Investec Finance plc

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

£200,000,000

7.75 per cent. Guaranteed Subordinated Step-Up Notes due 2016

Guaranteed by

Investec Bank (UK) Limited

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

Issue Price 99.438 per cent.

Application has been made to list the £200,000,000 7.75 per cent. Guaranteed Subordinated Step-Up Notes due 2016 (the ''Notes'') to be issued by Investec Finance plc (the ''Issuer'') and guaranteed by Investec Bank (UK) Limited (the ''Guarantor'') on the Luxembourg Stock Exchange. The Notes are proposed to be issued on 1 March 2004 (the ''Closing Date''). The Notes will bear interest from (and including) the Closing Date to (but excluding) 1 March 2011 (the ''Reset Date'') at the rate of 7.75 per cent. per annum payable annually in arrear on 1 March in each year (each, an ''Interest Payment Date''). Unless the Notes are previously redeemed or purchased and cancelled, the Notes will bear interest from (and including) the Reset Date to (but excluding) 1 March 2016 at the reset rate of interest to be calculated as fully described under ''Terms and Conditions of the Notes — Interest'' and such interest will be payable annually in arrear on 1 March in each year (also an ''Interest Payment Date''). The Guarantor will unconditionally and irrevocably guarantee (on a subordinated basis) (the ''Guarantee'') the due and punctual payment of all amounts becoming due and payable in respect of the Notes pursuant to a trust deed to be dated on or about the Closing Date.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 1 March 2016. The Notes may be redeemed (subject to prior consent of the Financial Services Authority (''FSA'') so long as the Guarantor is required by the FSA to obtain such consent and subject to the satisfaction of certain conditions) in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount of the Notes together with accrued and unpaid interest on or after 1 March 2011. See ''Terms and Conditions — Redemption and Purchase''. In addition (subject to prior consent of the FSA so long as the Guarantor is required by the FSA to obtain such consent and subject to the satisfaction of certain conditions), the Issuer may redeem the Notes in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount of the Notes together with accrued and unpaid interest to the date fixed for redemption at any time as a result of certain taxation reasons (as more fully described under ''Terms and Conditions — Redemption and Purchase — Redemption for Tax Reasons''). Under existing FSA requirements, neither the Issuer nor the Guarantor may redeem or purchase any Notes unless the FSA has given its prior written consent.

The Notes and the Guarantee will be unsecured obligations of the Issuer and the Guarantor, respectively, and will be subordinated in the event of a winding-up of the Issuer or the Guarantor to the claims of Senior Creditors (as defined herein) of the Issuer or the Guarantor, as the case may be. See ''Terms and Conditions of the Notes — Guarantee, Status and Subordination''.

The Notes are expected to be assigned on issue a rating of Baa3 by Moody's Investors Service Ltd and BBB by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

The Notes will initially be represented by a registered global certificate (the ''Global Certificate''), without interest coupons, which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System (''Euroclear'') and Clearstream Banking, société anonyme (''Clearstream, Luxembourg'') on or about the Closing Date. The Global Certificate will be exchangeable for definitive registered certificates, without interest coupons, in the denomination of £1,000 or integral multiples thereof only in the limited circumstances set out therein. See ''Summary of Provisions Relating to the Notes while in Global Form''.

Lead Manager

Dresdner Kleinwort Wasserstein

Co-Lead Managers

Goldman Sachs International **Bank of Montreal**

The date of this Offering Circular is 26 February 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 Guarantee which is material in the context of the issue and offering of the 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.

No person has been authorised to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers (as defined in "Subscription and Sale" below). Neither the delivery of this Offering Circular nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of Notes.

Prospective investors should satisfy themselves that they understand all of the risks associated with making investments in the Notes. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Notes, he should consult his professional advisers.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Guarantor or the Managers to subscribe for or purchase any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about, and to observe, any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Subscription and Sale" below.

No action has been taken to permit a public offering of the Notes in any jurisdiction where action would be required for such purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in any such jurisdiction. In particular, the Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act"). Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. A further description of certain restrictions on the offering and sale of the Notes and on the distribution of this Offering Circular is given under "Subscription and Sale" below.

Unless otherwise specified or the context otherwise requires, references in this Offering Circular to "£", "pounds sterling" and "sterling" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom" or the "UK") and to "A$" are to the lawful currency of Australia.

In connection with this issue, DrKW or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However there is no obligation on DrKW or any agent of it to do this. Such activity, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

INCORPORATION BY REFERENCE

The audited financial statements of the Guarantor for the two years ended 31 March 2003, which are contained in the 2003 annual report of the Guarantor, and the financial statements of the Issuer for the period 16 November 2000 to 31 March 2002, which are contained in the 2002 annual report of the Issuer, are incorporated by reference in this Offering Circular. Copies of the annual reports are available free of charge at the specified office of the Paying and Transfer Agent (as defined below) in Luxembourg as described in "General Information" below.

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TERMS AND CONDITIONS OF THE NOTES

The terms and conditions to be endorsed on each of the Certificates relating to the Notes in definitive form (if issued) will be substantially in the following form:

The £200,000,000 7.75 per cent. Guaranteed Subordinated Step-Up Notes due 2016 (the ''Notes'', which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Investec Finance plc (the ''Issuer'') are constituted by a trust deed dated 1 March 2004 (the ''Trust Deed'') made between the Issuer, Investec Bank (UK) Limited (the ''Guarantor'') and J.P. Morgan Corporate Trustee Services Limited (the ''Trustee'', which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined in Condition 2(b)). The issue of the Notes was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 26 November 2003 and of a committee of the Board of Directors passed on 23 February 2004. The giving of the Guarantee (as defined in Condition 3) was authorised pursuant to resolutions of the Board of Directors of the Guarantor passed on 26 November 2003 and of a committee of the Board of Directors passed on 23 February 2004. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the agency agreement dated 1 March 2004 (the ''Agency Agreement'') made between the Issuer, the Guarantor, the Trustee and JP Morgan Chase Bank as registrar (the ''Registrar'', which expression includes the registrar for the time being) and as principal paying and transfer agent (the ''Principal Paying and Transfer Agent'', which expression includes the principal paying and transfer agent for the time being) and the other paying and transfer agents named therein are available for inspection during normal business hours by the Noteholders at the office for the time being of the Trustee (presently at 9 Thomas More Street, London E1W 1YT), and at the specified offices of the Paying and Transfer Agents (as defined below). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

1. Definitions

In these Conditions, except to the extent that the context otherwise requires:

''Authorised Denominations'' has the meaning set out in Condition 2(a);

''Benchmark Gilt'' means, in respect of the period from the Reset Date to the Maturity Date, such United Kingdom government security having a maturity date on or about the Maturity Date as the Calculation Agent, with the advice of the Reference Market Makers and in consultation with the Issuer, may determine to be appropriate;

''Business Day'' means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant city;

''Calculation Agent'' means the leading investment, merchant or commercial bank appointed by the Issuer pursuant to Condition 6(f), if so required to be appointed in accordance with Condition 6(f);

''Certificate'' has the meaning set out in Condition 2(a);

''Determination Date'' means, in relation to the period from the Reset Date to the Maturity Date, the fifth London Business Day prior to the Reset Date, provided that if it is not possible for any reason to determine the Gross Redemption Yield on such day, the Determination Date shall be postponed to the first London Business Day thereafter on which the Calculation Agent determines that it is possible to determine the Gross Redemption Yield, provided that such day occurs before the Reset Date. If such day falls on or after the Reset Date, the Determination Date shall instead be the nearest London Business Day which falls prior to the fifth London Business Day prior to the Reset Date, and upon which the Calculation Agent determines that it is possible to determine the Gross Redemption Yield;

''FSA'' means the Financial Services Authority of the United Kingdom and shall include any successor organisation responsible for the supervision of banks' regulatory functions in the United Kingdom;

''Gross Redemption Yield'' means, with respect to the Benchmark Gilt, the gross redemption yield on such Benchmark Gilt, as calculated by the Calculation Agent on the basis set out by the United Kingdom Debt Management Office in the paper ''Formulae for Calculating Gilt Prices from Yields'' page 4, Section One: Price/Yield Formulae ''Conventional Gilts: Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date'' (published on 8 June 1998 and as updated on 15 January 2002) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places);

''holder'' has the meaning set out in Condition 2(b);

''Initial Rate of Interest'' means 7.75 per cent. per annum;

''Interest Commencement Date'' means 1 March 2004;

''Interest Payment Date'' means 1 March in each year, commencing 1 March 2005;

''Interest Period'' means the period commencing on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and thereafter each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next following Interest Payment Date;

''Maturity Date'' means 1 March 2016;

''Paying and Transfer Agents'' means the Principal Paying and Transfer Agent and any other paying and transfer agent appointed as such from time to time in accordance with the Agency Agreement;

''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;

''Record Date'' means the seventh Business Day in the city of the Registrar's specified office before the due date for the relevant payment;

''Reference Market Makers'' means three brokers of gilts and/or gilt edged market makers selected by the Calculation Agent and approved for this purpose by the Trustee or such other three persons operating in the gilt edged market as are selected by the Calculation Agent and approved for this purpose by the Trustee, in each case in consultation with the Issuer;

''Register'' has the meaning set out in Condition 4;

''Relevant Date'' means, in respect of any payment on the Notes or under the Guarantee, the date on which such payment first becomes due but, if the full amount of the money payable has not been received in London by the Principal Paying and Transfer Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer or the Guarantor in accordance with Condition 18;

''Reset Date'' means 1 March 2011;

''Reset Rate of Interest'' means the rate per annum as determined by the Calculation Agent which is the aggregate of 3.50 per cent. and the Gross Redemption Yield of the Benchmark Gilt, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to four decimal places) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Market Makers at 3.00 p.m. (London time) on the Determination Date on a dealing basis for settlement on the next following dealing day in London;

''Senior Creditors'' means all creditors of the Issuer or 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 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 the Guarantor or otherwise);

''Taxes'' means any present or future taxes, duties, assessments or governmental charges of whatsoever nature;

''Tier 1 Capital'' and ''Upper Tier 2 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; and

''Upper Tier 2 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, Upper Tier 2 Capital of the Guarantor.

2. Form, Denomination and Title

(a) *Form and Denomination*

The Notes are in registered form in the nominal amount of £1,000 each and integral multiples thereof (''Authorised Denominations'') and are represented by registered certificates (''Certificates'').

(b) *Title*

Title to the Notes will pass by transfer and registration as described in Conditions 4 and 5. In these Conditions, in relation to a Note, ''Noteholder'' and ''holder'' mean the person in whose name a Note is registered in the Register (as defined in Condition 4). The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it or any writing on, or theft or loss of it) and no person will be liable for so treating the holder.

3. Guarantee, Status and Subordination

(a) *Status of the Notes*

The Notes are unsecured obligations of the Issuer, subordinated in a winding-up of the Issuer as described in paragraph (e) below, and rank (i) *pari passu* and without any preference among themselves, (ii) *pari passu* with the obligations of the Issuer in respect of claims (if any) which rank or are expressed to rank *pari passu* with the Notes, (iii) senior in point of subordination to the obligations of the Issuer in respect of Upper Tier 2 Securities and Preferred Securities and (iv) junior in point of subordination to the obligations of the Issuer in respect of Senior Creditors.

(b) *Guarantee*

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. Its obligations in that respect (the ''Guarantee'') are contained in the Trust Deed.

(c) *Status of the Guarantee*

The payment obligations of the Guarantor under the Guarantee are unsecured obligations of the Guarantor, subordinated in a winding-up of the Guarantor as described in paragraph (e) below, and rank (i) *pari passu* with the obligations of the Guarantor in respect of claims (if any) which rank or are expressed to rank *pari passu* with its obligations under the Guarantee, (ii) senior in point of subordination to the obligations of the Guarantor in respect of Upper Tier 2 Securities and Preferred Securities and (iii) junior in point of subordination to the obligations of the Guarantor in respect of Senior Creditors.

(d) *Set-Off*

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or the Guarantor arising under or in connection with the Notes or the Guarantee and each Noteholder shall, by virtue of being the holder of any Note, be deemed to have waived all such rights of set-off, compensation or retention.

(e) *Subordination*

On a winding-up of the Issuer or the Guarantor, the rights of the Noteholders are subordinated in right of payment to the claims of Senior Creditors in the manner provided in the Trust Deed.

4. Registration

The Issuer will cause a register (the ''Register'') to be kept at the specified office of the Registrar in which will be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of Notes. Each Noteholder shall be entitled to receive only one Certificate in respect of its entire holding.

5. Transfer of Notes

(a) *Transfer*

Notes may, subject to the terms of the Agency Agreement and to Condition 5(b) and 5(c), be transferred in whole or in part in an Authorised Denomination by lodging the Certificate in respect of the relevant Note (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will, within ten Business Days (in the city of the Registrar's specified office) of any duly made application for the transfer of a Note, deliver a new Certificate in respect of the Note to the transferee (and, in the case of a transfer of some only of the Notes represented by a single Certificate, deliver a Certificate in respect of the untransferred balance of Notes to the transferor), at the specified office of the Registrar or the relevant Paying and Transfer Agent, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Certificate in respect of the Note by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(b) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith and (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application.

(c) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) (i) during the period of ten Business Days (in the city of the Registrar's specified office) immediately prior to the Maturity Date or any earlier date fixed for redemption of the Notes pursuant to Condition 7(b) or (c), or (ii) during the period of ten Business Days (in the city of the Registrar's specified office) ending on (and including) any Record Date (as defined in Condition 1) in respect of any payment of interest on the Notes.

(d) *Regulations*

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes set forth in the Agency Agreement and the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder upon request.

6. Interest

(a) *Accrual*

The Notes bear interest from the Interest Commencement Date in accordance with the provisions of this Condition 6, payable annually in arrear on each Interest Payment Date, commencing 1 March 2005. Each Note will cease to bear interest from (and including) the due date for redemption unless, upon surrender in accordance with Condition 8, payment of principal in respect of the Note is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed. Whenever it is necessary to compute an amount of interest in respect of any Note for a period of less than a complete Interest Period, such interest shall be calculated on the basis of the actual 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 date on which it falls due, divided by the actual 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 next (or first) Interest Payment Date.

