

OFFERING CIRCULAR



**INVESTEC FINANCE plc**

*(incorporated with limited liability in England and Wales with registered number 04111949)*

**£1,000,000,000**

**Euro Medium Term Note Programme**

**guaranteed by**

**INVESTEC BANK (UK) LIMITED**

*(incorporated with limited liability in England and Wales with registered number 489604)*

Under this £1,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), Investec Finance plc (the “**Issuer**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Investec Bank (UK) Limited (the “**Guarantor**”) on either an unsubordinated or a subordinated basis.

Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be listed on the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer and the Guarantor may agree with any Dealer and Deutsche Trustee Company Limited (the “**Trustee**”) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Luxembourg Stock Exchange) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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*Arrangers*

**Dresdner Kleinwort Wasserstein**

**Nomura International**

*Dealers*

**Barclays Capital**

**BNP PARIBAS**

**Calyon Corporate and Investment Bank**

**Dresdner Kleinwort Wasserstein**

**MPS Finance Banca Mobiliare S.p.A.**

**Nomura International**

**Nordea**

**Oversea-Chinese Banking Corporation Limited**

**UBS Investment Bank**

The date of this Offering Circular is 27th August, 2004.

The Issuer and the Guarantor having made all reasonable enquiries confirm that this document contains all information with respect to the Issuer, the Guarantor, the Notes and the Guarantees which is material in the context of the issue and offering of Notes, the statements contained in it relating to the Issuer and the Guarantor are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this document with regard to the Issuer and the Guarantor are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Guarantor or the Notes the omission of which would, in the context of the issue and offering of the Notes make any statement in this document misleading in any material respect and all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer and the Guarantor accept responsibility accordingly.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer, the Guarantor, the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor or any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “*Securities Act*”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. Registered Notes are subject to certain restrictions on transfer (see “*Subscription and Sale*”).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be

**distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, Japan, The Netherlands, Germany and Italy see “*Subscription and Sale*”.**

**All references herein to “*sterling*”, “*pounds*”, “*£*”, “*pence*” and “*p*” are to the lawful currency of the United Kingdom, all references herein to “*euro*” and “*€*” are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time by the Treaty on European Union, all references herein to “*U.S.\$*” are to United States dollars and all references herein to “*A\$*” and “*Australian dollars*” are to the lawful currency of Australia.**

**This Offering Circular may only be used for the purposes for which it has been published.**

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**In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement or any person acting for him may over allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level which might not otherwise prevail for a limited period after the issue date. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published audited consolidated annual financial statements and, if published later, the most recently published interim consolidated financial statements (if any) of each of the Issuer and the Guarantor, see “*General Information*” for a description of the financial statements currently published by each of the Issuer and the Guarantor; and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer and/or the Guarantor from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed either to the Issuer or the Guarantor at their respective offices set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office in Luxembourg of Kredietbank S.A. Luxembourgeoise (the “*Luxembourg Listing Agent*”) for Notes listed on the Luxembourg Stock Exchange.

The Issuer and the Guarantor will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any material change in the condition of the Issuer or the Guarantor which is not reflected in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

## SUMMARY OF THE PROGRAMME

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.*

<b>Issuer:</b>	Investec Finance plc
<b>Guarantor:</b>	Investec Bank (UK) Limited
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arrangers:</b>	Dresdner Bank AG London Branch Nomura International plc
<b>Dealers:</b>	Barclays Bank PLC BNP Paribas CALYON Dresdner Bank AG London Branch MPS Finance Banca Mobiliare S.p.A. Nomura International plc Nordea Bank Danmark A/S Oversea-Chinese Banking Corporation Limited UBS Limited  and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).  Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.
<b>Issuing and Principal Paying Agent:</b>	Deutsche Bank AG
<b>Registrar:</b>	Deutsche Bank Luxembourg S.A.
<b>Programme Size:</b>	Up to £1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or nonsyndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
<b>Redenomination:</b>	The applicable Pricing Supplement may provide for amendments to Notes that are redenominated in euro.
<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

<b>Issue Price:</b>	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b>	The Notes will be issued in bearer or registered form as described in “ <b>Form of the Notes</b> ”. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <p>on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</p> <p>on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</p> <p>on such other basis as may be agreed between the Issuer and the relevant Dealer.</p> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
<b>Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:</b>	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
<b>Dual Currency Notes:</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
<b>Physical Settlement of Notes:</b>	Where so specified in the applicable Pricing Supplement and subject to compliance with applicable law and regulations, Notes may be redeemed by settlement in the form of physical delivery of the assets specified in the applicable Pricing Supplement.
<b>Zero Coupon Notes:</b>	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
<b>Redemption:</b>	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on



a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “Certain Restrictions” above.

**Denomination of Notes:** Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “Certain Restrictions” above.

**Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

**Negative Pledge:** The terms of the Notes will contain a negative pledge provision, which will include a carve out in respect of Covered Bonds, as further described in Condition 4.

**Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 10.

**Status of the Senior Notes:** The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

**Subordination:** Payments in respect of the Subordinated Notes will be subordinated as described in Condition 3.

**Guarantees:** The Notes will be guaranteed by the Guarantor either on an unsubordinated basis (the “*Senior Guarantee*”) or a subordinated basis (the “*Dated Subordinated Guarantee*” or the “*Undated Subordinated Guarantee*”, as the case may be).

The payment obligations of the Guarantor under the Senior Guarantee will be direct, unconditional and, subject to the provisions of Condition 4, unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations) of the Guarantor.

The payment obligations of the Guarantor under the Dated Subordinated Guarantee will be unsecured obligations of the Guarantor, subordinated in a winding-up of the Guarantor, and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Dated Subordinated Guarantee, (ii) senior in point of subordination to the obligations of the Guarantor in respect of Undated Subordinated Notes and Preferred Securities (as defined in



Condition 3) and (iii) junior in point of subordination to the obligations of the Guarantor in respect of Senior Creditors (as defined in Condition 3).

The payment obligations of the Guarantor under the Undated Subordinated Guarantee will be unsecured obligations of the Guarantor, subordinated in a winding-up of the Guarantor, and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Undated Subordinated Guarantee, (ii) senior in point of subordination to the obligations of the Guarantor in respect of Preferred Securities and (iii) junior in point of subordination to the obligations of the Guarantor in respect of Senior Creditors.

**Listing:**

Application has been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

**Governing Law:**

The Notes will be governed by, and construed in accordance with, English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Japan, The Netherlands and Germany and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale*”.

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a “**Temporary Bearer Global Note**”) or a permanent bearer global note (a “**Permanent Bearer Global Note**”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative or successor clearing system satisfactory to the Trustee is available or (iii) the Issuer or the Guarantor would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two directors of the Issuer or the Guarantor is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a “**Registered Global Note**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d)) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “Subscription and Sale”.**

## General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor, the Trustee and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

## APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

### **Investec Finance plc** **Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]** **Guaranteed by Investec Bank (UK) Limited** **under the £1,000,000,000** **Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 27th August, 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]*

1. (a) Issuer: Investec Finance plc  
(b) Guarantor: Investec Bank (UK) Limited
2. (a) Series Number: [ ]  
(b) Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
(a) Series: [ ]  
(b) Tranche: [ ]
5. (a) Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]  
(b) [Net proceeds (Required only for listed issues): [ ]]
6. Specified Denominations: [ ]  
[ ]
7. (a) Issue Date: [ ]  
(b) Interest Commencement Date: [ ]
8. Maturity Date: [Fixed rate - specify date/  
Floating rate - Interest Payment Date falling in or nearest to [specify month]]

9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[LIBOR/EURIBOR] +/- [ ] per cent.  
 Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [specify other]
11. Change of Interest Basis or  
 Redemption/Payment Basis: [Specify details of any provision for change of  
 Notes into another Interest Basis or  
 Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. (a) Status of the Notes: [Senior/[Dated/Undated] Subordinated]  
 [In the case of Subordinated Notes, Condition  
 3(d) shall apply (*Tier 3 Notes only*)]
- (b) Status of the Guarantee: [Senior/[Dated/Undated] Subordinated]
- (c) [Date [Board] approval for issuance of  
 Notes obtained: [ ] [and [ ], respectively]  
 (*N.B. Only relevant where Board (or similar)  
 authorisation is required for the particular  
 tranche of Notes*)]
14. Listing: [Luxembourg/specify other/ None]
15. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. Fixed Rate Note Provisions [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining  
 subparagraphs of this paragraph*)
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/  
 semiannually/quarterly] in arrear]  
 (*If payable other than annually, consider  
 amending Condition 5*)
- (b) Interest Payment Date(s): [[ ] in each year up to and including the  
 Maturity Date]/[specify other]  
 (*N.B. This will need to be amended in the case  
 of long or short coupons*)
- (c) Fixed Coupon Amount(s): [ ] per [ ] in nominal amount
- (d) Broken Amount(s): [Insert particulars of any initial or final broken  
 interest amounts which do not correspond with  
 the Fixed Coupon Amount]
- (e) Day Count Fraction: [30/360 or Actual/Actual (ISMA) or [specify  
 other]]

- (f) Determination Date(s):  in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon  
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration  
N.B. Only relevant where Day Count Fraction is Actual/Actual (ISMA)]*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes:  [None/Give details]
17. Floating Rate Note Provisions  [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates:  [ ]
- (b) Business Day Convention:  [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]]
- (c) Additional Business Centre(s):  [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined:  [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):  [ ]
- (f) Screen Rate Determination:
- Reference Rate:  [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s):  [ ]  
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
  - Relevant Screen Page:  [ ]  
*(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination:
- Floating Rate Option:  [ ]
  - Designated Maturity:  [ ]
  - Reset Date:  [ ]
- (h) Margin(s):  [+/-] [ ] per cent. per annum
- (i) Minimum Rate of Interest:  [ ] per cent. per annum
- (j) Maximum Rate of Interest:  [ ] per cent. per annum



- (k) Day Count Fraction: [Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other]  
(See Condition 5 for alternatives)
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
18. Zero Coupon Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Any other formula/basis of determining amount payable: [ ]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e) and (j) apply/specify other]  
(Consider applicable day count fraction if not U.S. dollar denominated)
19. Index Linked Interest Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent responsible for calculating the interest due: [ ]
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]
- (d) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]
- (f) Additional Business Centre(s): [ ]
- (g) Minimum Rate of Interest: [ ] per cent. per annum
- (h) Maximum Rate of Interest: [ ] per cent. per annum
- (i) Day Count Fraction: [ ]
20. Dual Currency Interest Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (b) Calculation Agent, if any, responsible for calculating the interest payable: [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]

## PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)*
22. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (c) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee)*
23. Final Redemption Amount of each Note: [ ] per Note of [ ] Specified Denomination / *specify other/see Appendix*
24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [ ]
25. Settlement Basis: [Cash Settlement and/or Physical Settlement *specify assets and Settlement Agent (if other than the Principal Paying Agent)*]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
- [Registered Notes: Registered Global Note ([ ] nominal amount)]
27. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
(Note that this item relates to the place of payment and not Interest Period end dates to which items 17(c) and 19(f) relate)
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
30. Details relating to Instalment Notes:  
(a) Instalment Amount(s): [Not Applicable/give details]  
(b) Instalment Date(s): [Not Applicable/give details]
31. Redenomination applicable: Redenomination [not] applicable  
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
32. Other terms or special conditions: [Not Applicable/give details]

#### **DISTRIBUTION**

33. (a) If syndicated, names of Managers: [Not Applicable/give names]  
(b) Stabilising Manager (if any): [Not Applicable/give name]
34. If non-syndicated, name of relevant Dealer: [ ]
35. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
36. Additional selling restrictions: [Not Applicable/give details]

#### **OPERATIONAL INFORMATION**

37. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
38. Delivery: Delivery [against/free of] payment
39. Additional Paying Agent(s) (if any): [ ]

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ISIN: [ ]

Common Code: [ ]

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**[LISTING APPLICATION]**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the £1,000,000,000 Euro Medium Term Note Programme of Investec Finance plc]

**RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: ..... By: .....  
*Duly authorised* *Duly authorised*

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7(b)), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 17, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Investec Finance plc (the “**Issuer**”) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 27th August, 2004 made between the Issuer, Investec Bank (UK) Limited as guarantor (the “**Guarantor**”) and Deutsche Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as Trustee).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “**Global Note**”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form (“**Bearer Notes**”) issued in exchange for a Global Note in bearer form; and
- (iv) any definitive Notes in registered form (“**Registered Notes**”) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 27th August, 2004 and made between the Issuer, the Guarantor, the Trustee and Deutsche Bank AG as issuing and principal paying agent and agent bank (the “**Principal Paying Agent**”, which expression shall include any successor agent) and the other paying agent named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), Deutsche Bank Luxembourg S.A. as registrar (the “**Registrar**”, which expression shall include any successor registrar) and the other transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons (“**Coupons**”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “**applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “**Noteholders**”, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the “**Receiptholders**”) and the holders of the Coupons (the “**Couponholders**”, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are

(i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at 27th August, 2004 at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Principal Paying Agent, the Registrar and any other Paying Agents and Transfer Agents (such Principal Paying Agent, the Registrar, any other Paying Agents and Transfer Agents being together referred to as the “**Agents**”). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by and are entitled to the benefit of, all the provisions of the Trust Deed, and the applicable Pricing Supplement which are applicable to them and are deemed to have notice of all the provisions of the Agency Agreement. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Senior Note, a Dated Subordinated Note or an Undated Subordinated Note, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, any Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./ N.V. as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such



nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor, any Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “*Noteholder*” and “*holder of Notes*” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

## **2. TRANSFERS OF REGISTERED NOTES**

### **(a) *Transfers of interests in Registered Global Notes***

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### **(b) *Transfers of Registered Notes in definitive form***

Subject as provided in paragraph (e) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### **(c) *Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### **(d) *Costs of registration***

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.



