Pinnacle 73 King Street
Manchester M24NG United Kingdom
Telephone (44) 161 819 7900
Facsimile (44) 161 819 7901
e-mail andrew.scotting@investec.co.uk