(b) *Initial Rate of Interest*

The Notes bear interest from (and including) the Interest Commencement Date to (but excluding) the Reset Date at the Initial Rate of Interest.

(c) *Reset Rate of Interest*

Unless the Notes have been previously redeemed or purchased and cancelled in accordance with Condition 7 below, the Notes will bear interest from (and including) the Reset Date to (but excluding) the Maturity Date at the Reset Rate of Interest.

(d) *Publication of Reset Rate of Interest*

The Issuer shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 6 (as supplemented by the provisions of Condition 1) to be given to the Trustee, the Paying and Transfer Agents, the Luxembourg Stock Exchange and, in accordance with Condition 18, the Noteholders as soon as practicable after its determination but in any event not later than the Reset Date (unless the Determination Date occurs after such date, in which case, not later than the fourth London Business Day after the Determination Date).

(e) *Calculation Agent*

If the Issuer does not exercise its option to redeem all, but not some only, of the Notes on the Reset Date in accordance with Condition 7(c), it shall appoint a leading investment, merchant or commercial bank in London as Calculation Agent for the purposes of determining the Reset Rate of Interest in accordance with this Condition 6 (as supplemented by the provisions of Condition 1). In such case, the Calculation Agent shall be appointed, and notice of such appointment shall be given to the Noteholders in accordance with Condition 18, by no later than the twentieth day prior to the Reset Date. The Issuer shall use all reasonable endeavours to procure that the Calculation Agent shall determine the Reset Rate of Interest on the Determination Date.

(f) *Determination or Calculation by Trustee*

The Trustee shall, if the Calculation Agent does not at the relevant time for any reason determine the Reset Rate of Interest in accordance with this Condition 6 (as supplemented by the provisions of Condition 1), determine interest in respect of the period following the Reset Date at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in these Conditions), it shall deem fair and reasonable in all the circumstances and such determination shall be deemed to be a determination thereof by the Calculation Agent and in doing so the Trustee shall be entitled to seek (and rely upon) advice from any investment bank or other expert deemed appropriate by the Trustee for the purpose.

(g) *Determinations of Calculation Agent or Trustee binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (as supplemented by the provisions of Condition 1), whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Trustee, the Paying and Transfer Agents and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders, the Issuer or the Guarantor shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

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 (save 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) *Final Redemption*

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.

(b) *Redemption for Tax Reasons*

The Notes may (subject as provided above) be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if

(i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that either it has or will become obliged to pay additional amounts 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 additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of England or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 26 February 2004, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) 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 the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the Noteholders.

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

The Issuer may (subject as provided above), on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders, redeem all, but not some only, of the Notes on or at any time after the Reset Date at their principal amount together with interest accrued to (but excluding) the date fixed for redemption.

(d) *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 in any manner and at any price.

(e) *Cancellation*

All Notes redeemed will be cancelled forthwith by the surrender of the Certificate(s) representing such Notes to the Registrar and such Notes may not be held, 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 of any such holding company may be held or resold or surrendered for cancellation.

(f) *Notices Final*

Upon the expiry of any notice as is referred to in paragraph (b) or (c) above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. Payments

(a) *Payment*

Payment of the principal amount of the Notes and payment of any interest due on an Interest Payment Date or on redemption of the Notes will be made to the persons shown in the Register at the close of business on the relevant Record Date and, except where the payment is of interest on an Interest Payment Date, subject to the surrender of the Certificates in respect of the Notes at the specified office of the Registrar or any of the Paying and Transfer Agents.

(b) *Method of Payments*

Each payment referred to in Condition 8(a) will be made in sterling by sterling cheque drawn on a bank in London mailed to the holder of the relevant Note at his address appearing in the Register at the close of business on the relevant Record Date. However, upon application by the holder to the specified office of the Registrar or any Paying and Transfer Agent not less than seven calendar days before the due date for any payment in respect of a Note, such payment may be made by transfer to a sterling account maintained with a bank in London.

Where payment is to be made by transfer to a sterling account, payment instructions (for value on the due date or, if that it not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of the Registrar or any Paying and Transfer Agent.

(c) *Delay in payment of principal or interest*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount of principal or interest due (i) as a result of the due date not being a business day, (ii) if the Noteholder is late in surrendering the relevant Certificate in respect of the relevant Note (if required to do so) or (iii) if a cheque mailed in accordance with this Condition 8 arrives after the date for payment. As used in this Condition 8 ''business day'' means a day other than a Saturday or Sunday on which commercial banks are open for business in London and, in the case of a surrender of a Certificate, on which commercial banks are open for business in the place where the Certificate is surrendered.

(d) *Payments subject to fiscal laws*

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(e) *Paying and Transfer Agents*

The names of the initial Paying and Transfer Agents and the Registrar and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor may, with the prior written approval of the Trustee, at any time vary or terminate the appointment of any Paying and Transfer Agent or the Registrar and/or appoint additional Paying and Transfer Agents and/or an additional Registrar and/or approve any change in the specified office of any Paying and Transfer Agent or the Registrar, provided that so long as any Notes remain outstanding the Issuer will maintain (i) a Principal Paying and Transfer Agent, (ii) for so long as the Notes are listed on the Luxembourg Stock Exchange, a Paying and Transfer Agent (which may be the Principal Paying and Transfer Agent) with a specified office in Luxembourg, (iii) a Paying and Transfer Agent (which may be the Principal Paying and Transfer Agent) with a specified office 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 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive and (iv) a Registrar. Notice of any such variation, termination or appointment and of any changes in the specified offices of the Paying and Transfer Agents and/or the Registrar will be given by the Issuer to the Noteholders in accordance with Condition 18.

9. Taxation

All payments of principal and interest in respect of the Notes by the Issuer or under the Guarantee by the Guarantor will be made free and clear of, and without withholding of or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In the event of such withholding or deduction being required by law, the Issuer or (as the case may be) the Guarantor will pay such additional amounts as may be necessary in order that the net amounts receivable by Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

(a) to, or to a third party on behalf of, a holder who (a) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or (b) is liable to such Taxes in respect of the Note by reason of his having some connection with the United Kingdom other than the mere holding of the Note; or

(b) where the Certificate representing it is surrendered more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on surrendering the same for payment on the last day of such period of 30 days assuming that day to have been a day on which commercial banks and foreign exchange markets are open 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 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Unless the context otherwise requires, in these Conditions, references to ''principal'' or ''interest'' shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10. Default

(a) 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 any other date on which any payment of interest is due (each an ''Event of Default''), the Trustee may, subject as provided in Condition 11(a), 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.

(b) The Trustee may, subject as provided in Condition 11(a), 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 Guarantee 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).

(c) 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 (as defined in the Trust Deed) 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 principal 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 (a) or (c) above.

The restriction in Condition 10(b) 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.

11. Enforcement of Rights

(a) The Trustee shall not be bound to take action referred to in Condition 10 or any other action under the Trust Deed unless (i) it is so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes then outstanding and (ii) it is indemnified and/or secured to its satisfaction.

(b) 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 Guarantee.

(c) No remedy against the Issuer or the Guarantor, other than as referred to in Condition 10, shall be available to the Trustee or the Noteholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or under the Guarantee or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed or in respect of any breach by the Guarantor of any of its obligations under the Trust Deed.

12. Prescription

Claims in respect of principal and interest will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

13. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions or certain of the provisions of the Trust Deed the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

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 or sanction of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine without any such consent as aforesaid that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest or (to the satisfaction of the Trustee) proven error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 18.

14. Substitution

(a) Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do will not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders, to (x) the substitution of any Successor in Business of the Issuer or of a subsidiary of the Issuer or another subsidiary of the Guarantor or the Guarantor or its Successor in Business in place of the Issuer as principal debtor under the Trust Deed and the Notes and (y) the substitution of any Successor in Business of the Guarantor or of another subsidiary of the Guarantor or its Successor in Business in place of the Guarantor as the guarantor under the Trust Deed and the Notes provided:

(i) (in the case of substitution as principal debtor of any company which is a subsidiary of the Guarantor or the Issuer or of any Successor in Business of the Issuer) that the obligations of such subsidiary or such Successor in Business in respect of the Trust Deed and the Notes shall be unconditionally and irrevocably guaranteed by the Guarantor or its Successor in Business in such form as the Trustee may require;

(ii) that the obligations of such Successor in Business or of such subsidiary of the Issuer and/or the Guarantor and any such guarantee shall be subordinated on a basis considered by the Trustee to be equivalent to that in respect of the Issuer's or (as the case may be) the Guarantor's obligations in respect of the Notes or the Guarantee, as the case may be; and

(iii) such other provisions as are set out in the Trust Deed are complied with.

(b) In the case of substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed and/or the Agency Agreement and/or the Guarantee and to such other amendments to the Trust Deed and/or the Guarantee and such other conditions as the Trustee may require provided that such change, amendment or condition will not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(c) Any such substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such substitution shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 18.

(d) In the case of substitution pursuant to this Condition, the new Issuer and/or the new Guarantor, as the case may be, shall comply (for so long as the Notes are listed on the Luxembourg Stock Exchange) with the then prevailing requirements of the Luxembourg Stock Exchange in connection with any such substitution including (if so required) the preparation of a supplemental offering circular and the filing of such supplemental offering circular with the Luxembourg Stock Exchange.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds either (a) ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues) and (in the case of notes) so that the same shall be consolidated and form a single series with the Notes or (b) upon such terms as to ranking, interest, premium, redemption and otherwise as the Issuer may at the time of the issue thereof determine. Any such notes, if they are to form a single series with the Notes, shall be constituted by a deed supplemental to the Trust Deed and in any other case if the Trustee so agrees may be so constituted. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series for the purpose of passing an Extraordinary Resolution in certain circumstances where the Trustee so decides.

16. Replacement of Certificates

If a Certificate is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Registrar and of the Paying and Transfer Agent in Luxembourg on payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

17. Indemnification of, and exercise of functions by, the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce payment unless indemnified to its satisfaction.

In connection with the exercise of any of its trusts, powers, authorities or discretions (including but not limited to those relating to any proposed modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interest arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders (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. The Trustee shall not be entitled to require, nor shall any Noteholder, in connection with any such exercise, be entitled to claim from the Issuer, the Guarantor or any other person any indemnification or payment in respect of any tax or other consequence thereof upon individual Noteholders except to the extent provided for by Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

18. Notices

All notices regarding the Notes will be valid if (a) mailed to the Noteholders at their respective addresses in the Register and (b) (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require) published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the later of the seventh day after being so mailed and the date of such publication (as applicable). If mailing and/or publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

19. Trustee Contracting with the Issuer and the Guarantor

The Trust Deed contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other 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, 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.

20. Information to Noteholders

Copies of the Issuer's and Guarantor's latest consolidated annual report and accounts will be made available during normal business hours at the specified offices of the Paying and Transfer Agents.

The Issuer, failing whom the Guarantor, shall, on a yearly basis within four months after the publication of the Guarantor's audited consolidated annual accounts, mail and/or publish an invitation to the Noteholders in accordance with Condition 18. If the holders of at least 20 per cent. of the principal amount of the Notes then outstanding accept such invitation, an information meeting shall be held for the benefit of the Noteholders, at which, *inter alia,* the operational and financial performance of the Guarantor over the preceding financial year and its plans for the current financial year will be reviewed, provided that this shall not require the Issuer or the Guarantor to disclose any information which the Directors of the Issuer or the Guarantor reasonably consider to be confidential or disclosure of which might, in the reasonable opinion of the Directors of the Issuer or the Guarantor, breach any legal or contractual obligation of the Issuer, the Guarantor or their respective Directors or the rules or requirements of any regulatory or other similar body. Such meeting may be held at or around the time of the Annual General Meeting of Investec plc.

21. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

22. Governing Law and Jurisdiction

(a) The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law.

(b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Guarantee may be brought in such courts.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed constituting the Notes and in the Global Certificate which apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Certificate.

1. Exchange

The Global Certificate will be exchangeable in whole but not in part only (free of charge to the holder) for definitive Certificates: (i) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or (ii) if 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.

Thereupon (in the case of (i) above) the holder of the Global Certificate or the Trustee may give notice to the Issuer, and (in the case of (ii) above) the Issuer may give notice to the Trustee and to the Noteholders in accordance with Condition 18, of its intention to exchange the Global Certificate for definitive Certificates on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date the holder of the Global Certificate may, or in the case of (ii) above shall, surrender the Global Certificate to or to the order of the Registrar. In exchange for the Global Certificate the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Certificates and in or substantially in the form scheduled to the Trust Deed.

"Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar is located and, in the case of exchange pursuant to (ii) above, in the city in which the relevant clearing system is located.

2. Meetings

The holder of the Global Certificate shall, at any meeting of the Noteholders, be treated as having one vote in respect of each £1,000 in principal amount of the Notes represented by the Global Certificate.

3. Payments

Payments of principal in respect of Notes represented by the Global Certificate will be made against surrender of the Global Certificate to the order of the Registrar or any of the Paying and Transfer Agents, provided that no such surrender shall be required where payment of principal has not been made in full in respect of all the Notes represented by the Global Certificate.

4. Notices

So long as all the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to their respective accountholders rather than by delivery or publication as required by Condition 18, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

5. Prescription

Claims against the Issuer or the Guarantor in respect of principal and interest on the Notes represented by the Global Certificate will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 1).

6. Cancellation

Cancellation of any Note represented by the Global Certificate and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by reduction in the aggregate principal amount of the Notes recorded in the Register.

7. Trustee's Powers

In considering the interests of Noteholders while the Global Certificate is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Notes represented by the Global Certificate and may consider such interests as if such accountholders were the holders of the relevant Global Certificate.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately £195,700,000, will be on-lent by the Issuer to the Guarantor and will be used by the Guarantor to repay indebtedness of the Investec Group (as defined in "Investec Bank (UK) Limited").