(e) *Exchanges and transfers of Registered Notes generally*

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

### 3. STATUS OF THE SENIOR NOTES AND THE GUARANTEES AND SUBORDINATION

(a) *Status of the Senior Notes*

If the Notes are specified as Senior Notes in the applicable Pricing Supplement, the Senior Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

(b) *Status of the Senior Guarantee*

The payment of principal and interest in respect of the Senior Notes and all other moneys payable by the Issuer in relation to the Senior Notes under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the “**Senior Guarantee**”). The payment obligations of the Guarantor under the Senior Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and rank and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all unsecured obligations (other than subordinated obligations) of the Guarantor for the time being outstanding.

(c) *Status and Subordination of Subordinated Notes*

(i) If the Notes are specified as Dated Subordinated Notes in the applicable Pricing Supplement, the Dated Subordinated Notes and the relative Receipts and Coupons are unsecured obligations of the Issuer subordinated in a winding-up of the Issuer as described below and rank and will rank (A) *pari passu* without any preference among themselves, (B) *pari passu* with its £200,000,000 7.75 per cent. Guaranteed Subordinated Step-Up Notes due 2016, (C) *pari passu* with obligations of the Issuer in respect of claims (if any) which rank or are expressed to rank *pari passu* with the Dated Subordinated Notes and (D) junior in point of subordination to the obligations of the Issuer in respect of its Senior Creditors. The rights of the holders of Dated Subordinated Notes (and any rights in respect of the relative Receipts and Coupons) will, in the event of the winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of its Senior Creditors of the Issuer.

(ii) If the Notes are specified as Undated Subordinated Notes in the applicable Pricing Supplement, the Undated Subordinated Notes and the relative Coupons (if any) are unsecured obligations of the Issuer and rank and will rank (A) *pari passu* without any preference among themselves and (B) *pari passu* with obligations of the Issuer in respect of claims (if any) which rank or are expressed to rank *pari passu* with the Undated Subordinated Notes and (D) junior in point of subordination to the obligations of the Issuer in respect of its Senior Creditors. The rights of the holders of Undated Subordinated Notes (and any rights in respect of the relative Coupons) will, in the event of the winding-up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of its Senior Creditors.

In the case of Undated Subordinated Notes, payments of principal and interest in respect of the Undated Subordinated Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer, and no such principal or interest shall be payable unless and until and except to the extent that the Issuer could make such payment in whole or in part and still be solvent immediately thereafter. For the purposes of this Condition 3, the Issuer shall be deemed to be solvent if (i) to the extent that any determination as to solvency falls to be made prior to the commencement of winding-up of the Issuer, it is able to pay its debts owed to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not its Senior Creditors). A report as to the solvency of the Issuer by two Authorised Signatories (as defined in the Trust Deed) or, in certain circumstances as provided in the Trust Deed, the auditors of the Issuer or, if the Issuer is in

winding-up, its liquidator, shall, in the absence of manifest error be treated and accepted by the Issuer, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence thereof.

In the case of Undated Subordinated Notes, if at any time an order is made or an effective resolution is passed for the winding-up in England of the Issuer (except in any such case a solvent winding-up solely for the purposes of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed), the terms of which reconstruction or amalgamation or substitution (i) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (ii) do not provide that the Undated Subordinated Notes shall thereby become payable), there shall be payable on each Undated Subordinated Note (in lieu of any other payment, but subject as provided in this Condition), such amount, if any, as would have been payable to the holder thereof if, on the date prior to the commencement of the winding-up and thereafter, such Noteholder were the holder of a preference share in the capital of the Issuer having a preferential right to a return of assets in the winding-up over the holders of all issued shares for the time being in the capital of the Issuer on the assumption that such preference share was entitled to receive on a return of assets in such winding-up an amount equal to the principal amount of such Undated Subordinated Note together with Arrears of Interest (as defined in Condition 5), if any, and any interest (other than Arrears of Interest) which has accrued up to, but excluding, the date of repayment (as provided in the Trust Deed) in respect thereof.

*N.B. The obligations of the Issuer in respect of the Undated Subordinated Notes and the related Coupons are conditional upon the Issuer being solvent for the purpose of Condition 3(c) immediately before and after payment by the Issuer. If Condition 3(c) is not satisfied, any amounts which might otherwise have been allocated in or towards payment of principal and interest in respect of the Undated Subordinated Notes may be used to absorb the losses of the Issuer.*

(iii) Subject to applicable law, no Noteholder, Receiptholder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes, the Receipts or the Coupons and each Noteholder, Receiptholder and Couponholder shall, by virtue of being the holder of any Note, Receipt or Coupon (as the case may be), be deemed to have waived all such rights of set-off, compensation or retention.

(d) *Dated Subordinated Notes: Deferral of Payments*

In the case of Dated Subordinated Notes in relation to which this Condition 3(d) is specified in the applicable Pricing Supplement as applying (Tier 3 Capital), the Issuer shall be entitled, by notice in writing to the Trustee (a “**Deferral Notice**”), to defer the due date for payment of any principal or interest in respect of such Notes, and, accordingly, on the giving of such notice the due date for payment of such principal or interest (the “**Deferred Payment**”) shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer for any purpose. The Issuer may not give a Deferral Notice except in circumstances where the FSA has required or requested the Issuer to defer payment of the relevant payment of such principal and interest. Interest will accrue on Deferred Payments in accordance with the provisions of these Conditions and the Trust Deed, save that such interest shall only become due and payable at such time as the Deferred Payment in respect of which it has accrued becomes due and payable under the following sentence. Promptly upon being satisfied that the FSA will not object to the payment of the whole or any part of any Deferred Payment, the Issuer shall give to the Trustee written notice thereof (a “**Payment Notice**”) and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such Payment Notice. In addition, all Deferred Payments which remain unpaid shall become due and payable in full on the commencement (as defined in the Trust Deed) of a winding up of the Issuer. Where more than one Deferred Payment remains unpaid, payment of part thereof shall be made *pro rata* according to the amounts of such Deferred Payments remaining unpaid and of any accrued interest as aforesaid remaining unpaid. The Issuer shall promptly give notice to the holders of the relevant Series of Notes in accordance with Condition 14 of any Deferral Notice or Payment Notice.

*N.B. In the case of Notes which constitute Tier 3 Capital, the FSA requires to be notified by the Guarantor if its total eligible capital falls below its target capital requirement and deferral of payment of principal and interest in respect of such Notes may be required in order to comply with capital adequacy requirements in such circumstances.*

(e) *Definitions*

In these Conditions:

“**Assets**” means the unconsolidated gross assets of the Issuer or, if applicable, the Guarantor, all as shown in the latest published audited balance sheets of the Issuer or, if applicable, the Guarantor, but adjusted for contingent assets and for all subsequent events, all in such manner as the directors, the auditors of the Issuer or, if applicable, the Guarantor or the liquidator (as the case may be) may determine;

“**FSA**” means the Financial Services Authority of the United Kingdom (including any successor organisation responsible for the supervision of banks’ regulatory functions in the United Kingdom);

“**Guarantees**” means the Senior Guarantee, the Dated Subordinated Guarantee and the Undated Subordinated Guarantee;

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer or, if applicable, the Guarantor, all as shown in the latest published audited balance sheets of the Issuer or, if applicable, the Guarantor, but adjusted for contingent liabilities and for subsequent events, all in such manner as the directors, the auditors of the Issuer or, if applicable, the Guarantor or the liquidator (as the case may be) may determine;

“**Preferred Securities**” means any securities issued by the Issuer or the Guarantor from time to time, or in respect of which the Issuer or the Guarantor has assumed any obligations, and which, in each case, are expressed to be or are deemed at any time by the FSA to be or to be capable of being, Tier 1 Capital of the Guarantor;

“**Senior Creditors**” means (i) in respect of Dated Subordinated Notes, all depositors and other creditors of the Issuer or, if applicable, the Guarantor other than (a) creditors (if any) whose claims rank or are expressed to rank *pari passu* (whether only in the event of a winding-up of the Issuer or, if applicable, the Guarantor or otherwise) with or junior to the claims of the Noteholders and (b) creditors with whose claims the Notes rank or are expressed to rank *pari passu* (whether only in the event of a winding-up of the Issuer or, if applicable, the Guarantor or otherwise); and (ii) in respect of Undated Subordinated Notes, all creditors of the Issuer or, if applicable, the Guarantor (a) who are unsubordinated depositors or other unsubordinated creditors of the Issuer or, if applicable, the Guarantor; or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Issuer or, if applicable, the Guarantor or otherwise) to the claims of unsubordinated depositors and other unsubordinated creditors of the Issuer or, if applicable, the Guarantor but not further or otherwise, or (c) who are subordinated creditors of the Issuer or, if applicable, the Guarantor other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Undated Subordinated Notes;

“**Tier 1 Capital**”, “**Upper Tier 2 Capital**” and “**Tier 3 Capital**” each have the meaning ascribed to them in the FSA’s “Interim Prudential sourcebook: Banks” or any successor publication replacing such sourcebook;

“**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland.

(f) *Status of the Subordinated Guarantees*

(i) The payment of principal and interest in respect of the Dated Subordinated Notes and all other moneys payable by the Issuer in relation to the Dated Subordinated Notes (except as provided in clause 8.12 of the Trust Deed in respect of any payment to the Trustee) under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the “**Dated Subordinated Guarantee**”).

The payment obligations of the Guarantor under the Dated Subordinated Guarantee are unsecured obligations of the Guarantor, subordinated in right of payment in a winding-up of the Guarantor as described in the Trust Deed, and rank and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Dated Subordinated Guarantee, (ii) senior in point of subordination to

the obligations of the Guarantor in respect of Undated Subordinated Notes and its Preferred Securities and (iii) junior in point of subordination to the obligations of the Guarantor in respect of its Senior Creditors.

- (ii) The payment of principal and interest in respect of the Undated Subordinated Notes and all other moneys payable by the Issuer in relation to the Undated Subordinated Notes (except as provided in clause 8.12 of the Trust Deed in respect of any payment to the Trustee) under or pursuant to the Trust Deed has been guaranteed by the Guarantor in the Trust Deed (the “**Undated Subordinated Guarantee**”).

The payment obligations of the Guarantor under the Undated Subordinated Guarantee are unsecured obligations of the Guarantor, subordinated on a winding-up of the Guarantor as described in the Trust Deed and rank and will rank (i) *pari passu* with its obligations in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Undated Subordinated Guarantee, (ii) senior in point of subordination to the obligations of the Guarantor in respect of its Preferred Securities and (iii) junior in point of subordination to the obligations of the Guarantor in respect of its Senior Creditors.