INVESTEC FINANCE PLC

Incorporation and Status

The Issuer was incorporated under the Companies Act 1985 as a public company limited by shares on 16 November 2000 with registered number 04111949 as Investec plc. On 24 November 2000 it changed its name to Regatta Services Plc and on 14 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 located at 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, Richard Forlee 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 the Investec Group. 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 in paragraph 7 under "General Information" below.

Capitalisation and Indebtedness

The following table sets out the unaudited capitalisation and indebtedness of the Issuer as at the date of this Offering Circular:

	(£)
Borrowings:	
Short-term borrowings	—
Shareholders' equity:	
Called-up share capital(1)	50,000
Retained earnings	—
	50,000
Total capitalisation and indebtedness	50,000

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) As at the date of this Offering Circular the Issuer has no borrowings.

INVESTEC BANK (UK) LIMITED

Introduction

Group Overview and History

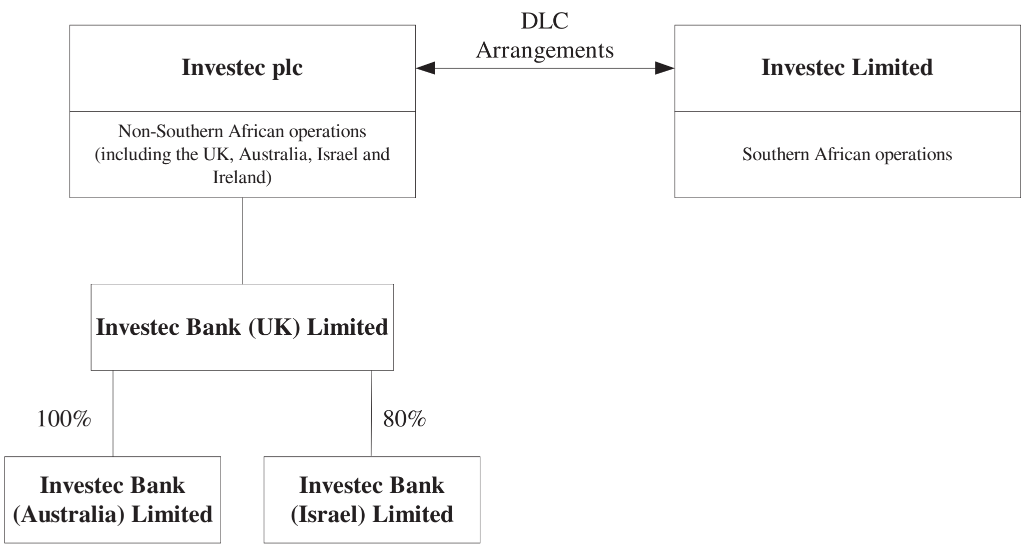
The Investec Group (comprising Investec plc, Investec Limited and their respective subsidiaries) is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the United Kingdom and South Africa, as well 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''). 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 80 per cent. interest in Israel General Bank (1996)[(1)] (later re-named Investec Bank (Israel) Limited), in Israel, and Wentworth Associates (2001)[(1)], in Australia. In addition, the Investec Group entered the Irish market, by opening a branch office in Dublin in 1999, the time of its acquisition of Gandon Capital Markets.

Group Structure

On 22 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 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 80 per cent. of Investec Bank (Israel) Limited, a listed bank in Israel.

The following diagram illustrates the positioning of IBUK 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.

Financial overview of IBUK's operations

The following table provides summary financial information for IBUK for the two financial years ended and as at 31 March 2002 and 31 March 2003 and unaudited financial information for the six months ended and as at 30 September 2003, which in each case has been extracted without material adjustment from the financial information included elsewhere in this Offering Circular.

	2002	2003	Sept 2003
Net interest income (£m)	52	49	30
Operating income (£m)	153	136	91
Profit before tax (£m)	40	4	24
Capital resources at period end (£m)	497	504	549
Total assets (£m)	7,874	5,796	5,546
Customer loans[(1)] (£m)	1,117	1,482	1,887
Customer deposits[(1)] (£m)	1,614	2,539	3,325
Capital and reserves to risk-weighted assets (%)	21.7	22.2	21.6

Note:

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

Operations

Overview

The products and services provided by IBUK and its subsidiaries can be categorised into the following business divisions:

- Private Client Activities;
- Treasury and Specialised Finance;
- Investment Banking; and
- Group Services and Other Activities.

The following table provides a breakdown, by division, of IBUK's key unaudited financial information for the six months ended and as at 30 September 2003.

	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Group Services and Other Activities	Total
Operating income (£m)	39	26	20	6	91
Operating profits before taxation and amortisation of goodwill (£m)	15	9	4	1	29
Profit before taxation (£m)	12	9	2	1	24
Total assets (£m)	2,072	3,182	146	146	5,546

Private Client Activities

The products and services provided by the Private Client division principally comprise IBUK's private banking services which include:

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

IBUK seeks to position its private banking operations in the low volume, high value advisory market. The Directors believe that one of IBUK's strengths is its ability to originate new business by leveraging off the strong client relationships which it has been able to establish through its lending activities. The Directors believe 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 United Kingdom 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. IBUK's principal target market comprises individuals with an average net worth in excess of £5 million and investible assets of £3 million. The Directors believe that this market is highly fragmented in the United Kingdom, and offers an opportunity to provide bespoke, comprehensive wealth management services. As at 30 September 2003, the division had a loan portfolio of £1,052 million and retail deposits of £1,444 million.

IBUK also has private banking operations in Israel, through Investec Bank (Israel) Limited. Investec Bank (Israel) Limited concentrates principally on the provision of securities trading services to Israeli professionals and institutions in the local markets.

IBUK, through Investec Bank (Australia) Limited, which obtained a banking licence in August 2002, has a private client capability in Australia. In line with the global private banking offering, Investec Bank (Australia) Limited provides private clients with advisory services including structured property finance, private client investment banking, investment management and deposit taking services.

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

Structured property finance and specialised lending

Structured property finance and specialised lending accounts for the largest proportion of the Private Client division's operating profit. The division focuses primarily on funding retail, residential and office developments. IBUK Private Banking funds its lending activities through its deposit base.

Trust and Fiduciary Services

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

Banking Services

Complementing the private banking products and services, IBUK also offers a range of banking services to its targeted clients. The services include a broad range of multi-currency deposit accounts with foreign exchange facilities.

Investment Management

IBUK offers its clients an independent advisory investment service. By providing both in-house and third-party products, or an "open architecture" approach, it is able to use the global expertise of many leading international investment providers. IBUK's investment methodology, utilising specialist resources within the wider organisation to formulate a house view, is based on the investment principles of providing independent best advice, client risk profiling, strategic and tactical asset allocation and regular reporting to each client. IBUK attempts to apply a longer term view to investment management, emphasising stable real returns while taking into account prevailing market conditions. Products and services offered encapsulate a wide range of asset classes, including equities, cash, bonds, property and alternative investments including guaranteed and structured products.

Private Client Investment Banking

IBUK provides loan 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, IBUK creates specialist investment opportunities for its clients looking to diversify their investment portfolios.

Treasury and Specialised Finance

IBUK's Treasury and Specialised Finance division has two sub-divisions, Specialised Finance and Financial Markets operating from IBUK's offices in London and Dublin. It also encompasses a joint venture in Hong Kong which provides a platform for the sale of retail investment products.

Specialised Finance

The Specialised Finance sub-division comprises IBUK's specialist banking activities which includes the following:

- structured finance;
- project and resource finance;
- financial products; and
- corporate treasury and balance sheet activities.

Structured Finance

The structured finance business focuses primarily on large leasing and structured finance transactions and to a lesser extent on structured acquisition finance. The business is a niche facilitator of large deals in the interbank market and services the needs of corporates and parastatals in structuring their finances and arranging mandates for large capital projects. The team was brought in to Investec in 2002 and has to date contributed significantly to the performance of the division.

Project and Resource Finance

The business is branded Investec European Capital and is recognised as a leading adviser and arranger in the financing of infrastructure and mining projects. The division's primary focus is the UK private finance initiative (PFI) market with significant presence in hospitals, transport and Ministry of Defence projects. A niche area of activity is mining project finance which is focused on small and medium capitalisation mines. This activity is complemented by IBUK's commodity hedging capability.

Financial Products

The business is active in credit structuring and trading and the structuring of tailor made investment products. The credit structuring activities are focused on opportunities that arise between the primary and secondary credit markets. Recent success has been had in structuring collateralised debt obligations (CDOs) and additional product opportunities are being actively explored. 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 Activities

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

Financial Markets

The Financial Markets sub-division comprises the following trading businesses:

- commodities;
- foreign exchange;
- equity derivatives and finance; and
- interest rates.

These businesses are involved in execution of client flow business, structuring and proprietary trading. Directional proprietary business is very limited.

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 are producers, consumers and new projects. The business flows are developing well and activity levels are increasing. Significant profit opportunities exist on structured hedging programmes.

Foreign Exchange

The foreign exchange desk services IBUK's internal requirements for spot, forwards and options. In addition a niche exists within the European interbank market and in meeting the needs of small clients which require a higher level of service than that available from the high street banks.

Equity Derivatives and Finance

The business includes structured solutions to corporate clients, proprietary trading, arbitrage, scrip lending, dividend arbitrage and facilitation of equity strategies for hedge funds.

Interest Rates

This is primarily an internally focused business providing services to the banking activities of IBUK.

Investment Banking

IBUK, in the United Kingdom, 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 securities broking, both specialising in small and mid-capitalisation companies, i.e. companies capitalised at £50 — 500 million. The division also provides institutional broking services in large capitalisation companies where it has strong research capabilities. Unaudited financial information for the six months to 30 September 2003 indicated that approximately 60 per cent. of the division's revenue was generated by corporate finance activities. In addition, IBUK has a small managed private equity portfolio.

Through Investec Bank (Australia) Limited and Investec Bank (Israel) Limited, IBUK also carries out investment banking activities in Australia and Israel, respectively.

Corporate Finance

IBUK's corporate finance practice, in the United Kingdom, focuses on providing 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 fundraisings for such clients. The division's corporate client list currently comprises approximately 62 companies. The division continues to improve on the quality of its client base by adding clients falling within its target market.

The division, through Investec Bank (Australia) Limited, provides a broad range of investment banking services in Australia. These services include corporate advisory and transaction structuring on capital raisings and mergers and acquisitions transactions acting for a client base of listed and unlisted mid and larger capitalisation Australian, as well as overseas, companies.

Institutional Broking

The division's institutional broking activities in the United Kingdom are carried out under the brand name of Investec Securities. Investec Securities provides research and sales and trading services to a full range of United Kingdom and international institutional clients. Investec currently has a team of 19 equity analysts who provide research coverage on approximately 240 companies in the United Kingdom, including a number of South African companies listed on the London Stock Exchange plc.

The division's research arm focuses on 16 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. Management continues to recruit selectively to broaden and deepen the division's sector research. Investec Securities also engages in market making activities, and currently acts as market maker for approximately 120 United Kingdom-listed stocks.

Investec Bank (Israel) Limited offers professional trading, execution and clearing services to Israeli corporate clients. This service offering is complemented by the provision of research.

Private Equity

IBUK inherited a United Kingdom 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. As at 30 September 2003, the aggregate book value of IBUK's private equity and investment portfolio was approximately £23.0 million.

In Australia, the division focuses on investing its private equity funds typically in companies with turnover of A$50 million or above, leveraging off its investment banking offering.

Group Services and Other Activities

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

The property group is now devoting an increasing amount of time to assisting the Private Client division with mezzanine investments in client transactions. These niche investments have attractive risk/reward profiles and IBUK therefore intends to allocate some of the capital from the property group to these investments. The property group sold office buildings in Mayfair and Victoria in London and Maidenhead, Berkshire during the financial year ended 31 March 2003. There were no purchases, as the property group's strategy is to wait for commercial property prices to stabilise before committing further capital.

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. SARB undertakes consolidated supervision of Investec Limited and its subsidiaries as well as acting as lead regulator of the Investec Group as a whole. FSA undertakes consolidated supervision of Investec plc and its subsidiaries.

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

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. It ensures that agreed strategy for remedial action is implemented and that specific provisions are made where relevant. Additionally, a general provision is held to cover unforeseen events, which are inherent in taking counterparty exposures.

IBUK has a focused business strategy and has 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 95 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 provision for non-performing loans as at 30 September 2003 was approximately £29.6 million. As a percentage of IBUK's non-performing loan portfolio, such loan loss provision was 119.84 per cent. as at 30 September 2003 and as a percentage of IBUK's core loans and advances to customers was 1.57 per cent. at the same date. The table below summarises the adequacy of IBUK's loan loss provisions as at 31 March 2002, 31 March 2003 and 30 September 2003.

	2002	2003	Sept 2003
Adequacy of provisions			
Consolidated profit and loss provision charge as a % of average loans and advances to customers	0.1%	0.3%	n/a[(1)]
Specific provision as a % of core loans and advances to customers	0.3%	0.7%	0.6%
General provision as a % of net loans and advances to customers	1.2%	1.2%	1.0%
Total provisions as a % of core loans and advances to customers	1.5%	1.9%	1.6%
Total provisions as a % of gross non-performing loans	84.5%	103.0%	119.8%
Total provisions as a % of net non-performing loans	644.2%	586.6%	804.4%

Note:

(1) There has been a release of provisions to the profit and loss account during the period.

Further details of IBUK's loan loss position, its non-performing loan position and the adequacy of its provisions are set out in Note 38 to its financial statements (see pages F-32 to F-40 below).

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 dual listed companies ("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 the Guarantor 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 the Guarantor 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 the Guarantor, its strategy and certain regulatory and tax considerations. The Guarantor 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:

Name	Role	Principal outside activities
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
Perry Crosthwaite	Executive Director	Head of the Investec Group's Investment Banking Division — United Kingdom
Richard Forlee	Executive Director	Global Head of Treasury and Specialised Finance and Regional Head of the Investec Group's Asian Operations
Michael Jameson-Till	Executive Director	Treasurer for the Investec Group - Corporate Sales and Financial Institutions
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
John Abell	Non-Executive Director	Non-Executive Director of Investec plc and Investec Limited
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 20 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 24 October 1977 to Allied Arab Bank Limited. On 1 September

1989, it changed its name to Allied Trust Bank Limited, and again changed its name to Investec Bank (UK) Limited on 6 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 paragraph 7 of ''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 30 September 2003 and has been extracted without material adjustment from IBUK's unaudited unpublished interim financial information for the six months ended 30 September 2003.

	As at 30 September 2003 (£'000)
Authorised Capital	
Ordinary Shares (of £1 each)	1,000,000
	1,000,000
Issued Capital	
Ordinary Shares (of £1 each, fully paid)	354,000
Reserves	139,396
Shareholders' Funds	493,396
Minority Interests — Equity	16,041
Total Shareholders' Funds	509,437
Subordinated loan capital	
Variable rate notes(1)	39,300
Total Capital Resources	548,737
Other Borrowings	
Deposits by banks	913,056
Customer accounts	3,143,289
Debt securities in issue	100,034
Total Indebtedness	4,156,379
Total Capitalisation and Indebtedness	4,705,116

Notes:

(1) All subordinated loan capital is issued to Investec Holdings (UK) Limited. Interest is payable at sterling LIBOR plus 2.125 per cent. and the loans can be terminated by the lender giving five years and two days' notice. The final maturity date of the loan note is 31 March 2050. Claims in respect of the subordinated loan capital are not secured and are subordinated to the claims of all other creditors.

(2) There has been no material change in the capitalisation, indebtedness and contingent liabilities (including guarantees) of IBUK since 30 September 2003.

TAXATION

The comments below are of a general nature and are based on the Issuer's and Guarantor's understanding of current United Kingdom law and practice relating to the withholding tax treatment of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments assume that there will be no substitution of the Issuer or the Guarantor pursuant to Condition 14 of the Notes and do not consider the tax consequences of any such substitution. The comments relate to the position of persons (other than dealers or persons connected with the Issuer) who are the absolute beneficial owners of their Notes. These comments do not necessarily apply where the interest is for tax purposes deemed to be the income of any other person. Any person who is subject to tax in a jurisdiction outside the United Kingdom or who is unsure about their tax position should seek professional advice.

United Kingdom Withholding Tax

The Notes issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 841 of the Income and Corporation Taxes Act 1988. The Luxembourg Stock Exchange is a recognised stock exchange for these purposes. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

If the Notes cease to be listed, interest will generally be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Payments by Guarantor

Although the matter is not free of doubt, it is likely that the withholding tax description set out above would also apply in relation to any payments made by the Guarantor in respect of interest on the Notes.

Provision of Information

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person who is an individual may be required to provide certain information to the United Kingdom Inland Revenue regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, from a date not earlier than 1 January 2005, 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, except that, 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

Dresdner Bank AG London Branch, Goldman Sachs International and Bank of Montreal (the ''Managers'') have pursuant to a subscription agreement dated 26 February 2004 (the ''Subscription Agreement''), agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the Notes at 99.438 per cent. of their principal amount. The Issuer has agreed to pay to the Managers a combined management and underwriting and selling commission of 1.20 per cent. of the principal amount of the Notes. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes and has agreed to pay a praecipuum to Dresdner Bank AG London Branch. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to the issue of the Notes.

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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that:

(a) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Notes, will not offer or sell any 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;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (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

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Germany

Each Manager has represented, warranted and agreed 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 13 December 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

General

No action has been taken by the Issuer, the Guarantor or the Managers in any jurisdiction that would or is intended to permit a public offering of any of the Notes, or the possession or distribution of this Offering Circular or any amendment or supplement hereto or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material may be distributed or published, in or from any country or jurisdiction except in circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each Manager has agreed that it will obtain any consent, approval or permission which is required for the offer, purchase or sale by it of Notes, or possession or distribution of this Offering Circular or any amendment or supplement hereto or any such other offering material, under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales, or so possesses or distributes such documents as aforesaid, and it will comply with all such laws and regulations.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 018699966. The International Securities Identification Number (ISIN) for the Notes is XS0186999669.

2. In connection with the application to list the Notes on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copies of the constitutional documents of the Issuer and the Guarantor will be deposited with the Register of Commerce and Companies in Luxembourg *(Registre de Commerce et des Sociétés à Luxembourg)* where such documents may be examined and copies obtained.

3. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 26 November 2003 and of a committee of the Board of Directors passed on 23 February 2004. The giving of the Guarantee by the Guarantor was authorised by resolutions of the Board of Directors of the Guarantor passed on 26 November 2003 and of a committee of the Board of Directors passed on 23 February 2004.

4. Except as disclosed herein, there has been no significant change in the financial or trading position of the Guarantor or of the Issuer since 30 September 2003 and no material adverse change in the financial position or prospects of the Guarantor or of the Issuer since 31 March 2003.

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

6. The following documents will be available for inspection, at the specified offices of each of the Paying and Transfer Agents during normal business hours, so long as any of the Notes are outstanding:

   (1) the Memorandum and Articles of Association of the Issuer and the Guarantor;

   (2) copies of the latest annual report and accounts of the Issuer and the Guarantor;

   (3) the latest unaudited interim consolidated accounts of the Guarantor;

   (4) the latest accounts of the Issuer;

   (5) copies of the Trust Deed (including the Guarantee); and

   (6) the paper entitled ''Formulae for Calculating Gilt Prices from Yields'', as referred to in Condition 1 under ''Terms and Conditions of the Notes'' above.

   Copies of the latest annual report and accounts of the Issuer and the Guarantor, the latest unaudited interim consolidated accounts of the Guarantor and the latest accounts of the Issuer may be obtained free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the specified office of the Paying and Transfer Agent in Luxembourg.

   The financial statements of the Guarantor and the Issuer for the financial years ended 31 March 2002 and 2003 contained in this document do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the ''Act''). Statutory accounts for such years have been delivered to the Registrar of Companies in England and Wales. For the year ended 31 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.

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INDEX TO FINANCIAL STATEMENTS

The financial information contained in pages F-2 to F-39 (inclusive) has been extracted without material adjustment from the audited statutory accounts of IBUK for the year ended 31 March 2003.

The financial information contained in pages F-40 to F-44 (inclusive) has been extracted without material adjustment from the unaudited unpublished interim financial information of IBUK for the six months ended 30 September 2003.

The financial information contained in pages F-45 to F-47 (inclusive) has been extracted without material adjustment from the audited statutory accounts of the Issuer (formerly Regatta Services plc) for the period 16 November 2000 to 31 March 2002.

The financial information contained in pages F-48 to F-50 (inclusive) has been extracted without material adjustment from the unaudited statutory accounts of the Issuer for the year ended 31 March 2003.

Investec Bank (UK) Limited

Audited financial statements for the two years ended 31 March 2003

Consolidated profit and loss account

For the year ended 31 March 2003

	Notes	2003 £000	2002 £000 As restated
Interest receivable:			
— interest receivable and similar income arising from debt securities		119,638	184,652
— other interest receivable and similar income		279,809	274,484
Less: interest payable		(350,172)	(406,851)
Net interest income		49,275	52,285
Fees and commissions receivable		62,975	73,157
Fees and commissions payable		(2,468)	(2,042)
Dealing profits	2	10,102	20,779
Other operating income	3	16,048	8,464
Operating income		135,932	152,643
Administrative expenses	4	(108,402)	(107,085)
Depreciation and amortisation:		(14,207)	(8,535)
— tangible fixed assets	17	(4,606)	(4,113)
— goodwill	16	(9,601)	(4,422)
Provision for bad and doubtful debts	11	(3,779)	1,978
Operating profit		9,544	39,001
Share of associated companies earnings	14	13	—
Fundamental reorganisation and restructuring costs	5	(5,354)	—
Gains on disposal of subsidiary undertaking		279	1,396
Group profit on ordinary activities before taxation		4,482	40,397
Tax on group profit on ordinary activities	7	12,154	(8,679)
Group profit on ordinary activities after tax		16,636	31,718
Minority interest — equity		(1,010)	(568)
Group profit attributable to the shareholders		15,626	31,150
Dividends		(26,000)	(12,000)
Retained (loss)/profit for the year		(10,374)	19,150
Operating profit in respect of acquired operations, excluding the related goodwill amortisation		756	714

Investec Bank (UK) Limited

Consolidated statement of recognised gains and losses

For the year ended 31 March 2003

	2003	2002
	£000	£000
Retained (loss)/profit for the year	(10,374)	19,150
Currency translation differences on foreign currency net investments	1,717	170
Total recognised (losses)/gains relating to the year	(8,657)	19,320

Investec Bank (UK) Limited

Consolidated balance sheet

For the year ended 31 March

	Notes	2003	2002
		£000	£000 As restated
Assets			
Cash and balances at central banks		255,969	12,050
Loans and advances to banks	9	1,818,689	1,880,411
Loans and advances to customers	10	2,056,755	1,901,888
Debt securities	12	1,217,810	3,684,656
Equity shares	13	65,377	79,608
Interests in associated undertakings	14	1,961	—
Intangible fixed assets	16	25,530	27,803
Tangible fixed assets	17	33,128	18,753
Other assets	18	252,942	227,921
Prepayments and accrued income		67,875	40,634
		5,796,036	7,873,724
Liabilities			
Deposits by banks	19	1,509,753	3,202,299
Customer accounts	20	3,308,183	3,436,677
Debt securities in issue	21	61,327	75,000
Other liabilities	22	312,259	556,399
Accruals and deferred income		100,353	105,875
		5,291,875	7,376,250
Capital resources			
Subordinated debt	24	39,300	39,300
Minority interests — equity		15,877	533
Equity shareholders' funds	27	448,984	457,641
Called up share capital	25	314,000	314,000
Share premium account	26	37,365	37,365
Profit and loss account	26	97,619	106,276
		504,161	497,474
		5,796,036	7,873,724
Memorandum items			
Contingent liabilities	30	134,673	120,573
Commitments	33	350,568	661,537
		485,241	782,110

The financial statements on pages F-2 to F-39 were approved by the Board of Directors on 27 June 2003 and signed on its behalf by:

ALAN TAPNACK
Director

Investec Bank (UK) Limited

Balance sheet

For the year ended 31 March

	Notes	2003	2002
		£000	£000
Assets			
Cash and balances at central banks		12,999	11,929
Loans and advances to banks	9	1,534,874	1,836,219
Loans and advances to customers	10	1,683,472	1,801,725
Debt securities	12	1,031,082	3,585,192
Equity shares	13	44,823	69,036
Interests in associated undertakings	14	1,597	—
Shares in group undertakings	15	146,590	85,489
Intangible fixed assets	16	8,970	11,839
Tangible fixed assets	17	14,750	17,301
Other assets	18	218,759	217,260
Prepayments and accrued income		63,617	39,012
		4,761,533	7,675,002
Liabilities			
Deposits by banks	19	1,770,220	3,418,825
Customer accounts	20	2,126,884	3,087,708
Debt securities in issue	21	61,327	75,000
Other liabilities	22	274,245	544,355
Accruals and deferred income		95,191	100,080
		4,327,867	7,225,968
Capital resources			
Subordinated debt	24	39,300	39,300
Equity shareholders' funds	27	394,366	409,734
Called up share capital	25	314,000	314,000
Share premium account	26	37,365	37,365
Profit and loss account	26	43,001	58,369
		433,666	449,034
		4,761,533	7,675,002
Memorandum items			
Contingent liabilities	30	122,506	100,417
Commitments	33	284,872	618,818
		407,378	719,235

The financial statements on pages F-2 to F-39 were approved by the Board of Directors on 27 June 2003 and signed on its behalf by:

ALAN TAPNACK
Director

Investec Bank (UK) Limited

Notes to the financial statements

1. 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 the Statements of Recommended Practice issued by the British Bankers' Association, except where noted in the financial statements below.

Prior year figures have been restated to be comparable with current year figures. Dealing profits are now shown net of the funding cost of the underlying positions. Dealing profits now also include interest, dividends or fees received as a result of trading transactions. The result of this restatement is to reduce net interest income by £1,372,000, reduce fees receivable by £31,000 and increase dealing profits by £1,403,000. In addition, operating lease assets are now included in loans and advances to customers with all other lease contracts. Previously these were included in tangible fixed assets. As at 31 March 2002, these amounted to £6,341,000.

Basis of consolidation

The group financial statements incorporate the financial results of the bank and its subsidiaries. All subsidiaries in which the group holds more than one half of the voting rights or over which it exercises control are consolidated from the effective dates of acquisition and up to the effective dates of disposal. In the case of Investec Bank (Israel) Limited, whose accounts 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 2003.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over their operating and financial policies, are treated as associates. In the group accounts, associates 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 as the group's share of net assets plus unamortised goodwill.

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

Securities sold subject to repurchase agreements are recorded as assets. Obligations for the repurchase of these securities are included under deposits by banks and customer accounts. Securities that are purchased under an agreement to resell the securities at a future date are included under loans and advances.

Stock borrowing and lending transactions that are not cash collateralised are not included in 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.

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

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

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

The hedging instruments are accounted for on the same basis as the underlying asset, liability, position or cash flow being hedged, with income and expense being recognised in the profit and loss account. Hedging transactions which are superseded, cease to be effective or are terminated prior to the end of the life of the asset, liability or cashflow being hedged, are measured at fair value. Any profit or loss arising is deferred and amortised into income or expense over the remaining life of the item previously hedged. When the underlying asset, liability position or cashflow is terminated prior to the hedging transaction, the hedging transaction is 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 that 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 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 netted in the balance sheet against accrued interest receivable or, as the case may be, the amount debited to the borrower. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Dealing profits are shown net of the funding cost of the underlying positions and include 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 included under staff costs.

The closed defined benefit scheme is closed to new membership and to accrual of pensionable service for existing members. The pension cost relating to the closed defined benefit scheme is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme.

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.