For the purpose of the obligations of the Guarantor under the Undated Subordinated Guarantee, payments of principal and interest in respect of the Undated Subordinated Notes shall be deemed to be due and payable in full by the Issuer notwithstanding that, as a result of Conditions 3(c)(ii), they are not in fact so due and payable.

#### **4. NEGATIVE PLEDGES (SENIOR NOTES ONLY)**

So long as any of the Notes remains outstanding:

- (a) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a “**Security Interest**”) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
  - (i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
  - (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution of the Noteholders; and
- (b) the Guarantor will ensure that no Relevant Indebtedness of the Guarantor or any of its Subsidiaries (as defined below) will be secured by any Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Guarantor or any of its Subsidiaries unless the Guarantor, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:
  - (i) all amounts payable by it under the Guarantees are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
  - (ii) such other Security Interest or guarantee or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution of the Noteholders.

In these Conditions:

“**Covered Bonds**” means bonds, notes or other securities (however defined) designated by the Guarantor as covered bonds and secured on a segregated pool of assets;

“**Relevant Indebtedness**” means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities (other than Covered Bonds) which are for the time being quoted, listed or

ordinarily dealt in on any stock exchange, over-the-counter or other securities market and having a maturity in excess of one year, and (ii) any guarantee or indemnity in respect of any such indebtedness; and

“**Subsidiary**” means a subsidiary within the meaning of Section 736 of the Companies Act 1985, as amended by Section 144 of the Companies Act 1989 but excludes any company which would be excluded from consolidation pursuant to Section 229 (4) of the Companies Act 1985.

## 5. INTEREST

### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

In these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

- (i) if “Actual/Actual (ISMA)” is specified in the applicable Pricing Supplement:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (i) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

“**Determination Period**” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date



or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“*sub-unit*” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5 (b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified

Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “**TARGET System**”) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London interbank offered rate (“**LIBOR**”) or on the Euro-zone inter-bank offered rate (“**EURIBOR**”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no



such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (i) if “Actual/365” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February,

in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent or the relevant Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified promptly to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed (and in any event no later than the first day of the relevant Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Determination or Calculation by Trustee*

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent or, if applicable, the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, or the Calculation Agent (if applicable) or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paidup nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed

(f) *Interest on Undated Subordinated Notes*

(i) In the case of Undated Subordinated Notes, interest payments (excluding Arrears of Interest) on the Notes shall (subject to the provisions of Condition 3) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the Interest Accrual Period (as defined below) ending on the day immediately preceding such date. Any interest not paid on an Interest Date (as defined below) together with any other interest not paid on any other Interest Date shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Arrears of Interest may, at the option of the Issuer (subject to the provisions of Condition 3), be paid in whole or in part at any time upon the expiration of not less than seven days’ notice to such effect given to the Trustee and to the Noteholders in accordance with Condition 14, but all Arrears of Interest on all Undated Subordinated Notes outstanding shall (subject only to the provisions of Condition 3(C)) become due in full on whichever is the earliest of (A) the date set for any redemption pursuant to the provisions of Condition 7; or (B) the commencement of the winding-up in England of the Issuer or the Guarantor.

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to the provisions of Condition 3) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be applied in payment of the Arrears of Interest accrued due in respect of the relative Interest Date (or consecutive Interest Dates) furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

(ii) In these Conditions, the following expressions have the following meanings:

“**Compulsory Interest Payment Date**” means any Interest Date other than an Interest Date in respect of which the Issuer has given not less than 30 days’ notice to Noteholders in accordance with Condition 14 that it has opted to defer the interest which would otherwise be due on that date;

“**Interest Accrual Period**” means the period from (and including) the Interest Commencement Date up to (but excluding) the first Interest Date or, as the case may be, the period from (and including) one Interest Date up to (but excluding) the next Interest Date; and

“**Interest Date**” means any date on which interest is, or (but for this paragraph (f)) would be, payable pursuant to this Condition 5.

## 6. PAYMENTS

(a) *Method of payment*

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a nonresident of Japan, shall be a nonresident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) *Presentation of definitive Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

In relation to any Undated Subordinated Note in definitive form, if any payment is to be made in respect of interest the Interest Date for which falls on or after the date on which the winding-up in England of the Issuer is deemed to have commenced, such payment shall be made only against presentation of the relevant Note and the Coupon for any such Interest Date shall be void. In addition, any Undated Subordinated Note in definitive form presented for payment after an order is made or an effective resolution is passed for the winding-up in England of the Issuer or the Guarantor must be presented together with all Coupons in respect of Arrears of Interest relating to Interest Dates falling prior to such commencement of the winding-up of the Issuer, failing which there shall be withheld from any payment otherwise due to the holder of such Undated Subordinated Note such proportion thereof as the Arrears of Interest due in respect of any such missing Coupon bears to the total of the principal amount of the relevant Undated Subordinated Note, all Arrears of Interest in respect thereof and interest (other than Arrears of Interest) accrued on such Undated Subordinated Note in respect of the Interest Accrual Period current at the date of the commencement of the winding-up.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of the Principal Paying Agent. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Principal Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *Payments in respect of Registered Notes*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “**Register**”) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese Yen to a nonresident of Japan, shall be a nonresident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the “**Record Date**”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other



than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(f) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) London;
  - (C) any Additional Financial Centre specified in the applicable Pricing Supplement;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington,

respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open; and

(g) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 and any Arrears of Interest (if applicable).

## **7. REDEMPTION AND PURCHASE**

Neither the Issuer nor the Guarantor shall be at liberty to redeem or purchase the Notes, except in accordance with the following provisions of this Condition and, in respect of Subordinated Notes (save, in the case of Dated Subordinated Notes for final redemption in accordance with Condition 7(a)), any such redemption or purchase of Notes is subject to the prior consent of the FSA (so long as the Guarantor is required by the FSA to obtain such consent).

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) which is not an Undated Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date. If this Note is an Undated Subordinated Note, it has no final maturity and is only redeemable in accordance with the following provisions of this Condition 7 or Condition 10.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) either (x) it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes or (y) (in the case of Undated Subordinated Notes only) on the next Interest Date the payment of interest in respect of the Notes would be treated as a "distribution" within the meaning of the Income and Corporation Taxes Act 1988 for the time being of the United Kingdom; and



- (ii) such obligation or treatment, as the case may be, cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer or, as the case may be, two directors of the Guarantor stating that the obligation or treatment, as the case may be, referred to in (i) above cannot be avoided by the Issuer is entitled to effect such redemption and setting forth a statement of facts that the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which case it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 5(f).

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having (unless otherwise specified in the applicable Pricing Supplement) given not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent (and, in the case of a redemption of Registered Notes, the Registrar), the competent authority or stock exchange on which the Notes are listed, if any (if required by such competent authority or stock exchange) and, in accordance with Condition 14, the Noteholders (which notices shall be irrevocable), redeem all or some only (as specified in the applicable Pricing Supplement) of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) as specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s) and, in the case of Undated Subordinated Notes, all Arrears of Interest (if any) as provided in Condition 5(f). Upon expiry of such notice the Issuer shall be bound to redeem the Notes accordingly. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or a Higher Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders other than holders of Subordinated Notes (Investor Put)*

If this Note is a Senior Note and Investor Put is specified in the applicable Pricing Supplement, then, if and to the extent specified in the applicable Pricing Supplement, upon the holder of this Note giving to the Issuer, in accordance with Condition 14, not less than 15 nor more than 30 days' notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject

to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part) such Note on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note, on any Business Day (as defined in Condition 5) falling within the notice period at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph.

(e) *Early Redemption Amounts*

For the purpose of paragraphs (b) - (d) above and Condition 10(a) (if this Note is not a Subordinated Note) or Condition 10(b) (if this Note is a Subordinated Note), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“**RP**” means the Reference Price; and

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as

the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) *Purchases*

The Issuer, the Guarantor or any of their respective subsidiaries, any holding company of the Issuer or the Guarantor or any other subsidiary of any such holding company, may (subject as provided above) at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner or at any price. If purchases are made by tender, tenders must be available to all Noteholders alike.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold. Notes purchased by the Issuer, the Guarantor or any of their respective subsidiaries, any holding company of the Issuer or the Guarantor or any other subsidiary or any such holding company may be held or resold or surrendered for cancellation.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

## **8. TAXATION**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or by a third party on behalf of a holder who (i) could avoid such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-

residence or other similar claim for exemption to any tax authority; or (ii) is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

- (b) presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)) in the place of surrender; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who is able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

In these Conditions:

- (i) “**Tax Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent, the Trustee or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## 9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. EVENTS OF DEFAULT

### (a) *Senior Notes*

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer and the Guarantor that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount (determined in accordance with Condition 7(e)) together with accrued interest (if any):

- (i) if default is made in the payment of any principal, premium or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or premium or 14 days in the case of interest; or
- (ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes or the Trust Deed (except in any case where the Trustee considers the failure to be incapable of remedy, when no such continuation or notice as is described in this Condition 10(ii) shall be required) and such failure continues for the period of 45 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or the Guarantor of notice requiring the same to be remedied; or
- (iii) if (A) any indebtedness for borrowed money of the Issuer or the Guarantor or any Material Subsidiary (a) is not paid on the due date for payment, as extended by any applicable grace period, or (b) becomes due and payable prior to its stated maturity by reason of an event of

default (howsoever described), or (B) any guarantee of or indemnity in respect of any payment in respect of indebtedness for borrowed money of any third party given by the Issuer, the Guarantor or any Material Subsidiary (other than a guarantee or indemnity in respect of indebtedness for borrowed money of a Subsidiary of the Issuer or the Guarantor owing to the Issuer, the Guarantor or any of their respective Subsidiaries) is not honoured when it becomes due and is called upon (or within any applicable grace period) or (C) any security given by the Issuer, the Guarantor or any Material Subsidiary for any indebtedness becomes enforceable and the holder thereof takes any steps to enforce it, provided that no such event shall constitute an Event of Default unless the indebtedness or other relative liability either alone or when aggregated with the principal amount of other indebtedness for borrowed money or other relative liability shall amount to at least £15,000,000 (or its equivalent in any other currency) and provided further that, for the purposes of this Condition 10 (iii), neither the Issuer, the Guarantor nor any Material Subsidiary shall be deemed to be in default with respect to any such indebtedness, guarantee or indemnity if it is taking action in good faith in appropriate legal proceedings to dispute its liability to make payment thereunder and has been advised by independent legal advisers of recognised standing that it is reasonable for it to do so; or

- (iv) if any order or presentation is made or an effective resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary, and any resulting winding-up or dissolution process remains undismissed for 45 days (save for the purposes of reorganisation, reconstruction, amalgamation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders); or
- (v) if the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business or operations, in each case, save for the purposes of (a) a reorganisation, reconstruction, amalgamation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders or (b) a disposal on an arm's length basis of any assets or any part of the business of a Material Subsidiary, or the Issuer, the Guarantor or any Material Subsidiary stops or suspends payment of its debts, or admits inability to, pay its debts, or is or is deemed unable to pay its debts within the meaning of Section 123(1)(b), (c), or (d) or (e) of the Insolvency Act 1986 or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (vi) if (A) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an administration order is granted or an administrator, manager, administrative receiver or other receiver is appointed in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, the whole or a material part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a material part of the undertaking or assets of any of them, or a distress, execution, attachment or other process is levied, enforced or sued out on or against the whole or a material part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged or stayed within 45 days; or
- (vii) if any of the Guarantees ceases to be (or is claimed by the Issuer or the Guarantor not to be) in full force and effect; or
- (viii) if the Issuer ceases to be a Subsidiary wholly-owned (except for any share owned other than by the Guarantor solely to fulfil the requirements of Section 1(1) of the Companies Act 1985) and controlled, directly or indirectly, by the Guarantor;

provided that in the case of any Event of Default other than those described in sub-paragraphs (i), (iv) (in the case of a winding up or dissolution of the Issuer or the Guarantor) or (vii) above, the Trustee shall have certified to the Issuer and the Guarantor that in its opinion such event is materially prejudicial to the interests of the Noteholders.