2. Dealing profits

	Group	
	2003	**2002**
	£000	**£000 As restated**
Interest rate instruments	2,076	5,196
Foreign exchange contracts	1,225	2,536
Dealing properties	1,582	1,082
Bullion and base metals	(2,220)	6,561
Equities and other	7,439	5,404
	10,102	20,779

3. Other operating income

	Group 2003	Group 2002
	£000	£000 As restated
Property rental income	1,667	1,053
Dividend income	290	1,080
Gain on disposal of investment securities	14,088	6,329
Other	3	2
	16,048	8,464

4. Administrative expenses

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Staff costs				
Wages and salaries	57,837	45,422	64,076	55,414
Social security costs	4,819	4,254	5,849	5,289
Other pension costs	4,142	3,780	4,121	3,549
Auditors' remuneration				
Audit services	739	302	580	365
Other services	373	279	459	412
Premises and equipment (excluding depreciation)	12,739	8,055	9,574	7,679
Other administrative expenses	27,753	21,821	22,426	19,902
	108,402	83,913	107,085	92,610

Other pension costs include £ nil (2002 — £1,010,000) in respect of defined benefit schemes. The scheme is a non-contributory defined benefit scheme and its assets are held in separate trustee administered funds. Employees from a number of group undertakings participate in the scheme and the underlying scheme assets and liabilities cannot be separated by legal entity. The scheme is subject to a formal valuation triennially. The details of the most recent valuation, which was carried out as at 31 March 2002, by a qualified actuary, are disclosed in the accounts of Investec plc, the bank's ultimate parent company in the UK.

The accounts of Investec plc also disclose an actuarial valuation of the scheme at 31 March 2003. This was performed by a qualified, independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2003. This valuation showed a deficit in the scheme of £11,647,000 (31 March 2002 — irrecoverable surplus of £2,429,000). If FRS 17 was adopted in full at 31 March 2003, a net pension liability of £8,153,000 (31 March 2002 — £ nil), after recognition of the related deferred tax asset, would be recognised in the financial statements of Investec plc.

The average number of persons employed by the Group during the year was made up as follows:

	2003	2002
	No	No
Private Client Activities	365	324
Treasury and Specialised Finance	184	136
Investment Banking	185	171
Group Services and Other Activities	294	196
	1,028	827

5. Fundamental reorganisation and restructuring costs

Reorganisation and restructuring costs incurred in the group's continuing operations, as a result of actions taken by the board during the year to reduce operating costs and to exit from and streamline unprofitable activities, amounted to £5.4 million. No tax credit is attributable to these costs in the year, as the group has not recognised deferred tax assets for all of its loss in the period, due to the level of total deferred tax assets compared to forecast profits. These unrecognised losses have been treated as attributable to the reorganisation and restructuring costs.

In addition, there were no minority interests in relation to the above items.

6. Emoluments of directors

	2003	2002
	£000	£000
Aggregate emoluments (excluding pension contributions)	1,987	2,659
Contributions to money purchase pension scheme	128	97
	2,115	2,756
Number of directors in money purchase pension scheme	6	4
Number of directors in closed defined benefits scheme	1	1

Emoluments of the highest paid director were £651,625 (2002 — £919,486), excluding £4,583 pension contribution to the money purchase scheme (2002 — £31,624 contribution to the defined benefits scheme).

The highest paid director in 2003 was not a member of the defined benefits scheme (2002 — the highest paid director's annual pension entitlement was £33,990).

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.

The 2002 comparatives include estimates of distributions that may be made to the directors from the Investec Bank (UK) Employee Benefit Trust. The bank has made contributions, from time to time, to the trust for the benefit of employees. The directors are discretionary beneficiaries of appointed funds of the trust.

7. Tax on profit on ordinary activities

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Corporation tax				
— current year	—	—	4,514	3,045
— prior year	(5,000)	(5,000)	—	—
Overseas taxes	1,709	430	2,876	417
Current tax	(3,291)	(4,570)	7,390	3,462
Deferred taxation	(8,863)	(10,186)	1,289	1,960
	(12,154)	(14,756)	8,679	5,422

The effective tax rate for the year is negative (2002 — 22%). The current tax can be reconciled to the standard rate of UK corporation tax with the following items:

	Group 2003 £000	Group 2002 £000
Tax on group profit on ordinary activities at UK rate of 30%	1.3	12.0
Utilisation of capital and trading losses	(2.9)	(3.7)
Adjustment in respect of prior year	(5.0)	—
Expenses not deductible for tax purposes	0.3	1.1
Allowable deductions	—	(2.6)
Goodwill amortised	2.9	1.3
Capital allowances in excess of depreciation	0.3	(5.1)
Other timing differences	3.1	3.0
Group relief surrendered	(1.4)	—
Overseas profits	(3.3)	(0.1)
Other	1.4	1.5
	(3.3)	7.4

As at 31 March 2003 the group had estimated trading losses of £20,000,000 (2002 — £14,755,000) available for utilisation against future taxable income, subject to some restrictions. £10,621,000 (2002 — £6,000,000) of these losses have been recognised as a deferred tax asset (see note 23).

8. Segmental and currency analysis

For the year ended 31 March 2003

By business segment	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Group Services and Other Activities	Total
	£000	£000	£000	£000	£000
Net interest income	31,630	5,302	1,529	10,814	49,275
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)	15,931	175	16,048
Operating income	60,636	21,086	37,365	16,845	135,932
Continuing operations:					
— ongoing	56,528	20,401	32,377	16,845	126,151
— acquisition — Investec Bank (Israel) Limited	4,108	685	4,988	—	9,781
Administrative expenses	(36,550)	(27,685)	(29,193)	(14,974)	(108,402)
Depreciation of tangible fixed assets	(1,282)	(87)	(749)	(2,488)	(4,606)
Provisions for bad and doubtful debts	(4,289)	(228)	(27)	765	(3,779)
Operating profit before amortisation of goodwill	18,515	(6,914)	7,396	148	19,145
Continuing operations:					
— ongoing	18,191	(6,967)	7,017	148	18,389
— acquisition — Investec Bank (Israel) Limited	324	53	379	—	756
Share of associated earnings	—	—	—	13	13
Amortisation 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
Group profit on ordinary activities before taxation	8,919	(8,516)	4,167	(88)	4,482
Continuing operations:					
— ongoing	8,730	(8,547)	3,938	(101)	4,033
— acquisition — Investec Bank (Israel) Limited	189	31	229	13	449
Tax on group profit on ordinary activities	(729)	921	(517)	12,479	12,154
Group profit on ordinary activities after tax	8,190	(7,595)	3,650	12,391	16,636
Total assets	1,962,071	3,557,519	133,418	143,028	5,796,036

The group geographical analysis is based on the location of the office at which the transaction was recorded.

By geography	UK and Europe	Israel	Total
	£000	£000	£000
Net interest income	44,765	4,510	49,275
Net fees and commissions receivable	57,051	3,456	60,507
Dealing profits	8,307	1,795	10,102
Other operating income	16,028	20	16,048
Operating income	126,151	9,781	135,932
Administrative expenses	(100,734)	(7,668)	(108,402)
Depreciation of tangible fixed assets	(3,480)	(1,126)	(4,606)
Provisions for bad and doubtful debts	(3,548)	(231)	(3,779)
Operating profit before amortisation of goodwill	18,389	756	19,145
Share of associated earnings	—	13	13
Amortisation of goodwill	(9,281)	(320)	(9,601)
Fundamental reorganisation and restructuring costs	(5,354)	—	(5,354)
Gain on disposal of subsidiary undertaking	279	—	279
Group profit on ordinary activities before taxation	4,033	449	4,482
Tax on group profit on ordinary activities	12,253	(99)	12,154
Group profit on ordinary activities after tax	16,286	350	16,636
Total assets	4,983,465	812,571	5,796,036

The Statement of Recommended Practice on Segmental Reporting by Banks recommends, among other things, that net assets 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 recommends the disclosure by business segment and 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 a further split would not provide meaningful disclosure. Consequently, gross income is not separately disclosed.

For the year ended 31 March 2002

By business segment	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Group Services and Other Activities	Total
	£000	£000	£000	£000	£000
Operating income	45,465	34,374	55,444	17,360	152,643
Continuing operations:					
— ongoing	45,465	33,509	55,444	17,360	151,778
— acquisition — European Capital Company Limited	—	865	—	—	865
Operating profit before goodwill amortisation	15,304	9,473	16,387	2,259	43,423
Continuing operations:					
— ongoing	15,304	8,628	16,387	2,259	42,578
— acquisition — European Capital Company Limited	—	845	—	—	845
Group profit on ordinary activities before taxation	11,568	8,787	16,387	3,655	40,397
Continuing operations:					
— ongoing	11,568	8,073	16,387	3,655	39,683
— acquisition — European Capital Company Limited	—	714	—	—	714
Total assets	1,530,685	6,106,123	147,257	89,659	7,873,724

By geography

In 2002 substantially all of the business of the group was transacted within the UK and Europe.

Currency analysis	Group 2003	Group 2002
	£000	£000
Total assets currency analysis		
Denominated in sterling	2,780,737	6,716,882
Denominated in foreign currencies	3,015,299	1,156,842
	5,796,036	7,873,724
Total liabilities currency analysis*		
Denominated in sterling	2,457,581	6,236,155
Denominated in foreign currencies	2,873,594	1,179,395
	5,331,175	7,415,550

* includes subordinated liabilities

9. Loans and advances to banks

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Remaining maturity:				
Repayable on demand	207,614	133,520	31,690	22,362
Demand to three months	1,190,806	987,138	1,512,640	1,473,390
Three months to one year	388,817	386,232	324,893	324,279
One year to five years	17,663	9,669	3,549	3,549
Over five years	13,789	18,315	7,639	12,639
	1,818,689	1,534,874	1,880,411	1,836,219
Balances with group companies	13,775	13,775	—	6,171

Trading book loans and advances to banks of £1,102,986,000 (2002 — £1,251,933,000) are secured with government securities under sale and repurchase agreements.

10. Loans and advances to customers

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000 As restated	£000
Remaining maturity:				
Demand to three months	805,671	635,344	850,177	874,855
Three months to one year	455,792	392,281	264,019	239,523
One year to five years	663,576	530,517	355,497	268,682
Over five years	159,983	144,362	448,912	434,738
Provision for bad and doubtful debts	(28,267)	(19,032)	(16,717)	(16,073)
	2,056,755	1,683,472	1,901,888	1,801,725
Balances with group companies	166	36,946	56,962	93,792

Trading book loans and advances to customers of £237,016,000 (2002 — £550,351,000) are secured with government securities under sale and repurchase agreements.

11. Provision for bad and doubtful debts

Group

	Specific 2003	General 2003	Total 2003	Specific 2002	General 2002	Total 2002
	£000	£000	£000	£000	£000	£000
At beginning of year	2,978	13,739	16,717	6,902	11,131	18,033
Exchange movements	(702)	85	(617)	(16)	6	(10)
Charged/(released) against income	1,582	2,197	3,779	(1,489)	2,602	1,113
Acquired	7,229	1,776	9,005	—	—	—
Utilised	(617)	—	(617)	(2,419)	—	(2,419)
At end of year	10,470	17,797	28,267	2,978	13,739	16,717

Bank

	Specific 2003	General 2003	Total 2003	Specific 2002	General 2002	Total 2002
	£000	£000	£000	£000	£000	£000
At beginning of year	2,978	13,095	16,073	6,187	10,620	16,807
Exchange movements	(97)	233	136	(16)	(26)	(42)
Charged/(released) against income	1,303	2,032	3,335	(1,489)	2,406	917
Purchased from subsidiary undertaking	—	—	—	700	95	795
Utilised	(512)	—	(512)	(2,404)	—	(2,404)
At end of year	3,672	15,360	19,032	2,978	13,095	16,073

Included within the year-end specific provision balance for both group and bank is an amount of £1,080,000 (2002 — £553,000) of interest in suspense.

Group

	2003	2002
	£000	£000
The charge for bad and doubtful debts in the consolidated profit and loss account comprises:		
— Charged against income, as above	3,779	1,113
— Recovery of a debt previously written off	—	(3,091)
	3,779	(1,978)

12. Debt securities

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Dealing and market making securities at market value				
Issued by public bodies				
— government securities	33,785	27,925	—	—
Issued by other issuers				
— unlisted bank and building society certificates of deposit	—	—	2,779,938	2,779,938
— other unlisted debt securities	34,733	34,545	—	—
	68,518	62,470	2,779,938	2,779,938
Investment securities at cost less impairment				
Issued by public bodies				
— government securities	130,803	4,315	6,619	6,127
Issued by other issuers				
— unlisted bank and building society certificates of deposit	915,597	863,236	831,417	732,796
— other unlisted debt securities	102,892	101,061	66,682	66,331
	1,149,292	968,612	904,718	805,254
Total debt securities	1,217,810	1,031,082	3,684,656	3,585,192
Investment securities				
At beginning of year	904,718	805,254	375,342	344,830
By acquisition	141,323	—	—	—
Exchange movements	(19,955)	(8,412)	(81)	(79)
Additions	2,616,030	2,225,247	3,248,342	2,676,085
Matured or sold	(2,492,824)	(2,053,477)	(2,718,885)	(2,215,582)
At end of year	1,149,292	968,612	904,718	805,254
Maturity of debt securities				
Due within one year	1,057,959	926,225	3,618,325	3,518,861
Due one year and over	159,851	104,857	66,331	66,331
	1,217,810	1,031,082	3,684,656	3,585,192
Unamortised net premium on investment securities	137	137	—	—

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

13. Equity shares

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Dealing securities at market value				
Listed on a recognised UK exchange	11,741	11,741	21,935	19,934
Listed elsewhere	21,557	21,557	17,736	17,736
Unlisted	—	—	3,954	—
	33,298	33,298	43,625	37,670
Investment securities at cost less impairment				
Listed on a recognised UK exchange	833	825	4,191	4,064
Listed elsewhere	149	83	392	185
Unlisted	31,097	10,617	31,400	27,117
	32,079	11,525	35,983	31,366
	65,377	44,823	79,608	69,036

Investment securities

	Cost	Provisions	Book value
	£000	£000	£000
Group			
At beginning of year	57,775	(21,792)	35,983
Exchange movements	(859)	141	(718)
Additions	8,832	—	8,832
Disposals	(11,359)	—	(11,359)
Provision utilised	—	673	673
Provision made during the year	—	(1,332)	(1,332)
At end of year	54,389	(22,310)	32,079
Bank			
At beginning of year	44,789	(13,423)	31,366
Exchange movements	(742)	133	(609)
Additions	397	—	397
Transfer out	(15,656)	—	(15,656)
Disposals	(3,483)	—	(3,483)
Provision utilised	—	211	211
Provision made during the year	—	(701)	(701)
At end of year	25,305	(13,780)	11,525

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

14. Interests in associated undertakings

	Group	Bank
	£000	£000
Interests in associated undertakings consist of:		
Net asset value	899	684
Goodwill	1,062	913
	1,961	1,597
Analysis of the movement in our share of net assets:		
At beginning of year	—	—
Acquisition	889	684
Exchange adjustments	(3)	—
Retained profits	13	—
At end of year	899	684

The principal associated undertakings are:

Name	Issued share capital	Nature of business	Country of incorporation	Interest
Innorate Profits Limited	$750	Financial markets	British Virgin Islands	25%
Epsilon Investment House Limited*	NIS 3,500,000	Asset management	Israel	20%

Investments in these undertakings are unlisted and held directly by the bank except where marked *.