(b) *Subordinated Notes*

- (i) If default is made in the payment of any principal in respect of the Notes for a period of 14 days or more after the due date for the same, or in the payment of any interest for a period of 14 days or more after an Interest Payment Date (or, in the case of Undated Subordinated



Notes, a Compulsory Interest Payment Date) or any other date on which any payment of interest is due (each an “*Event of Default*”), the Trustee may, subject as provided in Condition 10(c)(i)(a) and (b), at its discretion and without further notice, institute proceedings for the winding-up of the Issuer or the Guarantor in England (but not elsewhere) and/or prove in any winding-up of the Issuer and/or the Guarantor (as the case may be) (whether in England or elsewhere), but may take no other action in respect of such default. For the purposes of this paragraph and in relation to Undated Subordinated Notes only, a payment shall be deemed to be due even if the Issuer or, as the case may be, the Guarantor, is not solvent and the condition to payment under Condition 3(c)(ii) or, as applicable, Clause 8.11(b)(i) of the Trust Deed is not satisfied.

- (ii) The Trustee may, subject as provided in Condition 10(c)(i)(a) and (b), institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the Issuer or on the Guarantor under the Trust Deed or the Notes (other than any obligation for payment of any principal or interest in respect of the Notes or under the Guarantees in respect of the same) provided that neither the Issuer nor the Guarantor shall by virtue of any such proceedings (save for any proceedings for the winding-up of the Issuer or the Guarantor) be obliged to pay (i) any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it or (ii) any damages (save in respect of the Trustee’s fees and expenses incurred by it in its personal capacity).
- (iii) In the event of the commencement of the winding-up of the Issuer and/or the Guarantor (except in any such case a winding-up for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer and/or the Guarantor of a successor in business the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders) (also an “*Event of Default*”), the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding (as defined in the Trust Deed) or so directed by an Extraordinary Resolution of the Noteholders shall, (subject to it first being indemnified and/or secured to its satisfaction), (i) give notice to the Issuer that the Notes are immediately due and repayable (and the Notes shall thereby become so due and repayable) at their principal amount together with accrued interest as provided in the Trust Deed and/or (ii) prove in the winding-up of the Issuer or the Guarantor.

*The Issuer has undertaken in the Trust Deed forthwith to give notice in writing to the Trustee of the occurrence of any Event of Default referred to in (i) or (ii) above.*

*The restriction in Condition 10(b)(ii) on the payment of damages has the effect of limiting the remedies available to the Trustee and the Noteholders in the event of a breach of certain covenants (other than payment covenants) by the Issuer or the Guarantor.*

(c) *Enforcement*

- (i) Without prejudice to Condition 10(b), the Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured to its satisfaction.
- (ii) No Noteholder shall be entitled to institute proceedings directly against the Issuer or the Guarantor or prove in the winding-up of the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure is continuing, in which event any Noteholder may, on giving an indemnity and/or security satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute such proceedings and/or prove in the winding-up of the Issuer and/or the Guarantor to the same extent and in the same jurisdiction (but not further or otherwise) that the Trustee would have been entitled to do so in respect of the Notes, the Trust Deed and/or the Guarantees.



- (iii) In the case of Subordinated Notes, no remedy against the Issuer or the Guarantor, other than as referred to in this Condition 10, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Subordinated Notes or under the Trust Deed or under the Dated Subordinated Guarantee or the Undated Subordinated Guarantee or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Subordinated Notes or under the Trust Deed or in respect of any breach by the Guarantor of any of its obligation under the Trust Deed.

(d) *Interpretation*

For the purposes of this Condition, a “**Material Subsidiary**” means at any time a Subsidiary of the Guarantor:

- (i) whose total operating income (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, are equal to) not less than 5 per cent. of the consolidated total operating income of the Guarantor, or, as the case may be, consolidated total assets, of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Guarantor and its Subsidiaries, provided that in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Guarantor;
- (ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Guarantor which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (d)(ii) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a)(i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor and its Subsidiaries relate, generate total operating income equal to) not less than 5 per cent. of the consolidated total operating income of the Guarantor, or represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a)(i) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate total operating income equal to) not less than 5 per cent. of the consolidated total operating income of the Guarantor, or its assets represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a)(i) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (a)(iii) on the date on which the consolidated accounts of the Guarantor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which

such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a)(i) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Trust Deed.

(e) *Reports*

A report by two Directors of the Guarantor whether or not addressed to the Trustee that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

## **11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **12. AGENTS**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent, a Paying Agent, a Transfer Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **13. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

## 14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in a leading English language daily national newspaper of general circulation in the United Kingdom and (ii) if and for so long as the Bearer Notes are listed on the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or, if this is not possible, in another leading English language newspaper previously approved by the Trustee or as otherwise required by any stock exchange or any other competent authority by or on which the Bearer Notes are for the time being listed. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to be given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed by or on a competent authority or stock exchange and the rules of that competent authority or stock exchange so require, such notice will be published in a daily newspaper of general circulation in the places or places required by that competent authority or stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## 15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. of the nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including but not limited to modifying the date of maturity of the Notes or any date for payment of principal or interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons, (in the case of Subordinated Notes) modifying the provisions regarding subordination or approving the substitution of any entity for the Guarantor as guarantor under these Conditions), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides for a resolution, with or without notice, in writing signed by or on behalf of the holder or holders of not less than 90 per cent. of the principal amount of the Notes for the time being outstanding to be as effective and binding as if it were an Extraordinary Resolution duly passed at a meeting of the Noteholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, Receipts, Coupons and the Trust Deed of another company, being a subsidiary of the Issuer or the Guarantor, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

#### **16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR AND TRUSTEE'S RETIREMENT AND REMOVAL**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed contains provisions allowing the Trustee to retire at any time on giving not less than 60 days' prior written notice to the Issuer and the Guarantor without giving any reason and without being responsible for any Expenses (as defined in the Trust Deed) incurred by such retirement. The Noteholders may by Extraordinary Resolution remove any trustee or trustees for the time being of the Notes. The Trust Deed provides that the retirement or removal of any such Trustee shall not become effective until a successor trustee (being a trust corporation) is appointed. The Trust Deed provides that, in the event of the Trustee giving notice of retirement or being removed by Extraordinary Resolution under the Trust Deed, the Issuer and the Guarantor shall use their best endeavours to procure that a new trustee is appointed as soon as reasonably practicable. If no appointment has become effective within 60 days of such notice or Extraordinary Resolution, the Trust Deed provides that the Trustee shall be

entitled to appoint a trust corporation. No appointment of a trustee shall take effect unless previously approved by an Extraordinary Resolution. Notice of any such change shall be given to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

**17. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

**18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**19. GOVERNING LAW**

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.



## INVESTEC FINANCE PLC

### **Incorporation and Status**

The Issuer was incorporated under the Companies Act 1985 as a public company limited by shares on 16th November, 2000 with registered number 04111949, as Investec plc. On 24th November, 2000 it changed its name to Regatta Services Plc and on 14th November, 2003 changed its name to Investec Finance plc. The Issuer is a wholly-owned subsidiary of the Guarantor and does not, at the date of this Offering Circular, have any subsidiaries.

The registered office and business address of the Issuer is 2 Gresham Street, London EC2V 7QP, United Kingdom.

### **Board of Directors**

The members of the Board of Directors of the Issuer are Hugh Herman, Stephen Koseff, Bernard Kantor, Glynn Burger, Alan Tapnack, Bradley Fried and Steven Burgess.

All the Directors are engaged in the business of the Guarantor and/or the business of other members of the Investec Group (comprising Investec plc, Investec Limited and their respective subsidiaries) on a full-time basis except Hugh Herman who is a non-executive Director.

The business address of each of the Directors in their capacity as a director of the Issuer is the business address of the Issuer.

### **Purpose and Operations**

The Issuer is a special purpose vehicle to be used as Issuer of the Notes. Its principal objects are to engage in financial arrangements and transactions and to assist in financing the operations of Investec plc and Investec Bank (UK) Limited. The objects of the Issuer are set out, in full, in paragraph 4 of its Memorandum of Association which duly authorises it to act as Issuer of the Notes. A copy of the Issuer's Memorandum of Association will be available for inspection as described under "*General Information*" below.

## CAPITALISATION AND INDEBTEDNESS OF INVESTEC FINANCE PLC

The following table sets out the unaudited capitalisation and indebtedness of the Issuer as at 31st March, 2004:

	(£)
Borrowings:	
Long-term borrowings .....	195,775,238
Shareholders' equity:	
Called-up share capital <sup>(1)</sup> .....	50,000
Retained earnings.....	2,791
	<u>52,791</u>
Total capitalisation and indebtedness .....	<u>195,828,029</u>

Notes:

- (1) The authorised share capital of the Issuer consists of 100,000 ordinary shares of £1 each (of which 50,000 are issued and fully paid).
- (2) The Issuer has no convertible debt securities, exchangeable debt securities or debt securities with warrants attached.
- (3) There has been no material change in the capitalisation, indebtedness and contingent liabilities of the Issuer since 31st March, 2004.

## INVESTEC BANK (UK) LIMITED

### Introduction

#### *Group Overview and History*

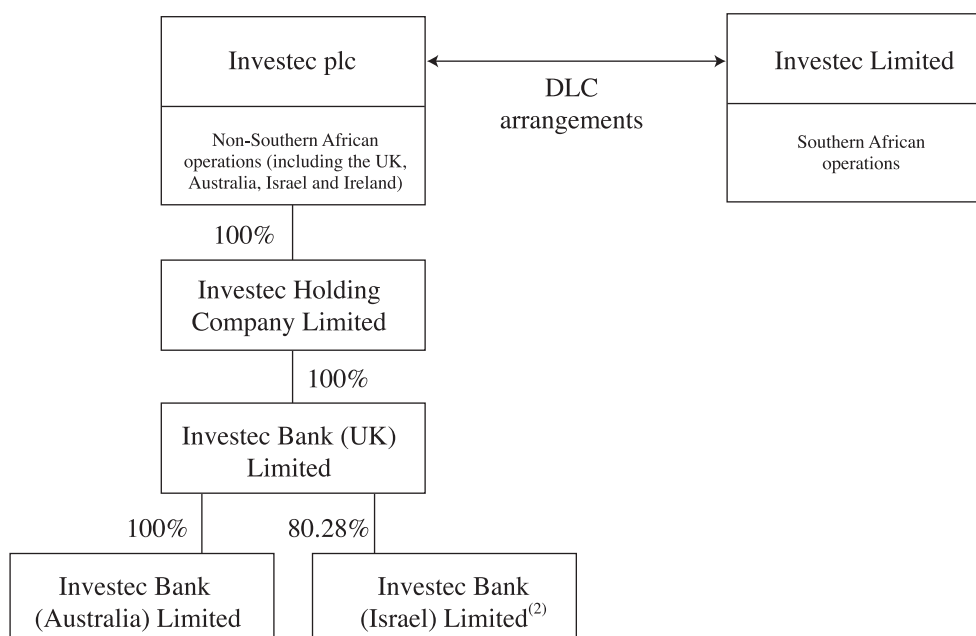
The Investec Group (comprising Investec plc, Investec Limited and their respective subsidiaries) is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the United Kingdom and South Africa, as well as certain other geographies including Australia, Israel and the Republic of Ireland.

The Investec Group originated in South Africa. It was founded as a leasing company in Johannesburg in 1974 and acquired its first banking licence, in South Africa, in 1980. Through Investec Holdings Limited the Investec Group obtained its first listing on the JSE Securities Exchange South Africa in 1986. In 1992 the Investec Group made its first international acquisition, in the United Kingdom, when it acquired Allied Trust Bank, which has since been renamed Investec Bank (UK) Limited (“**IBUK**”). IBUK’s registered address is 2 Gresham Street, London EC2V 7QP. The Investec Group has since expanded through a combination of organic growth and a series of strategic acquisitions. These acquisitions have included Guinness Mahon (1998), Hambros (1998) and Henderson Crosthwaite (1998), in the United Kingdom, an approximate 80 per cent. interest in Israel General Bank (1996)<sup>(1)</sup> (later re-named Investec Bank (Israel) Limited), in Israel, and Wentworth Associates (2001)<sup>(1)</sup>, in Australia. In addition, the Investec Group entered the Irish market, by opening a branch office in Dublin in 1999 with its acquisition of Gandon Capital Markets.

#### *Group Structure*

On 22nd July, 2002 the dual listing of the Investec Group was completed whereby Investec plc, a company with its primary listing on the London Stock Exchange plc, and Investec Limited, a company listed on the JSE Securities Exchange South Africa, formed a dual listed company (“**DLC**”) structure with the result that Investec plc and Investec Limited together formed a single economic enterprise. IBUK is a wholly owned subsidiary of Investec plc and holds certain of the Investec Group’s UK-based assets and businesses, as well as holding Investec Bank (Australia) Limited and approximately 80 per cent. of Investec Bank (Israel) Limited, a listed bank in Israel.

The following diagram illustrates the positioning of IBUK and other key subsidiaries within the Investec Group.



(1) Investec Bank (Israel) Limited and Investec Bank (Australia) Limited became subsidiaries of IBUK in August 2002 and June 2003, respectively. Before that date they were held elsewhere within the Investec Group. Wentworth Associates is a subsidiary of Investec Bank (Australia) Limited.

(2) A Sale and Purchase Agreement relating to the 80.28 per cent. stake in Investec Bank (Israel) Limited was entered into on 29th July, 2004. See further “Investec Bank (Israel) Limited”.

### ***Financial overview of IBUK's operations***

The following table provides summary financial information for IBUK for the two financial years ended and as at 31st March, 2003 and 31st March, 2004, which in each case has been extracted without material adjustment from the information included in the audited financial statements of IBUK for the years ended 31st March, 2003 and 31st March, 2004.

	<b>2004</b>	<b>2003</b>
Net interest income (£m).....	68	49
Operating income (£m).....	198	136
Profit before tax (£m).....	50	4
Capital resources at period end (£m) .....	702	505
Total assets (£m).....	5,592	5,796
Customer loans <sup>(1)</sup> (£m) .....	2,260	1,510
Customer deposits <sup>(1)</sup> (£m) .....	2,882	2,539
Capital and reserves to risk-weighted assets (%).....	19.3	22.2

Note:

(1) Excludes wholesale customer loans and deposits that reside in the trading book.

### **The activities of Investec Bank (UK) Limited**

The principal business units of IBUK and its subsidiaries are Investment Banking, Private Banking, Treasury and Specialised Finance and Group Service and Other Activities. Each division focuses on providing specialised products and services to defined target markets. Furthermore, Investec Bank (UK) Limited's head office provides certain functions such as Risk Management, Information Technology, Finance, Marketing, Human Resources and Organisational Development. It also has responsibility for the Investec Group's central funding.

#### ***Investment Banking***

IBUK, in the UK, operates its Investment Banking division under the name Investec Investment Banking & Securities, which trades as Investec. The division focuses on two distinct activities: corporate finance and institutional broking, both specialising in small and mid-capitalisation companies, i.e. companies capitalised at £50 million to £500 million. The division also provides institutional broking services in large capitalisation companies where IBUK considers itself to have strong research capabilities. In addition, IBUK has a small managed private equity portfolio.

#### ***Corporate Finance***

IBUK's corporate finance division provides financial advisory services, particularly in respect of mergers and acquisitions, to small and mid-capitalisation companies. It also advises on and participates in equity capital market fund raisings for such clients. The division's corporate client list currently comprises approximately 60 quoted companies (who are mainly quoted on the London Stock Exchange) and a number of private company advisory roles. The division continues its efforts to improve its client base by adding clients falling within its target market.

#### ***Institutional Broking***

IBUK's institutional broking activities in the UK are carried out under the brand name of Investec Securities. Investec Securities provides research, sales, trading and market making services to a broad range of UK and international institutional clients. Investec Securities currently has a team of 22 equity analysts who provide research coverage on approximately 240 companies in the UK, including a number of South African companies listed on the London Stock Exchange plc. The division's research arm focuses on 17 sectors. In the recent Institutional Investor UK small mid-cap survey the division had five analysts ranked in the top three of their sectors, namely in food and beverages, healthcare, leisure, media and telecommunications. Investec Securities currently acts as market maker for approximately 130 small to mid cap stocks and has further introduced price making in dual listed large cap stocks,

#### ***Private Equity***

IBUK inherited a UK managed private equity portfolio as part of the Guinness Mahon and Hambros acquisitions in 1998. No new investments (other than follow-on investments into existing investments or funds) have been made since early 2001 and the division's strategy is to divest of this portfolio as it matures.

### ***Private Banking***

IBUK's private banking division provides a range of private banking services targeting select high net worth individuals in chosen niche markets. The services provided include:

- structured property finance;
- specialised lending activities;
- trust and fiduciary services;
- treasury and banking services;
- investment management; and
- private client investment banking.

IBUK seeks to position its private banking operations in the high value advisory market. IBUK regards as one of its key strengths the ability to originate new business by leveraging off the strong client relationships which it has been able to establish through its lending activities. IBUK considers that this operating model positions it more favourably during times of high market volatility compared to private banks that are dependent on the more traditional asset-gathering model.

The UK private banking operation is based in London, with offshore subsidiaries in the Channel Islands and Switzerland. IBUK's Dublin office also provides a private banking service to clients based in the Republic of Ireland. The private banking division's principal target market comprises individuals with an average net worth in excess of £5 million and investible assets of £3 million with specific focus on select niches and community groups. IBUK believes that its offering is unique and has a strong franchise among successful entrepreneurs, high earning employees and self-directed internationally mobile clients.

IBUK's principal private banking products and services are described in further detail below:

#### *Structured property finance*

Structured property finance forms a key part of the private banking business. The division focuses exclusively on the provision of senior and mezzanine debt for residential and commercial property markets.

#### *Specialised lending*

This division specialises in structuring credit and derivative solutions for tax-based transactions, liquidity requirements and gearing opportunities to finance investments.

#### *Trust and fiduciary services*

The trust and fiduciary services provided by IBUK are branded under Investec Trust and incorporate comprehensive advisory services including trustee and executorship services, company formation and management, trust advice, international tax and inheritance planning.

#### *Treasury and banking services*

This division offers a wide range of onshore and offshore banking services from a range of jurisdictions in multiple currencies. These include currency deposits, money market deposits, foreign exchange, structured products and transactional accounts.

#### *Investment management*

IBUK offers its high net worth clientele an independent wealth management service. Driven by an individual's specific requirements, IBUK believes that the solutions offered represent a bespoke strategic asset allocation where each client is proactively partnered on an ongoing basis by a dedicated investment practitioner. Because IBUK is not tied to a particular product provider, this personal service encapsulates a wide range of asset types, with both traditional and alternative investments being blended in accordance with the targeted risk profile and agreed objectives. IBUK believes that the division's investment methodology, detailed qualitative and quantitative due diligence process, combined with its access to the expertise of some of the world's leading financial institutions enables it to offer its clients products and services that are often exclusive and institutional in nature.

### *Private client investment banking*

IBUK provides debt funding, often with equity participation, to entrepreneurs and small, privately held corporations to enable them to expand their businesses and make acquisitions. At the same time, it creates specialist investment opportunities for its clients looking to diversify their investment portfolios.

### ***Treasury and Specialised Finance***

IBUK's Treasury and Specialised Finance division comprises a number of activities that can be described as either banking or trading operations.

Banking activities comprise structured and asset finance, project and resource finance, financial products, corporate treasury and balance sheet management. Trading activities comprise commodities, foreign exchange, equity derivatives and finance 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.

#### *Banking activities*

##### *Structured and asset finance*

The unit is a niche facilitator of deals in the interbank market and services the specialised financing needs of corporate and local authorities. Its activities include cross boarder leasing transactions.

##### *Project and resource finance*

The unit is recognised as a leading advisor and arranger in the financing of infrastructure and mining projects. The unit's primary focus is the UK private finance initiative (PFI) market with significant presence in hospitals, transport and defence projects. Mining project finance activities are aimed at small to mid-sized mining projects undertaken by established sponsors. This unit operates closely with the commodities hedging team.

##### *Financial products*

The business is active in the structuring of credit and investment products. Recently, the unit has successfully completed a number of collateralised debt obligation transactions (CDOs). The structured investment product activity is a new business with some initial success in distribution via IBUK's private banking operations.

##### *Corporate treasury and balance sheet management*

The corporate treasury is responsible for the raising of corporate deposits and the sale of foreign exchange and interest rate products. The balance sheet management team is primarily responsible for the liquidity and funding of IBUK.

#### *Trading activities*

##### *Commodities*

Activities include base and precious metal trading and hedging. The unit works closely with the mining and resource finance unit to facilitate client hedging. Primary markets are Southern Africa, Europe and Asia/Australia. Clients include both producers and consumers but a large proportion of activity takes place in the professional market. More recently, transaction flow with hedge funds has been on the increase.

##### *Foreign exchange*

The unit offers spot, forwards and options to the bank's corporate clients in conjunction with the corporate treasury desk. In addition, IBUK believes the unit has established itself within the European interbank market in meeting the needs of small banks through a higher level of service than is available from the larger banks.

##### *Equity derivatives and finance*

The unit's offering includes structured solutions to corporate clients, proprietary trading, arbitrage, scrip lending, dividend arbitrage and the facilitation of equity strategies for hedge funds.



### *Interest rates*

This unit is primarily focused on providing IBUK's corporate clients with interest rate hedging solutions in conjunction with the structured finance and corporate treasury operations in Dublin and London.

### ***Group Services and Other Activities***

#### *Central Costs*

Central costs is made up of functional areas that provide services centrally across all of the Investec Group's business operations. Consistent with the Investec Group's philosophy of operating as a single organisation, central costs provides integrating mechanisms between the business operations. These services do not form part of the four operating divisions, but the group has recently adopted a policy of allocating a portion of these costs to the divisions.

#### *Central Funding*

IBUK has a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained. Investec employs various sources of funding, the determination of which depends on the specific financial and strategic requirements it faces at the relevant point in time. The funds raised are applied towards the making of acquisitions, the funding of central services and debt obligations, and the purchase of corporate assets and investments not allocated to IBUK's principal operating divisions.

#### *Other Activities*

The other activities carried out within IBUK principally comprise its property activities. IBUK offers agency and investment, professional property management and bank valuation services through the property division. Following the sale of its only development property during 2002, the division's direct property portfolio consists of a number of investment properties which IBUK believes offers prospects for value enhancement through active management.

The property division is now devoting an increasing amount of time to assisting the private banking division with mezzanine investments in client transactions. IBUK believes that these niche investments have attractive risk/reward profiles and IBUK therefore intends to allocate some of the capital from the property activities division to these investments.

### **Investec Bank (Israel) Limited**

Investec Bank (Israel) Limited is a Tel Aviv Stock Exchange listed company which concentrates principally on the provision of securities trading services to Israeli professionals and institutions in the local markets. Investec Bank (Israel) Limited also offers professional trading, execution and clearing services to Israeli clients which is complemented with the provision of research.

On 16th June, 2004 Investec plc, the controlling shareholder of Investec Bank (Israel) Limited, reached an agreement with First International Bank of Israel whereby it has agreed to sell its 80.28% stake in Investec Bank (Israel) Limited to First International Bank of Israel.

The purchase price will be based on the book net asset value of Investec Bank (Israel) Limited at 30th June, 2004 subject to adjustments relating to the valuation of the Tel Aviv and Jerusalem properties of Investec Bank (Israel) Limited's provision for employment and related costs, adjustments arising from the due diligence and any distributions made prior to expected completion.

Should the aggregate of adjustments to the consideration (excluding any adjustment relating to the Tel Aviv and Jerusalem properties and certain provisions for employment and related costs) exceed approximately £5 million, First International Bank of Israel may either terminate the agreement or proceed with the acquisition with the purchase price being reduced by such £5 million.

Should the agreed valuation of Investec Bank (Israel) Limited's properties be lower than the book value thereof (approximately £7.5 million), Investec plc may either accept a reduced purchase price or acquire either one or both of the properties at a value between the book value thereof and the agreed valuation for the relevant property, and enter into a 10-year lease with First International Bank of Israel on fair market terms with a five year break clause for that part of the building occupied by Investec Bank (Israel) Ltd. Similarly, should there be a disagreement between the parties relating to the provision required in respect of customer advances, Investec plc has the right to purchase the underlying debt at book value or to indemnify First International Bank of Israel including placing a deposit with the Investec Bank (Israel) Limited equal to the amount of the additional provision sought by First International Bank of Israel.