15. Shares in group undertakings

	Group	Bank
	£000	£000
At beginning of year	85,489	99,044
Additions	61,401	3,131
Dividend declared by subsidiaries out of pre-acquisition reserves	(300)	(16,686)
At end of year	146,590	85,489

All subsidiary undertakings are unlisted.

Principal subsidiary undertakings of Investec Bank (UK) Limited	Nature of business	Country of incorporation	Interest
European Capital Company Limited	Project finance	England	100%
Investec Trust Guernsey Limited*	Trust company	Guernsey	100%
Guinness Mahon & Co Limited	Holding company (previously banking)	England	100%
Investec Asset Finance plc	Leasing	England	100%
Investec Bank (Channel Islands) Limited*	Banking	Guernsey	100%
Investec Bank (Israel) Limited*	Banking	Israel	80.3%
Investec Bank (Switzerland) AG*	Banking	Switzerland	100%
Investec Group Investments (UK) Limited	Investment holding company	England	100%
Investec Investment Holdings AG*	Investment holding company	Switzerland	100%
Investec Property Services Limited (trading as Taylor Rose)	Commercial property agency	England	100%
Radcliffes Trustee Company S.A.*	Trust company	Switzerland	100%
Theodores Trust & Law Group Limited*	Trust company	Jersey	100%

Investments in these undertakings are held directly by the bank except where marked *.

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

16. Intangible fixed assets

Group

	Positive goodwill	Negative goodwill	Total
	£000	£000	£000
Cost			
At beginning of year	43,280	(8,700)	34,580
Additions (note 29)	5,481	—	5,481
Exchange movements	1,770	—	1,770
At end of year	50,531	(8,700)	41,831
Accumulated amortisation			
At beginning of year	(9,605)	2,828	(6,777)
Charge to profit and loss account	(10,906)	1,305	(9,601)
Exchange movements	77	—	77
At end of year	(20,434)	4,133	(16,301)
Net book value			
At end of year	30,097	(4,567)	25,530
At beginning of year	33,675	(5,872)	27,803

Additions represent goodwill arising on current year acquisitions, as outlined in note 29. 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.

Bank

	Positive goodwill
	£000
Cost	
At beginning and end of year	19,442
Accumulated amortisation	
At beginning of year	(7,603)
Charge to profit and loss account	(2,869)
At end of year	(10,472)
Net book value	
At end of year	8,970
At beginning of year	11,839

17. Tangible fixed assets

Group

	Freehold property	Leasehold improvements	Furniture, fittings and motor vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000 As restated*
Cost					
At beginning of year	617	16,772	5,321	7,819	30,529
Exchange movements	(268)	—	—	(115)	(383)
By transfer or acquisition	20,094	—	—	8,611	28,705
Additions	526	1,246	629	1,807	4,208
Disposals	(32)	—	(240)	(479)	(751)
Written off	—	(1,377)	—	—	(1,377)
Reclassification	—	—	(1,128)	1,128	—
At end of year	20,937	16,641	4,582	18,771	60,931
Depreciation or amortisation					
At beginning of year	(24)	(3,561)	(3,335)	(4,856)	(11,776)
Exchange movements	95	—	—	80	175
By transfer or acquisition	(7,289)	—	—	(6,013)	(13,302)
Charge for year	(180)	(843)	(954)	(2,629)	(4,606)
Disposals	24	—	238	147	409
Written off	—	1,297	—	—	1,297
Reclassification	—	—	713	(713)	—
At end of year	(7,374)	(3,107)	(3,338)	(13,984)	(27,803)
Net book value					
At end of year	13,563	13,534	1,244	4,787	33,128
At beginning of year	593	13,211	1,986	2,963	18,753

	2003	2002
	£000	£000
Carrying value of properties occupied by group entities	12,977	—

* Operating lease assets were shown as a separate class of tangible fixed asset last year, but they are now included in loans and advances to customers.

Bank

	Leasehold improvements	Furniture, fittings and motor vehicles	Computer equipment	Total
	£000	£000	£000	£000 As restated*
Cost				
At beginning of year	15,126	3,471	6,429	25,026
Additions	—	59	350	409
Disposals	—	(10)	—	(10)
Reclassification	—	(48)	48	—
At end of year	15,126	3,472	6,827	25,425
Depreciation or amortisation				
At beginning of year	(2,139)	(1,852)	(3,734)	(7,725)
Charge for year	(777)	(776)	(1,407)	(2,960)
Disposals	—	10	—	10
Reclassification	—	54	(54)	—
At end of year	(2,916)	(2,564)	(5,195)	(10,675)
Net book value				
At end of year	12,210	908	1,632	14,750
At beginning of year	12,987	1,619	2,695	17,301

* Operating lease assets were shown as a separate class of tangible fixed asset last year, but they are now included in loans and advances to customers.

18. Other assets

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Settlement debtors	109,670	109,652	87,636	87,636
Deferred tax asset (see note 23)	15,858	11,808	6,995	1,622
Assets, including gains, resulting from off-balance sheet interest rate, exchange rate, equities and commodities contracts which are marked to market	63,928	47,597	66,225	66,279
Other debtors	33,886	20,102	30,253	24,911
Dealing properties	29,600	29,600	34,702	34,702
Properties awaiting disposal	—	—	2,110	2,110
	252,942	218,759	227,921	217,260

The asset, shown above, resulting from off-balance instruments is stated after deducting £18,911,000 (2002 — £nil) of cash collateral meeting the offset criteria of FRS 5.

19. Deposits by banks

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
With agreed maturity date or periods of notice, by remaining maturity:				
Demand to three months	1,231,614	1,484,591	1,908,958	2,126,097
Three months to one year	274,164	281,654	1,290,134	1,289,521
One year to five years	683	683	3,207	3,207
Over five years	3,292	3,292	—	—
	1,509,753	1,770,220	3,202,299	3,418,825
Balances with group companies	9,330	273,729	7,743	226,811

Trading book deposits by banks of £984,819,000 (2002 — £2,361,807,000) are secured with government securities under sale and repurchase agreements. In addition, £nil (2002 — £440,968,000) of dealing and market making securities are used to secure deposits by banks.

20. Customer accounts

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	940,187	483,203	555,868	436,598
Demand to three months	1,797,172	1,099,814	2,119,265	1,867,532
Three months to one year	453,075	388,200	642,751	623,194
One year to five years	100,982	87,166	53,854	52,983
Over five years	16,767	68,501	64,939	107,401
	3,308,183	2,126,884	3,436,677	3,087,708
Balances with group companies	52,512	103,986	64,916	127,152

Trading book deposits by customers of £333,505,000 (2002 — £1,172,654,000) are secured with government securities under sale and repurchase agreements. In addition, £nil (2002 — £4,695,000) of dealing and market making securities are used to secure deposits by customers.

21. Debt securities in issue

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Unlisted certificates of deposit in issue, by remaining maturity:				
— three months or less	35,000	35,000	75,000	75,000
— one year or less but over three months	26,327	26,327	—	—
	61,327	61,327	75,000	75,000

22. Other liabilities

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Settlement creditors	111,072	105,432	92,017	92,017
Short positions:				
— debt securities: government securities	—	—	356,660	356,660
— commodities	—	—	2,548	2,548
— equities	78,536	78,536	31,278	31,278
Liabilities, including losses, resulting from off-balance sheet interest rate, exchange rate, equities and commodities contracts which are marked to market	45,984	28,597	32,959	32,965
Other creditors	44,768	33,467	22,646	14,925
Current corporation tax	5,899	2,213	6,291	1,962
Dividends payable	26,000	26,000	12,000	12,000
	312,259	274,245	556,399	544,355

The liability, shown above, resulting from off-balance instruments is stated after deducting £30,653,000 (2002 — £31,686,000) of cash collateral meeting the offset criteria of FRS 5.

23. Deferred taxation

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Deferred tax asset				
At beginning of year	6,995	1,622	8,284	3,582
Movement in the year	8,863	10,186	(1,289)	(1,960)
At end of year	15,858	11,808	6,995	1,622
Represented by:				
Excess of depreciation of assets over capital allowances	8,565	4,325	6,007	349
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income	3,186	3,186	1,800	1,800
General provisions	4,297	4,297	—	—
Other timing differences	(190)	—	(812)	(527)
	15,858	11,808	6,995	1,622

Deferred tax assets are recognised to the extent it is more likely than not 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.

24. Subordinated debt

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Variable rate notes:				
At beginning and end of year	39,300	39,300	39,300	39,300

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

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

25. Called up share capital

	2003	2002
	£000	£000
Authorised		
Ordinary shares of £1 each — 1,000,000,000 (2002 — 1,000,000,000)	1,000,000	1,000,000
Issued, allotted and fully paid — 314,000,000 (2002 — 314,000,000)		
At beginning of year	314,000	292,000
Issued during year at par	—	22,000
At end of year	314,000	314,000

26. Reserves

	Group 2003 £000	Bank 2003 £000	Group 2002 £000	Bank 2002 £000
Share premium account				
At beginning and end of year	37,365	37,365	37,365	37,365
Profit and loss account				
At beginning of year	106,276	58,369	86,956	48,564
Retained (loss)/profit for the year	(10,374)	(15,547)	19,150	9,805
Currency translation differences on foreign currency net investments	1,717	179	170	—
At end of year	97,619	43,001	106,276	58,369

27. Reconciliation of shareholders' equity

	Group 2003 £000	Bank 2003 £000	Group 2002 £000	Bank 2002 £000
Retained profit for the year	(10,374)	(15,547)	19,150	9,805
New share capital subscribed	—	—	22,000	22,000
Currency translation differences on foreign currency net investments	1,717	179	170	—
Net (reduction from)/addition to shareholders' equity	(8,657)	(15,368)	41,320	31,805
Opening shareholders' equity	457,641	409,734	416,321	377,929
Closing shareholders' equity	448,984	394,366	457,641	409,734

28. Stock borrowing and lending

	2003 £000	2002 £000
Stock borrowed against non-cash collateral	977,917	5,115,830
Stock lent against non-cash collateral	130,899	726,706

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

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

29. Acquisition

On 21 August 2002, the group acquired a subsidiary undertaking, Investec (Israel) BV, from another group company as part of the restructure. The sole asset of Investec (Israel) BV was an 80% shareholding in Investec Bank (Israel) Limited. The acquisition was satisfied by the payment of cash and the transfer of assets and was accounted for on an acquisition basis. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below.

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

	Book value at date of acquisition	Fair value adjustments for consistent accounting	Fair value at date of acquisition
	£000	£000	£000
Cash and balances at central banks	333,069	—	333,069
Loans and advances to banks	125,020	—	125,020
Loans and advances to customers	237,068	—	237,068
Debt securities, equity shares and investments in associates	133,410	(3,115)	130,295
Tangible fixed assets	15,403	—	15,403
Other assets	27,416	—	27,416
Total assets	871,386	(3,115)	868,271
Other liabilities	(798,020)	—	(798,020)
Net assets/fair value of net assets	73,366	(3,115)	70,251
Minority interest			(14,331)
Goodwill			5,481
Fair value of consideration			61,401

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

	Period to date acquired	Previous financial year
	£000	£000
Net interest income	11,189	16,899
Net fees and commissions receivable	7,862	12,002
Dealing profits	(144)	(183)
Operating income	18,907	28,718
Administrative expenses	(11,445)	(21,348)
Provision for bad and doubtful debts	(2,247)	(4,050)
Operating profit	5,215	3,320
Share of associated company earnings	(54)	—
Profit before tax	5,161	3,320
Tax on profit on ordinary activities	(587)	(1,627)
Profit for the period	4,574	1,693

30. Contingent liabilities

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Guarantees and irrevocable letters of credit	133,165	122,506	115,700	100,417
Other contingent liabilities	1,508	—	4,873	—
	134,673	122,506	120,573	100,417

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

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

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

31. Directors' and officers' loans

As permitted by the Companies Act 1985, loans to four directors (2002 — two) existed during the year. The amount at the end of the year was £2,723,457 (2002 — £1,202,678).

32. Related party transactions

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.

Transactions, arrangements and agreements involving loans to directors are disclosed in note 31 above.

Boutique Finance II Limited is an investment company owned by certain members of senior management. The bank has provided a loan of £2,730,000 (2002 — £4,187,000) to Boutique Finance II Limited and has Boutique Finance II Limited's investment in shares as security for the loan. The terms of the loan are such that 200% cover is required at all times and, if the cover drops below 175%, a margin call back to 200% must be made. Mr I Kantor, who is a director of Investec Bank (UK) Limited, has guaranteed 34% of the loan provided.

33. Commitments

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Forward repurchase agreements	129,091	129,091	449,987	449,987
Undrawn facilities	217,572	155,781	202,507	166,051
Uncalled capital on investments and irrevocable subscription undertakings	3,905	—	9,043	2,780
	350,568	284,872	661,537	618,818

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

34. Operating lease commitments

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Annual commitment under non-cancellable operating leases which expire:				
Leasehold properties				
— within one year	—	—	—	—
— one to five years	320	—	138	—
— more than five years	692	—	747	—
	1,012	—	885	—

35. Financial instruments

Fair values

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

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

	2003 Carrying value	2003 Mark-to-market value	2002 Carrying value	2002 Mark-to-market value
	£000	£000	£000	£000
Assets				
Debt securities (note 12)	1,149,292	1,170,160	904,718	903,707
Equity shares (note 13)	32,079	36,550	35,983	46,208
	1,181,371	1,206,710	940,701	949,915
Liabilities				
Debt securities in issue (note 21)	61,327	61,267	75,000	75,003

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

36. Derivatives (off-balance sheet financial instruments)

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

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

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

Group

	2003				2002			
	Up to one year	One to five years	Greater than five years	Total	Up to one year	One to five years	Greater than five years	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest rate contracts								
Caps and floors	—	91,514	—	91,514	—	17,051	—	17,051
Swaps	969,138	796,727	237,607	2,003,472	308,267	333,349	174,605	816,221
Forward rate agreements	932,896	108,382	—	1,041,278	1,834,257	22,667	—	1,856,924
Futures	490,996	198,183	—	689,179	235,319	223,377	—	458,696
	2,393,030	1,194,806	237,607	3,825,443	2,377,843	596,444	174,605	3,148,892
Foreign exchange derivatives								
Forward contracts	1,615,994	13,883	—	1,629,877	836,144	33,748	—	869,892
Currency swaps	412,810		—	412,810	—	59,424	—	59,424
Options	92,206		—	92,206	3,316	—	—	3,316
	2,121,010	13,883	—	2,134,893	839,460	93,172	—	932,632
Equity and stock index derivatives								
Equity swaps and forward contracts	40,245	—	—	40,245	67	—	—	67
Options and warrants	454,222	2,781	105	457,108	9,351	54,283	—	63,634
	494,467	2,781	105	497,353	9,418	54,283	—	63,701
Commodity derivatives								
Options	350,926	242,721	359,390	953,037	470,120	375,126	622,490	1,467,736
Commodity swaps and forward contracts	88,150	20,507	—	108,657	297,359	1,850	—	299,209
Futures	1,304,732	209,191	—	1,513,923	2,668,267	241,504	—	2,909,771
	1,743,808	472,419	359,390	2,575,617	3,435,746	618,480	622,490	4,676,716
Credit derivatives								
Credit swaps	61,976	62,702	—	124,678	—	1,633	7,639	9,272

Bank

	2003				2002			
	Up to one year	One to five years	Greater than five years	Total	Up to one year	One to five years	Greater than five years	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest rate contracts								
Caps and floors	—	91,514	—	91,514	—	17,051	—	17,051
Swaps	947,490	786,672	235,079	1,969,241	308,267	333,349	174,605	816,221
Forward rate agreements	932,544	108,382	—	1,040,926	1,834,157	22,667	—	1,856,824
Futures	490,994	198,183	—	689,177	235,319	223,377	—	458,696
	2,371,028	1,184,751	235,079	3,790,858	2,377,743	596,444	174,605	3,148,792
Foreign exchange derivatives								
Forward contracts	1,573,256	14,036	—	1,587,292	842,081	33,748	—	875,829
Currency swaps	—	—	—	—	578	59,424	453	60,455
Options	92,206	—	—	92,206	3,316	—	—	3,316
	1,665,462	14,036	—	1,679,498	845,975	93,172	453	939,600
Equity and stock index derivatives								
Equity swaps and forward contracts	39,904	—	—	39,904	—	—	—	—
Options and warrants	30,920	2,781	105	33,806	9,351	54,283	—	63,634
	70,824	2,781	105	73,710	9,351	54,283	—	63,634
Commodity derivatives								
Options	350,927	242,720	359,390	953,037	470,120	375,126	622,490	1,467,736
Commodity swaps and forward contracts	88,031	20,507	—	108,538	297,359	1,850	—	299,209
Futures	1,304,732	209,191	—	1,513,923	2,668,267	241,504	—	2,909,771
	1,743,690	472,418	359,390	2,575,498	3,435,746	618,480	622,490	4,676,716
Credit derivatives								
Credit swaps	61,976	62,702	—	124,678	—	1,633	7,639	9,272

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

Group

	2003 Credit risk weighted amount	2003 Replacement cost	2002 Credit risk weighted amount	2002 Replacement cost
	£000	£000	£000	£000
For trading purposes				
Interest rate contracts	4,756	29,929	1,188	4,389
Foreign exchange derivatives	11,359	25,481	15,956	22,161
Equity and stock index derivatives	18,883	14,239	2,098	1,609
Commodity derivatives	11,251	20,018	25,683	116,314
Credit derivatives	138	291	—	—
	46,387	89,958	44,925	144,473
Effect of netting		(26,030)		(78,248)
		63,928		66,225
For non-trading purposes				
Interest rate contracts	1,554	5,560	1,314	5,620
Credit derivatives	—	—	1,633	3
	1,554	5,560	2,947	5,623

Bank

	2003 Credit risk weighted amount	2003 Replacement cost	2002 Credit risk weighted amount	2002 Replacement cost
	£000	£000	£000	£000
For trading purposes				
Interest rate contracts	4,325	29,473	1,188	4,389
Foreign exchange derivatives	10,465	21,255	16,253	22,215
Equity and stock index derivatives	364	2,593	2,098	1,609
Commodity derivatives	11,243	20,015	25,683	116,314
Credit derivatives	138	291	—	—
	26,535	73,627	45,222	144,527
Effect of netting		(26,030)		(78,248)
		47,597		66,279
For non-trading purposes				
Interest rate contracts	1,554	2,935	1,314	5,620
Credit derivatives	—	—	1,633	3
	1,554	2,935	2,947	5,623

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
Net replacement cost by counterparty				
Banks and other financial institutions	46,761	43,117	52,706	52,760
Other corporate and public bodies	22,727	7,415	19,142	19,142
	69,488	50,532	71,848	71,902

	Group 2003	Bank 2003
	£000	£000
Net replacement cost by residual maturity		
Less than one year	53,738	37,109
One to five years	29,573	27,809
More than five years	12,207	11,644
Netting	(26,030)	(26,030)
	69,488	50,532

The negative fair values of these contracts are as follows:

	Group 2003	Bank 2003	Group 2002	Bank 2002
	£000	£000	£000	£000
For trading purposes				
Interest rate contracts	(19,573)	(19,062)	(4,016)	(4,016)
Foreign exchange derivatives	(22,723)	(17,496)	(18,749)	(18,756)
Equity and stock index derivatives	(19,449)	(7,803)	(1,359)	(1,359)
Commodity derivatives	(10,117)	(10,114)	(87,083)	(87,082)
Credit derivatives	(152)	(152)	—	—
	(72,014)	(54,627)	(111,207)	(111,213)
Effect of netting	26,030	26,030	78,248	78,248
	(45,984)	(28,597)	(32,959)	(32,965)
For non-trading purposes				
Interest rate contracts	(2,840)	(1,253)	—	—

37. Hedging instruments

Gains and losses on derivatives used for hedging are recognised in line with the underlying items which are being hedged. At 31 March 2003, the unrecognised gains on derivatives used for hedging were £1,683,000 (2002 — £638,000) and unrecognised losses were £991,000 (2002 — £290,000).

Of the £1,683,000 of unrecognised gains, £114,000 is expected to be recognised in the year ending 31 March 2004 and £1,569,000 in subsequent years. Of the £991,000 of unrecognised losses, £25,000 is expected to be recognised in the year ending 31 March 2004 and £966,000 in subsequent years. These values have been calculated by reference to the ultimate maturity date of the derivatives.

Of the gains and losses included in the profit and loss account in 2003, gains of £4,212,000 and losses of £4,584,000 were unrecognised at 31 March 2002.

There were no reclassifications of hedging instruments during the year.

38. Risk management

Detailed risk management commentary

Significant risks faced by the bank as a whole and changing risks faced by the businesses are reviewed weekly by the Executive Risk Review Forum, which comprises senior management and executive directors of the bank. Additionally, there is a monthly review by the Board Risk Review Committee comprising executive and non-executive directors of the bank. The key duties of the board committee are:

- To review the appropriateness of risk measurement policies and practices.
- To review and comment on the adequacy of the bank's controls to measure, monitor and manage risk based on information provided or obtained.
- To review regular reports provided by Group Risk Management on the effectiveness of the control framework.
- To review adherence to regulatory requirements specifically affecting governance of risk.

Significant and material breaches of prescribed controls are reported to the Board Risk Review Committee.

Reports from the control functions, the Audit Committee and the Board Risk Review Committee are reviewed at each board meeting.

The bank recognises that it is key to its future success as a financial institution to conduct its affairs with prudence and integrity and to safeguard the interests of the stakeholders.

All of the Bank's activities involve analysis, management and mitigation of some degree of risk or combination of risks.

The predominate types of risk that the bank faces are credit risk (including country risk), liquidity risk, market risk and operational risk. Additional significant risks are legal risk, regulatory risk and reputational risk.

The Board of Directors sets risk management policy and approves policy statements defining credit risk, market risk, trading limits and liquidity. These policy statements establish the bank's appetite for risk and set out the parameters within which it operates.

Implementation of these policies is the responsibility of the Director of Risk Management, who reports to the Chief Executive Officer. An independent Risk Management function, appropriately resourced with specialised people and systems, assists the Director of Risk Management.

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

The main committees are:

Audit Committee

An independent non-executive director chairs this committee. It reviews and sets the internal audit programme and examines completed internal and external audit reports. It considers the major findings and ensures, via the Audit and Compliance Implementation Committee, that recommendations are implemented where necessary. It reviews the annual financial statements and reports on them to the Board of Directors. The

Audit Committee also ensures that management establishes adequate arrangements to comply with regulatory and financial reporting requirements. It receives regular reports from Risk Management, outlining the enterprise-wide risk for the bank, and from the Compliance Department on regulatory issues.

Credit Committee

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

Market Risk Committee

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

Asset and Liability Committee

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

Operational Risk Committee

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

Engagement and Underwriting Committees

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

Risk Committee

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

New Product Forum

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

The committees are composed of executive directors and senior management, independent of the business units. The business units are represented on each committee but decisions, which must be unanimous, are independent of the business units, to ensure proper segregation of duties.

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

Regular reports and information are given to the executive, general managers and the Board, to ensure they fully understand the risk and to demonstrate proper and prudent measurement, monitoring and management of risk.

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

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

This is to ensure that enterprise-wide risk management is embedded in the various business units.

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

- Credit risk
- Liquidity risk
- Market risk
- Legal risk
- Regulatory risk
- Operational risk
- Reputational risk

Credit risk

This is the risk that counterparties will be unable or unwilling to meet their obligations to the bank as they fall due. It arises from lending and other transactions involving on- and off-balance sheet instruments.

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

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

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

The bank has a focused business strategy and has considerable expertise in its chosen sectors. The majority of the bank'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 95% of the credit exposure of the bank, 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.

The group has exposure to the State of Israel and Israeli counterparties through the operations of Investec Bank (Israel) Limited within that jurisdiction. Investec Bank (Israel) Limited became a subsidiary of Investec Bank (UK) Limited during the year under review.

All counterparty exposures are measured and monitored using a dedicated counterparty system. Treasury and trading exposures are marked to market daily from live data feeds, to ensure positions are correct.

Group

	2003	2002
	£000	£000
Core loans and advances to customers (excluding those in trading book)	1,510,307	1,133,490
Managed book	46,085	25,639
Net loans and advances to customers	1,464,222	1,107,851
Average net loans and advances to customers	1,422,741	1,019,758
Consolidated profit and loss provision charge	3,779	1,113
Specific provision	10,470	2,978
General provision	17,797	13,739
Total provisions	28,267	16,717
Gross non-performing loans	27,452	19,794
Security	(22,633)	(17,199)
Net non-performing loans	4,819	2,595

All of the net non-performing loans are covered by specific provisions.

Group

	2003	2002
Adequacy of provisions		
Consolidated profit and loss provision charge as a % of average loans and advances to customers	0.3%	0.1%
Specific provision as a % of core loans and advances to customers	0.7%	0.3%
General provision as a % of net loans and advances to customers	1.2%	1.2%
Total provisions as a % of core loans and advances to customers	1.9%	1.5%
Total provisions as a % of gross non-performing loans	103.0%	84.5%
Total provisions as a % of net non-performing loans	586.6%	644.2%

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

Category analysis

	2003	2002
	£000	£000
Commercial property	619,346	463,423
Residential mortgages	135,333	170,411
Lease and instalment debtors	37,862	45,718
Corporate and public sector	89,970	55,352
Other secured private bank lending	596,726	387,789
Other loans and advances	31,070	10,797
	1,510,307	1,133,490

Liquidity risk

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

The bank's liquidity policy covers sterling and currency activities. It ensures prudent management of liquidity and adherence to regulatory guidelines. This policy is developed and implemented by the Asset and Liability Committee. The bank's Centralised Treasury function has responsibility for day-to-day liquidity management. It is a policy of the bank that any subsidiaries operating in the geographical locations are correctly funded with appropriate liquidity in that jurisdiction. Local Asset and Liability Committees ensure adherence to policy with regular reviews by the Group Asset and Liability Committee.

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

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

Market risk

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

Trading activities are controlled by a board approved limit structure. Additionally, each member of staff who engages in trading on behalf of the bank signs an appropriate mandate clearly defining their remit.

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

Investec measures market risk using a combination of historically simulated value at risk (VaR) and stress testing. VaR is a summary measure of potential losses, based on experience in the relevant markets over a given time horizon with a specified confidence level. A series of stress tests are applied to determine the market risk for parallel shifts and twists in the underlying yield curves, for basis risk between yield curves and for extreme market conditions. Daily reports are produced containing this VaR and stress test information. Daily profitability is also analysed to ensure that sources of revenue are understood.