It is the intention of the parties to close the transaction by the end of 2004.

The transaction amounts to less than 5% of the Investec Group's combined market capitalisation. At 31st March, 2004, as reflected in the consolidated accounts of the combined Investec Group (Investec plc and Investec Ltd.), Investec Bank (Israel) Limited had a share of an operating profit after taxation but before exceptional items and amortisation of goodwill of £1.9 million and of its shareholders' funds at that date were approximately £48 million.

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

### **Investec Bank (Australia) Limited**

Investec Bank (Australia) Limited 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 the Investec Group's activities into the corporate finance and private equity arenas in Australia.

In August 2002, Investec Bank (Australia) Limited received a banking licence which opened up many growth opportunities for the business, allowing it to further expand its private banking division, specialising in property investment banking, investment management services and, more recently, growth and acquisition finance.

Furthermore, Investec Bank (Australia) Limited has an established project finance capability.

Coupled with a limited range of treasury activities, Investec Bank (Australia) Limited now regards itself as significantly strategically diversified.

## **Regulation And Risk Management**

### ***Regulation***

At the Investec Group level the Financial Services Authority ("**FSA**") and the South African Reserve Bank ("**SARB**") have entered into a Memorandum of Understanding which sets out the basis upon which the Investec Group as a whole will be regulated and how these two main regulators will co-operate. The SARB undertakes consolidated supervision of Investec Limited and its subsidiaries as well as acting as lead regulator of the Investec Group as a whole. The FSA undertakes consolidated supervision of Investec plc and its subsidiaries.

Accordingly, IBUK is regulated in the United Kingdom by the FSA, has gained FSA approval and is authorised by it as a banking institution. In addition, IBUK, through its operating subsidiaries, operates in a variety of other extensively regulated jurisdictions including Australia, Israel and Ireland, where it has obtained all necessary regulatory authorisations.

### ***Risk Management***

Risk management is of critical importance to IBUK. IBUK continuously seeks to comply with best practice in risk management. IBUK has an extensive risk management process to identify, understand and manage the risks associated with its business. The principal risks to which IBUK is exposed are credit, liquidity, market, legal, regulatory, operational and reputational risks. IBUK's board of directors sets risk management policy and approves policy statements defining the various categories of risk, trading limits and liquidity. These policy statements establish IBUK's appetite for risk and set out the parameters within which it operates. IBUK then monitors and controls these risks through a variety of separate but complementary risk reporting systems and committees.

Significant risks faced by IBUK, identified by the risk reporting systems and committees, are reviewed weekly by the Executive Risk Review Forum, which comprises senior management and executive directors of IBUK. Additionally, there is a monthly review by the Board Risk Review Committee comprising executive and non-executive directors of IBUK. Reports from the Board Risk Review Committee, the Audit Committee and the various control functions are reviewed at each board meeting.

IBUK continues its efforts to embed a culture of risk awareness, control and compliance in its activities. However, the effectiveness of any bank's policies and procedures for managing risk can never be completely or accurately predicted or fully assured.

## **Loan administration and loan loss provisioning**

### *Loan administration*

IBUK's loan administration and loan loss provisioning addresses the risk that counterparties will be unable or unwilling to meet their obligations to IBUK as they fall due. It arises from lending and other transactions involving on- and off-balance sheet instruments. IBUK's risk management policies include geographical, product, market and individual counterparty concentrations. All exposures are checked daily against approved limits, independently of each business unit. Excesses are reported to the general management of IBUK and escalated to the executive where necessary.

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

Credit limits on all lending, including treasury and interbank lines, are reviewed at least annually. Arrears policy is strictly controlled and regular reviews are held to evaluate the necessity and adequacy of specific provisions and whether the suspension of interest charged to the customer is required. An Arrears Committee regularly reviews delinquent facilities. Its purpose is to ensure that agreed strategy for remedial action is implemented and that specific provisions are made where relevant. Additionally, a general provision is held to cover unforeseen events, which are inherent in taking counterparty exposures.

IBUK has a focused business strategy and considers itself to have considerable expertise in its chosen sectors. The majority of IBUK's lending, excluding interbank placements, which are predominantly with systemic European and US banks, is secured on assets and is amortising. On a geographical basis, over 80 per cent. of the credit exposure of IBUK, including contingent liabilities and commitments, is to the UK domestic market, Continental Europe and the United States. Risk limits permit only modest exposure to South Africa and minimal exposure to other emerging markets.

IBUK has exposure to the State of Israel and Israeli counterparties through the operations of Investec Bank (Israel) Limited within that jurisdiction.

### *Loan loss provisioning*

IBUK's total provisions as at 31st March, 2004 was approximately £31.8 million. As a percentage of IBUK's non-performing loan portfolio, such loan loss provision was 139.54 per cent. as at 31st March, 2004 and as a percentage of IBUK's core loans and advances to customers was 1.51 per cent. at the same date. The table below summarises the adequacy of IBUK's loan loss provisions as at 31st March, 2004 and 31st March, 2003.

	<b>31st March, 2004</b>	<b>31st March, 2003</b>
<b>Adequacy of provisions</b>		
Consolidated profit and loss provision charge as a % of monthly-averaged loans and advances to customers .....	0.2%	0.3%
Specific provision as a % of core loans and advances to customers .....	0.5%	0.7%
General provision as a % of net loans and advances to customers.....	1.0%	1.2%
Total provisions as a % of core loans and advances to customers.....	1.5%	1.9%
Total provisions as a % of gross non-performing loans .....	139.5%	103.0%
Total provisions as a % of net non-performing loans.....	351.4%	352.5%

Further details of IBUK's loan loss position, its non-performing loan position and the adequacy of its provisions are set out in the Risk Management section of its financial statements for the years ended 31st March, 2003 and 31st March, 2004.

### **Dividend Policy of Investec Group and IBUK**

The Investec Group's dividend policy is to maintain a dividend cover of between 1.7 and 2.3 times based on earnings per share of the DLCs before amortisation of goodwill and exceptional items.

The holders of shares in Investec Limited and Investec plc will share proportionately on a per share basis all dividends declared by the Investec Group. Where possible, each of Investec plc and Investec Limited will pay such dividends to their respective shareholders. However, the DLC makes provision through

dividend access trusts for either company to pay a dividend directly to the shareholders of the other. As at the date of this Offering Circular, Investec plc had issued 63 per cent. of the total DLC shares in issue.

Investec plc will, in turn, require sufficient dividends from IBUK and its other subsidiaries to establish sufficient distributable funds to pay its share of the DLC dividend.

In determining the level of dividend to be paid in respect of any financial period, the management of IBUK has regard to, among other factors, its capital position and requirements, the profits generated in respect of such period in relation to the general profits trend of IBUK, its strategy and certain regulatory and tax considerations. IBUK would not expect to recommend dividends of such an amount that its consolidated tangible equity shareholders funds would fall below £400 million or such that it would distribute in excess of 80 per cent. of its consolidated profit before amortisation of goodwill and exceptional items but after tax for the relevant period.

### Directors

The names of the directors of IBUK, the business address of each of whom, in their capacity as directors of IBUK, is 2 Gresham Street, London EC2V 7QP, and their respective principal outside activities are as follows:

<b>Name</b>	<b>Role</b>	<b>Principal outside activities</b>
Hugh Herman .....	Chairman	Non-Executive Chairman of Investec plc and Chairman of Investec Limited
Bradley Fried .....	Chief Executive Officer	Joint Global Head of Investment Banking and Regional Head of the Investec Group's United Kingdom operations
Alan Tapnack .....	Executive Director	Executive Director of Investec plc and Director of Investec Limited
David van der Walt ..	Executive Director	Global Head of Structured Finance for the Investec Group
Ian Wohlman .....	Executive Director	Head of Risk Management – United Kingdom and Europe
George Alford .....	Non-Executive Director	Non-Executive Director of Investec plc and Investec Limited and adviser to the Financial Services Authority
Bernard Kantor .....	Non-Executive Director	Managing Director of Investec plc and Investec Limited and Director of Investec Bank Limited
Ian Kantor .....	Non-Executive Director	Non-Executive Director of Investec plc and Investec Limited and Director of Insinger de Beaufort Holdings SA and Bank Insinger de Beaufort NV
Sir Chips Keswick .....	Non-Executive Director	Non-Executive Director of Investec plc and Investec Limited and Director of De Beers SA, De Beers Consolidated Mines Limited, IMI Plc, Persimmon Plc and Investec Limited
Stephen Koseff .....	Non-Executive Director	Chief Executive Officer of Investec plc and Investec Limited, Director of the JSE Securities Exchange, South Africa, Investec Bank Limited and The Bidvest Group Limited

### Additional Information

IBUK was incorporated as a private limited company with limited liability on 20th December, 1950 under the Companies Act 1948 and registered in England and Wales under registered number 00489604 with the name Edward Bates & Sons. It changed its name on 24th October, 1977 to Allied Arab Bank Limited. On 1st September, 1989, it changed its name to Allied Trust Bank Limited, and again changed its name to Investec Bank (UK) Limited on 6th January, 1997.

The objects of IBUK are set out in paragraph 3 of its Memorandum of Association and, in summary, are to carry on the activities of a banking institution. The Memorandum and Articles of Association of IBUK

have been filed with the Registrar of Companies in England and Wales and are available for inspection or provided in “General Information” below.

The registered office and principal establishment of IBUK is 2 Gresham Street, London EC2V 7QP. IBUK’s authorised share capital is £1,000,000,000 divided into 1,000,000,000 ordinary shares of £1 each of which 354,000,000 ordinary shares have been issued and are fully paid up.

## CAPITALISATION AND INDEBTEDNESS OF INVESTEC BANK (UK) LIMITED

The information in the following table and note 1 thereto show the consolidated capitalisation and indebtedness of IBUK as at 31st March, 2004 and has been extracted without material adjustment from IBUK's financial information for the year ended 31st March, 2004.

	As at <b>31st March, 2004</b>
	<b>(£'000)</b>
<b>Authorised Capital</b>	
Ordinary Shares (of £1 each) .....	1,000,000
	1,000,000
<b>Issued Capital</b>	
Ordinary Shares (of £1 each, fully paid) .....	354,000
Reserves .....	131,767
Shareholders' Funds .....	485,767
Minority Interests – Equity .....	13,616
Total Shareholders' Funds .....	499,383
<b>Subordinated loan capital</b>	
Variable rate notes <sup>(1)</sup> .....	202,371
<b>Total Capital Resources</b> .....	701,754
<b>Other Borrowings</b>	
Deposits by banks .....	769,342
Customer accounts .....	3,064,773
Debt securities in issue .....	220,859
Total Indebtedness .....	4,054,974
<b>Total Capitalisation and Indebtedness</b> .....	4,756,728

Notes:

- (1) On 1st 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 1st March, 2011, subject to the prior consent of the Financial Services Authority. On 1st 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.
- (2) The capitalisation and indebtedness table does not include certain liabilities that are reported in IBUK's statutory balance sheet, namely Other Liabilities, Accruals and Deferred Income. Other Liabilities includes short term trading liabilities (settlement creditors, short positions and derivative fair values) which, by their nature, may change significantly in value from day to day.
- (3) There has been no material change in the capitalisation, indebtedness and contingent liabilities (including guarantees) of IBUK since 31st March, 2004.



## TAXATION

### U.K. Taxation

**The following applies only to persons who are the beneficial owners of Notes and is a summary based on an understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes and it may not apply to certain classes of persons such as dealers and persons connected with the Issuer, to whom special rules may apply. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

#### 1. *Interest on the Notes*

Payment of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a “recognised stock exchange” within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the “Act”). The Luxembourg Stock Exchange is a recognised stock exchange for these purposes. Under a United Kingdom interpretation, the Notes will be treated as listed on the Luxembourg Stock Exchange if they are listed by the competent authority in Luxembourg and are admitted to trading by the Luxembourg Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the person beneficially entitled to the payment is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder who is entitled to the benefit of the treaty, the Inland Revenue may issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### 2. *Provision of Information*

Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. The Inland Revenue also has power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are relevant discounted securities for the purposes of the Finance Act 1996 to or receives such amounts for the benefit of an individual. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

3. *EU Savings Directive*

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. From a date not earlier than 1st July, 2005, Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, under the Directive, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the “*Programme Agreement*”) dated 27th August, 2004, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. The Notes may be sold by the Issuer through the Dealers, acting as agents of the Issuer. In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **Selling Restrictions**

#### ***United States***

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

#### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Guarantor, would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and
- (d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### **The Netherlands**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Notes with a denomination of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*) is applicable and the conditions attached to such exemption or exception are complied with.

### **Germany**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Notes have not been and will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13th December, 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

### **Italy**

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian Securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No.58 of 24th February, 1998 (the **Financial Services Act**) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the **Banking Act**);
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with

the Bank of Italy, depending, inter alia, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and

(iii) in compliance with any other applicable laws and regulations.

***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or deliver by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee and any other Dealer shall have any responsibility therefore.

None of the Issuer, the Guarantor, the Trustee and any of the Dealers has represented that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

## GENERAL INFORMATION

### **Authorisation**

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 24th August, 2004 and the giving of the Guarantees has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 24th August, 2004.

### **Listing of Notes**

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. A legal notice relating to the Programme and the constitutional documents of the Issuer and the Guarantor are being lodged with the Registrar of Commerce and Companies in Luxembourg (*Registre de Commerce et des Sociétés à Luxembourg*) where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated the number 13032 to the Programme for listing purposes.

### **Documents Available**

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (i) the constitutional documents of the Issuer and the constitutional documents of the Guarantor;
- (ii) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31st March, 2003 and 31st March, 2004 and the consolidated financial statements of the Guarantor in respect of the financial years ended 31st March, 2003 and 31st March, 2004. The Issuer and the Guarantor each currently prepares audited consolidated accounts on an annual basis;
- (iii) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer and the Guarantor. The Guarantor currently prepares unaudited consolidated interim accounts on a semi-annual basis;
- (iv) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (v) a copy of this Offering Circular;
- (vi) any future offering circulars, prospectuses, information memoranda and supplements including, free of charge, Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The relevant ISIN and common code will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

### **Significant or Material Change**

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or the Guarantor since 31st March, 2004 and there has been no material adverse change in the financial position or prospects of the Issuer or the Guarantor since 31st March, 2004.

### **Litigation**

Neither the Issuer nor the Guarantor nor any of their respective subsidiaries is involved in any legal or arbitration proceedings relating to claims or amounts which are material in the context of the issue of Notes nor so far as the Issuer or the Guarantor is aware is any such litigation or arbitration pending or threatened.



**Auditors**

The auditors of the Issuer and the Guarantor are Ernst & Young LLP, Chartered Accountants and Registered Auditors, of 1 More London Place, London SE1 2AF.

Ernst & Young LLP has given and has not withdrawn its consent to the inclusion in this Offering Circular of its audit report on each of the financial statements of the Guarantor and the Issuer in the form and context in which they appear.

Statutory accounts for the years ended 31st March, 2003 and 31st March, 2004 have been delivered to the Registrar of Companies in England and Wales. For the year ended 31st March, 2003, the Issuer, as a dormant company for the purposes of section 249AA(1) of the Companies Act 1985, was exempt from the provisions of Part VII of the Companies Act 1985 relating to the audit of its accounts. The Guarantor's auditors have made reports under Section 235 of the Act on such statutory accounts which were not qualified within the meaning of Section 262 of the Act and did not contain any statements made under Section 237(2) or (3) of the Act. The report of the Guarantor's auditors stated that to the fullest extent permitted by law, the Guarantor's auditors do not accept or assume responsibility to anyone other than the company and the company's members as a body, for their audit work, for the audit report, or for the opinions the Guarantor's auditors have formed.

The inclusion of such a statement was recommended in recent guidance issued by the Institute of Chartered Accountants in England and Wales for inclusion in all Section 235 audit reports produced by audit firms.

**APPENDIX 1**

**FINANCIAL STATEMENTS OF INVESTEC BANK UK LIMITED**

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# Independent auditors' report

## to the members of Investec Bank (UK) Limited



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

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

### Respective responsibilities of directors and auditors

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

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

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

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

### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
London  
28 June 2004

# Consolidated profit and loss account

For the year ended 31 March

2004

2003

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

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

# Consolidated statement of recognised gains and losses

For the year ended 31 March

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

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

# Consolidated balance sheet

For the year ended 31 March

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

The directors approved the financial statements on 28 June 2004



**Bradley Fried**  
Chief Executive Officer



# Balance sheet

At 31 March

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

The directors approved the financial statements on 28 June 2004



**Bradley Fried**  
Chief Executive Officer

# Notes to the financial statements



## Accounting policies

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

### Basis of preparation

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

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

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

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

### Basis of consolidation

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

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

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

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

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

### Foreign entities

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

# Notes to the financial statements

the net investment in subsidiaries which do not have sterling as a functional currency, are also taken to reserves.

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

## Foreign currencies

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

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

## Debt securities and equity shares

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

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

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

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

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

## Financial instruments

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

## Derivatives

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

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

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

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

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

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

# Notes to the financial statements

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 balance outstanding.

## Specific and general provisions for bad and doubtful debts

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

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

## Tangible fixed assets

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

The periods over which assets are depreciated are as follows:

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

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

## Dealing properties

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

## Taxation

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

## Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are 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.

# Notes to the financial statements

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

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

## Income recognition

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

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

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

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

## Retirement benefits

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

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

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

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

## Bank's own profit and loss account

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

## Cash flow statement

The bank has taken advantage of the exemption in Financial Reporting Standard 1 not to present its own cash flow statement. The bank's ultimate parent undertaking, Investec plc, includes a cash flow statement in its published financial statements.

# Notes to the financial statements

	Principal Activity	Country of Incorporation	Interest % 2004	Interest % 2003
<b>I. Principal subsidiary and associated companies</b>				
<b>Direct subsidiaries of Investec Bank (UK) Limited</b>				
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%
<b>Indirect subsidiaries of Investec Bank (UK) Limited</b>				
Investec Bank (Australia) Limited	Banking institution	Australia	100%	0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Israel) Limited	Banking institution	Israel	80%	80%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100%	100%
Investec Investment Holdings AG	Investment holding company	Switzerland	100%	100%
Investec Trust (Guernsey) Limited	Trust company	Guernsey	100%	100%
Investec Trust (Jersey) Limited (formerly Theodores Trust & Law Group Limited)	Trust company	Jersey	100%	100%
Investec Trust (Switzerland) S.A. (formerly Radcliffes Trustee Company S.A)	Trust company	Switzerland	100%	100%
All of the above subsidiary undertakings are included in the consolidated financial statements.				
<b>Principal associated undertaking of Investec Bank (UK) Limited</b>				
iMarkets Holdings Limited (formerly Innovate Profits Limited)	Supplier of trading platforms	British Virgin Islands	25%	25%



# Notes to the financial statements

For the year ended 31 March

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

## Business analysis 2003

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

## 2. Segmental analysis (continued)

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

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

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

#### At 31 March

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

# Notes to the financial statements

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

For the year ended 31 March

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



# Notes to the financial statements

For the year ended 31 March

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

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

# Notes to the financial statements

## For the year ended 31 March

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

### 7. Pension costs

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

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

### 8. Directors' emoluments

Aggregate emoluments (excluding pension contributions)	2 974	1 987
Contributions to defined contributions scheme	132	128
	<u>3 106</u>	<u>2 115</u>
Number of directors in defined contributions scheme	5	6
Number of directors in closed defined benefits scheme	1	1

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

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

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

# Notes to the financial statements

For the year ended 31 March

## 9. Non-operational exceptional items

### 2004

There are no exceptional items for this financial year.

### 2003

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

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

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

## 12. Loans and advances to banks

### Remaining maturity:

Repayable on demand	336 088	247 944	207 614	133 520
Up to three months, excluding on demand	300 853	132 932	1 190 806	987 138
Three months to one year	16 894	10 903	388 817	386 232
One year to five years	9 915	7 155	17 663	9 669
Greater than five years	-	4 110	13 789	18 315
	663 750	403 044	1 818 689	1 534 874

Balances with group companies

	10 182	13 887	13 775	13 775
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## 13. Loans and advances to customers

### Remaining maturity:

Repayable on demand or at short notice	1 208 228	1 132 694	664 227	518 825
Up to three months, excluding on demand or at short notice	256 707	148 044	141 444	116 519
Three months to one year	409 458	248 646	455 792	392 281
One year to five years	779 664	480 951	663 576	530 517
Greater than five years	395 682	382 260	159 983	144 362
Provision for bad and doubtful debts	(31 756)	(20 127)	(28 267)	(19 032)
	3 017 983	2 372 468	2 056 755	1 683 472

Balances with group companies

	163 205	179 528	166	36 946
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Balances with associated undertakings

	745	-	-	-
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# Notes to the financial statements

For the year ended 31 March

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

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



# Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
<b>15. Debt securities</b>				
<b>Dealing and market making securities at market value</b>				
Government securities	64 701	22 688	33 785	27 925
Other debt securities	29 197	29 198	34 733	34 545
	<u>93 898</u>	<u>51 886</u>	<u>68 518</u>	<u>62 470</u>
<b>Investment securities at cost</b>				
Government securities	87 859	-	130 803	4 315
Unlisted bank and building society certificates of deposit	475 147	385 199	915 597	863 236
Other unlisted debt securities	113 928	108 250	102 892	101 061
	<u>676 934</u>	<u>493 449</u>	<u>1 149 292</u>	<u>968 612</u>
Total debt securities	<u>770 832</u>	<u>545 335</u>	<u>1 217 810</u>	<u>1 031 082</u>
Amounts include:				
Unamortised net premiums on investment securities	-	-	137	137
The fair value of investment securities	<u>676 388</u>	<u>493 024</u>	<u>1 149 666</u>	<u>968 986</u>
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.				
<b>Remaining maturity</b>				
Up to one year	653 099	436 983	1 057 959	926 225
Greater than one year	117 733	108 352	159 851	104 857
	<u>770 832</u>	<u>545 335</u>	<u>1 217 810</u>	<u>1 031 082</u>
The cost of dealing and market making securities has not been disclosed, as it cannot be determined without unreasonable expense.				
<b>Investment securities:</b>				
At beginning of year	1 149 292	968 612	904 718	805 254
By acquisition of subsidiary undertaking	981	-	141 323	-
Additions	768 059	446 939	2 616 030	2 225 247
Sold/matured	(1 220 982)	(914 999)	(2 492 824)	(2 053 477)
Exchange movements	(20 416)	(7 103)	(19 955)	(8 412)
At end of year	<u>676 934</u>	<u>493 449</u>	<u>1 149 292</u>	<u>968 612</u>

# Notes to the financial statements

For the year ended 31 March

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

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

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

## Investment securities at book value

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

# Notes to the financial statements

For the year ended 31 March

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

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

# Notes to the financial statements

For the year ended 31 March

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

All subsidiary undertakings are unlisted.

# Notes to the financial statements

For the year ended 31 March

(£000)	Total	Goodwill	Negative goodwill
<b>20. Intangible fixed assets</b>			
<b>Group</b>			
<b>Goodwill</b>			
At beginning of year	41 831	50 531	(8 700)
Additions (note 21)	12 967	19 972	(7 005)
Exchange movements	(207)	(207)	-
At end of year	54 591	70 296	(15 705)
<b>Accumulated amortisation</b>			
At beginning of year	(16 301)	(20 434)	4 133
Charge to the profit and loss account	(8 468)	(16 343)	7 875
At end of year	(24 769)	(36 777)	12 008
<b>Net book value at 31 March 2004</b>	<b>29 822</b>	<b>33 519</b>	<b>(3 697)</b>
Net book value at 31 March 2003	25 530	30 097	(4 567)
Additions represent goodwill arising on current year acquisitions, as outlined in note 21. Goodwill is being amortised over periods of between 5 and 10 years.			
Negative goodwill is released to the profit and loss account over a period of 10 years.			
<b>Bank</b>			
<b>Goodwill</b>			
At beginning and end of year	19 442		
<b>Accumulated amortisation</b>			
At beginning of year	(10 472)		
Charge to the profit and loss account	(2 869)		
At end of year	(13 341)		
<b>Net book value at 31 March 2004</b>	<b>6 101</b>		
Net book value at 31 March 2003	8 970		

## 21. Acquisitions

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

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

Investec Property (Business Centres) Limited (formerly Enterprise Business Centres Limited)  
Investec Investments (UK) Limited (formerly Nationale Nederlanden (UK) Limited)

29 August 2003  
15 October 2003

# Notes to the financial statements

## 21. Acquisitions (continued)

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

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

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

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

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



# Notes to the financial statements

For the year ended 31 March

(£000)	Freehold properties	Leasehold improvement	Furniture & vehicles	Computer equipment	Total
<b>22. Tangible fixed assets</b>					
<b>Group</b>					
<b>Cost or valuation</b>					
At beginning of year	20 937	16 641	4 582	18 771	60 931
Exchange movements	(2 718)	(25)	(178)	(1 683)	(4 604)
Acquisition of subsidiary undertakings	-	317	792	808	1 917
Reclassifications	-	-	8 699	(8 699)	-
Additions	89	291	1 022	985	2 387
Disposals	-	-	(206)	(1 406)	(1 612)
At end of year	18 308	17 224	14 711	8 776	59 019
<b>Accumulated depreciation and amortisation</b>					
At beginning of year	(7 374)	(3 107)	(3 338)	(13 984)	(27 803)
Exchange movements	883	(13)	(90)	1 132	1 912
Disposals	-	-	128	948	1 076
Acquisition of subsidiary undertakings	-	-	(339)	(442)	(781)
Reclassifications	-	-	(6 464)	6 464	-
Charge for the year	(319)	(968)	(1 793)	(1 114)	(4 194)
At end of year	(6 810)	(4 088)	(11 896)	(6 996)	(29 790)
<b>Net book value at 31 March 2004</b>	<b>11 498</b>	<b>13 136</b>	<b>2 815</b>	<b>1 780</b>	<b>29 229</b>
Net book value at 31 March 2003	13 563	13 534	1 244	4 787	33 128
				<b>2004</b>	<b>2003</b>
Carrying value of properties occupied by group entities				11 260	12 977

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

(£000)	Group 2004	Bank 2004	Group 2003	Bank 2003
<b>23. Other assets</b>				
Settlement debtors	162 114	156 120	109 670	109 652
Deferred tax asset (note 28)	22 080	7 046	15 858	11 808
Derivative instruments positive fair values	137 056	124 402	63 928	47 597
Dealing properties	22 648	22 648	29 600	29 600
Other debtors	39 647	26 369	33 886	20 102
	<b>383 545</b>	<b>336 585</b>	<b>252 942</b>	<b>218 759</b>
<p>The asset, shown above, resulting from derivative instruments is stated after deducting £48,592,000 (2003 - £18,911,000) of cash collateral meeting the offset criteria of FRS5.</p>				
<b>24. Deposits by banks</b>				
<b>With agreed maturity date or periods of notice, by remaining maturity:</b>				
Repayable on demand	231 115	291 179	15 997	114 347
Up to three months, excluding on demand	482 216	703 654	1 215 617	1 370 244
Three months to one year	51 803	61 803	274 164	281 654
One year to five years	-	-	683	683
Greater than five years	4 208	4 208	3 292	3 292
	<b>769 342</b>	<b>1 060 844</b>	<b>1 509 753</b>	<b>1 770 220</b>
Balances with group companies	10 334	308 653	9 330	273 729
<b>25. Customer accounts</b>				
<b>With agreed maturity date or periods of notice, by remaining maturity:</b>				
Repayable on demand	1 192 053	636 060	940 187	483 203
Up to three months, excluding on demand	1 569 718	775 491	1 797 172	1 099 814
Three months to one year	79 791	28 300	453 075	388 200
One year to five years	108 553	102 046	100 982	87 166
Greater than five years	114 658	336 268	16 767	68 501
	<b>3 064 773</b>	<b>1 878 165</b>	<b>3 308 183</b>	<b>2 126 884</b>
Balances with group companies	42 146	292 763	52 512	103 986

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

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

# Notes to the financial statements

For the year ended 31 March

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

### Guaranteed subordinated step-up notes

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

### Zero coupon bonds

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

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



# Notes to the financial statements

For the year ended 31 March

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

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

## 31. Reconciliation of shareholders' funds and movements in reserves

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

# Notes to the financial statements

For the year ended 31 March

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

(£000)

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

# Notes to the financial statements

For the year ended 31 March

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

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

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

# Notes to the financial statements

## 35. Risk management

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

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

### Financial Instruments, including Derivatives and Risk Disclosure

#### Fair values

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

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

#### Derivatives (off-balance sheet financial instruments)

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

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date. The replacement cost is considered to be the same as the positive fair value.

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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



# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

# Notes to the financial statements

For the year ended 31 March

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

(\*) Includes subordinated liabilities.

## Non-trading currency risk - structural currency exposures

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

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

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

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

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



# Notes to the financial statements

For the year ended 31 March

## 35. Risk management (continued)

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

### Net foreign currency monetary assets/(liabilities)

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

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

# Notes to the financial statements

## 35. Risk management (continued)

### Interest rate mismatch

For the year ended 31 March

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

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

# Notes to the financial statements

For the year ended 31 March

(£000) 2004      2003

## 36. Related party transactions

### Transactions, arrangements and agreements involving directors and officers:

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

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

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

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

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

Loan provided by Investec Bank (UK) Limited	1 480	2 730
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The terms of the loan are such that 200% cover is required at all times, if the cover drops below 175% a margin call back to 200% must be made.

### Transactions with other related parties of the group

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

# Notes to the financial statements

For the year ended 31 March

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

### 38. Post balance sheet note

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

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

### 39. Ultimate parent undertaking

The company's immediate parent undertaking is Investec I 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.

## APPENDIX 2

### FINANCIAL STATEMENTS OF INVESTEC FINANCE PLC

Page references in this Appendix 2 correspond to the page numbering in the Issuer's report and financial statements.

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## REPORT OF THE AUDITORS

### **Independent auditors' report to the members of Investec Finance plc (formerly Regatta Services PLC)**

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company'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 company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

### **Basis of audit opinion**

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

## REPORT OF THE AUDITORS

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditors  
London  
21 July 2004



## Investec Finance plc (formerly Regatta Services PLC)

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### PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2004

	Notes	2004 £	2003 £
Interest receivable from parent undertaking		1,358,858	-
Interest payable	3	(1,316,438)	-
Administrative expenses	4	<u>(39,629)</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,791	-
Taxation	5	<u>-</u>	<u>-</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>2,791</u>	<u>-</u>

The above activities are continuing.

There are no recognised gains or losses in the year other than those passed through the profit and loss account.

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

# Investec Finance plc (formerly Regatta Services PLC)

## BALANCE SHEET

at 31 March 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Subordinated loan to parent undertaking	6	196,326,000	-
<b>CURRENT ASSETS</b>			
Other debtors	7	1,356,855	2
<b>CREDITORS FALLING DUE WITHIN ONE YEAR</b>			
	8	(1,854,826)	-
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			
		(497,971)	2
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		195,828,029	2
<b>CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
	9	(195,775,238)	-
<b>NET ASSETS</b>			
		52,791	2
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	50,000	2
Profit and loss account	11	2,791	-
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	12	52,791	2

The financial statements on pages 6 to 10 were approved by the Board of Directors on 21 July 2004 and signed on its behalf by:

S M Burgess  
Director

# Investec Finance plc (formerly Regatta Services PLC)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2004

### 1. ACCOUNTING POLICIES

#### Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### Cash flow statement

The company is exempt from the requirements to prepare a cash flow statement under Financial Reporting Standard 1, because a consolidated cash flow statement is included in the publicly available consolidated financial statements of its ultimate holding company, Investec plc.

#### Taxation

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

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

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

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

#### Related party transactions

The directors have taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties which are members of Investec plc Group.

#### Interest income and expense

Interest income and expense is recognised on a time-apportioned basis.

#### Debt instruments

Debt instruments are carried in the balance sheet at the fair value of the consideration, net of issue costs, plus the finance cost relating to the period less payments made. The finance cost is calculated so as to include the amortisation of issue costs and charge a constant rate of interest on the outstanding amount of the debt.

### 2. EMOLUMENTS OF DIRECTORS

The directors were employed and remunerated as directors or executives of Investec plc and its subsidiaries ("the Group") in respect of their services to the Group as a whole, and it is therefore considered that there is no appropriate basis on which they can apportion part of their remuneration for their services to the company.

### 3. INTEREST PAYABLE

	2004	2003
	£	£
Interest payable on Subordinated Step-up Notes	1,316,438	-

### 4. ADMINISTRATIVE EXPENSES

	2004	2003
	£	£
Amortisation of Bond issue costs	39,629	-

In the current year, the auditor's remuneration has been borne by another Group Company. The company has no employees.

# Investec Finance plc (formerly Regatta Services PLC)

## NOTES TO THE FINANCIAL STATEMENTS at 31 March 2004

### 5. TAXATION

	2004 £	2003 £
Taxation	<u>-</u>	<u>-</u>

The effective tax rate for the year is 0%. The current tax charge is lower than the standard rate of UK Corporation Tax due to the following items:

	2004 £	2003 £
Tax on profit on ordinary activities at UK rate of 30%	837	-
Group relief claimed at nil cost	<u>(837)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### 6. SUBORDINATED LOAN TO GROUP UNDERTAKING

	2004 £	2003 £
At beginning of year	-	-
Issued during the year	<u>196,326,000</u>	<u>-</u>
At end of year	<u>196,326,000</u>	<u>-</u>

The subordinated loan, on which interest is payable at a fixed rate of 8.1618%, was issued on 1 March 2004 to the immediate parent undertaking, Investec Bank (UK) Limited. Interest is paid annually. This rate is fixed until 1 March 2011, thereafter the interest rate will be reset by reference to the rate on the Step-up Notes as explained in note 9. Unless previously repaid in whole the loan shall be repaid on 1 March 2016.

### 7. OTHER DEBTORS

	2004 £	2003 £
Amounts owed by parent undertaking	-	2
Accrued interest	<u>1,356,855</u>	<u>-</u>
	<u>1,356,855</u>	<u>2</u>

### 8. CREDITORS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Amounts owed to parent undertaking	327,117	-
Accruals and deferred income	<u>1,527,709</u>	<u>-</u>
	<u>1,854,826</u>	<u>-</u>

# Investec Finance plc (formerly Regatta Services PLC)

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2004

### 9. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £	2003 £
Guaranteed Subordinated Step-up Notes	<u>195,775,238</u>	<u>-</u>

On 1 March 2004 the company issued £200,000,000 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.

### 10. CALLED UP SHARE CAPITAL

	2004 £	2003 £
<b>Authorised:</b>		
100,000 (2003: 50,000) ordinary shares of £1 each	<u>100,000</u>	<u>50,000</u>
<b>Allotted, called up and fully paid</b>		
50,000 (2003: 2) ordinary shares of £1 each	<u>50,000</u>	<u>2</u>

On 14 November 2003, 49,998 ordinary shares of £1 each were issued at par. At the same date, the authorised share capital was increased by 50,000 to 100,000 ordinary shares of £1 each.

### 11. RESERVES

	2004 £	2003 £
<b>Profit and loss account</b>		
At 1 April	-	-
Profit for the year	<u>2,791</u>	<u>-</u>
At 31 March	<u>2,791</u>	<u>-</u>

### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Opening shareholders' funds	2	2
Issue of shares	49,998	-
Profit for the year	<u>2,791</u>	<u>-</u>
Closing shareholders' funds	<u>52,791</u>	<u>2</u>

### 13. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Investec Bank (UK) Limited.

The company's ultimate parent undertaking and controlling party is Investec plc, a company incorporated in the United Kingdom 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.

**THE ISSUER**

**Investec Finance plc**  
2 Gresham Street  
London EC2V 7QP

**THE GUARANTOR**

**Investec Bank (UK) Limited**  
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**REGISTRAR**

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**LUXEMBOURG PAYING AND TRANSFER AGENT**

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*To the Dealers and the Trustee  
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## **LUXEMBOURG LISTING AGENT**

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