The tables below represent the bank's VaR for its trading book at the year ended 31 March 2003 and 31 March 2002, for a 95% confidence level and a one-day holding period, assuming no mitigating action is taken. This means that there is a 1 in 20 chance that daily losses will be at least as large as the reported VaR amount. The consolidated VaR is calculated using exponentially weighted historical simulations. VaR, however, does not indicate how much the bank can expect to lose in these cases. Expected Tail Loss (ETL) quantifies the amount the bank can expect to lose when the VaR threshold is exceeded.

VaR (one-day)

	2003	2002
	£000	£000
Total trading activities	299	538
Commodities	57	194
Interest rates	9	562
Foreign exchange	36	141
Equities	265	440
Highest	870	910
Lowest	240	498
Average	450	679

ETL (one-day)

	2003
	£000
Total trading activities	346
Commodities	69
Interest rates	14
Foreign exchange	41
Equities	330

Stress testing

The portfolio as at the year-end was stress tested under extreme market conditions and resulted in a notional loss of £2.8 million (2002 — £4.0 million), based on a one day holding period, as can be seen from the table below:

Stress exposure

	2003
	£000
Total trading activities	2,753
Commodities	428
Interest rates	68
Foreign exchange	270
Equities	1,987

Investec Bank (Israel) Limited's market risk is very small and has therefore been excluded from the above tables.

Interest rate risk

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

Interest rate mismatch

Year-end 31 March 2003

	0-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-rate items	Total non-trading	Total trading	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Cash and balances at central banks	254,769	—	—	—	—	3	254,772	1,197	255,969
Loans and advances to banks	603,484	2,822	—	—	—	—	606,306	1,212,383	1,818,689
Loans and advances to customers	1,128,189	45,532	26,224	210,238	85,904	(14,047)	1,482,040	574,715	2,056,755
Debt securities, equity shares and investments in associates	776,372	267,722	67,496	32,032	4,436	35,274	1,183,332	101,816	1,285,148
Other assets, including tangible and intangible fixed assets	20,229	2,047	1,378	8,039	6,173	129,244	167,110	212,365	379,475
	2,783,043	318,123	95,098	250,309	96,513	150,474	3,693,560	2,102,476	5,796,036
Liabilities									
Deposits by banks	444,181	43,728	30,000	682	3,293	—	521,884	987,869	1,509,753
Customer accounts	2,378,029	83,746	34,614	40,110	2,664	—	2,539,163	769,020	3,308,183
Debt securities in issue	35,000	26,327	—	—	—	—	61,327	—	61,327
Other liabilities	29,753	4,563	2,235	6,868	1,949	91,560	136,928	275,684	412,612
Subordinated debt	39,300	—	—	—	—	—	39,300	—	39,300
Minorities interest and shareholders' funds	—	—	—	—	—	464,861	464,861	—	464,861
	2,926,263	158,364	66,849	47,660	7,906	556,421	3,763,463	2,032,573	5,796,036
Net on-balance sheet items	(143,220)	159,759	28,249	202,649	88,607	(405,947)	(69,903)	69,903	—
Off-balance sheet items	155,030	597	2,346	(51,002)	(106,971)	—	—	—	—
Mismatch	11,810	160,356	30,595	151,647	(18,364)	(405,947)	(69,903)	69,903	—
Cumulative mismatch	11,810	172,166	202,761	354,408	336,044	(69,903)			

Interest rate mismatch

Year-end 31 March 2002

	0-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-rate items	Total non-trading	Total trading	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Cash and balances at central banks	10,980	—	—	—	—	119	11,099	951	12,050
Loans and advances to banks	396,524	—	4,273	3,549	—	—	404,346	1,476,065	1,880,411
Loans and advances to customers	943,783	17,573	26,106	75,545	51,503	2,263	1,116,773	785,115	1,901,888
Debt securities, equity shares and investments in associates	377,928	243,701	216,758	66,331	—	35,983	940,701	2,823,563	3,764,264
Other assets, including tangible and intangible fixed assets	—	—	—	—	—	136,517	136,517	178,594	315,111
	1,729,215	261,274	247,137	145,425	51,503	174,882	2,609,436	5,264,288	7,873,724
Liabilities									
Deposits by banks	309,847	35,329	613	—	—	—	345,789	2,856,510	3,202,299
Customer accounts	1,599,633	63,734	30,546	50,286	30,680	—	1,774,879	1,661,798	3,436,677
Debt securities in issue	75,000	—	—	—	—	—	75,000	—	75,000
Other liabilities	—	—	—	—	—	76,812	76,812	585,462	662,274
Subordinated debt	39,300	—	—	—	—	—	39,300	—	39,300
Minorities interest and shareholders' funds	—	—	—	—	—	458,174	458,174	—	458,174
	2,023,780	99,063	31,159	50,286	30,680	534,986	2,769,954	5,103,770	7,873,724
Net on balance sheet items	(294,565)	162,211	215,978	95,139	20,823	(360,104)	(160,518)	160,518	—
Off balance sheet items	127,256	—	(2,163)	(125,093)	—	—	—	—	—
Mismatch	(167,309)	162,211	213,815	(29,954)	20,823	(360,104)	(160,518)	160,518	—
Cumulative mismatch	(167,309)	(5,098)	208,717	178,763	199,586	(160,518)			

Currency risk

Any currency risk arising from the bank's commercial banking and lending activities is transferred to the trading book and managed within the board approved VaR limit structure.

Non-trading currency risk — structural currency exposures

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

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

Currency of structural exposure	Net investment in overseas operations*
	£000
31 March 2003	
Israeli Shekel (net of minority)	57,138
Swiss Franc	10,592
US Dollar	388
Euro	3,676
	71,794
31 March 2002	
Swiss Franc	9,311
US Dollar	5,484
Euro	1,439
	16,234

(*) There were no borrowings taken out 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.

Non-structural currency exposures

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 the monetary liabilities of the group that are not determined in the functional currency of the operating unit involved.

31 March 2003

	Net foreign currency monetary assets (liabilities) in £000						
Functional currency of Group operations	**Sterling**	**South African Rand**	**US Dollar**	**Israeli Shekel**	**Euro**	**Other**	**Total**
Sterling	—	(101)	11,069	3	717	(2,975)	8,713
US Dollar	(1,995)	—	—	5,021	16	—	3,042
Israeli Shekel	—	—	9,931	—	—	—	9,931
Other	8,258	—	—	—	—	—	8,258
	6,263	(101)	21,000	5,024	733	(2,975)	29,944

31 March 2002

	Net foreign currency monetary assets (liabilities) in £000						
Functional currency of Group operations	**Sterling**	**South African Rand**	**US Dollar**	**Israeli Shekel**	**Euro**	**Other**	**Total**
Sterling	—	11	17,200	4	(10,899)	8,523	14,839
Other	9,245	—	5	—	—	—	9,250
	9,245	11	17,205	4	(10,899)	8,523	24,089

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

Legal risk

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

To mitigate legal risk, there are independent dedicated qualified teams to ensure documentation gives the appropriate rights and remedies. These teams are supported by external legal advisors where necessary.

Regulatory risk

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

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

Operational risk

This is the exposure to financial or other damage arising through system or process failure, human error, and fraud or through inadequate controls and procedures. An Operational Risk Committee considers these risks and ensures that all operational risks are evaluated and appropriately controlled. A loss event database is in place. With further developments, this will assist in highlighting possible future operational risk stresses.

Contingency plans are in place to ensure continuity in the event of any unforeseen serious disruption to business operations. These plans are regularly reviewed and tested, to ensure they can be implemented in a timely manner should events dictate. To ensure the integrity of information technology systems, there is a resource headed by the Information Technology Security Officer that ensures systems are secure and accessible only by those with proper authorisation. Any changes to systems are authorised by a Change Control Forum, to ensure system stability and appropriate interface with other inter-dependent systems and the business continuity plans.

Segregation of duties between the front office and the control functions is crucial to ensure independent checks and balances to any process. Processes that could incur risk to the bank have duality of responsibility and authorisation between the front office and back office personnel.

To give further assurance, the Internal Audit function regularly reviews operational areas to ensure that risks and controls are appropriate and effective.

Basel accord

The banking sector is facing substantial changes in the way it will measure capital usage for both credit and operational risk. Proposals have been made by the Bank for International Settlements and are collectively known as Basel II. Guideline policy covering capital adequacy requirements is under development by regulators.

Within the bank there are specialised teams and project plans in place to deliver the necessary capability to meet regulatory guidelines, and, as importantly, the bank's specific risk appetite and requirements.

Reputational risk

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

Various policies and practices are in operation to mitigate reputational risk. These include a strong group values statement that is regularly and proactively reinforced. In addition, the group subscribes to sound corporate governance practices, which require that activities, processes and decisions are based on secure and carefully considered principles. As an international banking group, regulatory best practices are a desired outcome. This is particularly relevant in client acceptance rules, anti-money laundering policies and processes, and risk management practices.

Investec is acutely aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance reviews, as well as the Group Risk Management process.

39. Post balance sheet events

On 13 June 2003, Investec Bank (UK) Limited acquired 100% of the share capital of Investec Holdings (Australia) Limited from Investec Holdings Company Limited for a total consideration of £109,550,000, comprising £40,000,000 of shares in the company and the balance in cash.

40. Ultimate parent undertaking

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

As at 31 March 2002, the company's ultimate parent undertaking and controlling party was Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on the JSE Securities Exchange South Africa. During the year, the group was restructured. As at 31 March 2003, 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.

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.

Investec Bank (UK) Limited

Unaudited unpublished interim financial information for the six months ended 30 September 2002 and 2003

Consolidated profit and loss account

	Unaudited for the six months ended 30 September	
	2003	2002
	£000	£000 As restated[(1)]
Interest receivable		
— interest income arising from debt securities	24,404	72,954
— other interest receivable	98,289	129,827
Interest payable	(93,029)	(177,936)
Net interest income	29,664	24,845
Fees and commissions receivable	47,082	27,323
— Annuity	34,458	19,486
— Deal	12,624	7,837
Fees and commissions payable	(1,713)	(647)
Dealing profits	12,103	2,790
Other operating income	3,473	2,170
Operating income	90,609	56,481
Administrative expenses	(59,995)	(49,361)
Depreciation and amortisation	(7,304)	(4,748)
— tangible fixed assets	(2,222)	(2,374)
— goodwill	(5,082)	(2,374)
Provision for bad and doubtful debts	470	(616)
Operating profit	23,780	1,756
Share of associated companies earnings	(5)	22
Fundamental reorganisation and restructuring costs	—	—
Gains on disposal of subsidiary undertaking	—	279
Profit on ordinary activities before taxation	23,775	2,057
Tax on profit on ordinary activities	(8,593)	172
Profit on ordinary activities after taxation	15,182	2,229
Minority interests	(117)	(823)
Profit attributable to ordinary shareholders	15,065	1,406
Dividends	(13,500)	0
Profit/loss for the period	1,565	1,406
HEADLINE EARNINGS		
Profit attributable to ordinary shareholders	15,065	1,406
Amortisation of goodwill	5,082	2,374
Headline earnings attributable to ordinary shareholders	20,147	3,780

Note:

(1) Results for September 2002 have been restated, as follows:

a) The purchase of Investec Bank (Israel) Limited as part of a group restructure has been accounted for on an acquisition basis with an effective date of August 2002. When the IBUK September 2002 figures were originally produced this acquisition was accounted for on a merger basis. The impact is to reduce the profit for the period to September 2002 by £1.9m.

b) Dealing profits are now shown net of the funding cost of the underlying positions. Dealing profits now also includes interest, dividends or fees received as a result of trading transactions.

Investec Bank (UK) Limited

Consolidated balance sheet

	Unaudited As at 30 September 2003 £000	Unaudited As at 30 September 2002 £000 As restated(1)
Assets		
Cash and balances at central banks	261,390	153,058
Treasury bills and other eligible bills	92,612	204,558
Loans and advances to banks	798,368	2,039,690
Loans and advances to customers	2,514,131	2,644,908
Debt securities	961,049	3,327,555
Equity shares	133,468	52,201
Other participating interests	8,890	—
Investment in associated undertakings	1,932	404
Intangible fixed assets	40,801	30,748
Tangible fixed assets	32,294	32,834
Other assets	637,458	200,263
Prepayments and accrued income	63,383	61,322
	5,545,776	8,747,541
Liabilities		
Deposits by banks	913,056	3,068,511
Customer accounts	3,143,289	4,580,972
Debt securities in issue	100,034	110,255
Other liabilities	765,044	367,399
Accruals and deferred income	75,616	109,211
	4,997,039	8,236,348
Capital resources		
Subordinated liabilities	39,300	39,300
Minority interests	16,041	15,468
Called up share capital	354,000	314,000
Share premium	37,365	37,365
Other reserves	102,031	105,060
	493,396	456,425
	548,737	511,193
	5,545,776	8,747,541

Note:

(1) Results for September 2002 have been restated, as follows:

a) Prepayments and accrued income, and Accruals and deferred income are now shown on the face of the balance sheet. Previously these were included in Other assets and Other liabilities, respectively.

Investec Bank (UK) Limited

Profit and loss account by line of business

For the six months ended 30 September 2003

	Private Client Activities	Treasury and Specialised Finance	Investment Banking	Group Services and Other Activities	Total
	£000	£000	£000	£000	£000
Net Interest Income	19,306	5,090	855	4,413	29,664
Other income	19,786	20,499	19,109	1,551	60,945
Fees & Commissions receivable	19,634	8,978	18,816	(346)	47,082
Fees & Commissions payable	(225)	(249)	(1,239)	(0)	(1,713)
Dealing profits	324	11,190	698	(109)	12,103
Other operating income	53	580	834	2,006	3,473
Total Income	39,092	25,589	19,964	5,964	90,609
Operating Expenses	(22,670)	(15,966)	(15,425)	(5,934)	(59,995)
Premises	(1,376)	(739)	(753)	(846)	(3,714)
Personnel	(13,595)	(8,821)	(9,043)	(10,852)	(42,311)
Equipment	(1,039)	(1,094)	(699)	193	(2,639)
Business Expenses	(4,147)	(3,644)	(3,026)	749	(10,068)
Marketing Expenses	(496)	(56)	(201)	(1,391)	(2,144)
Central Cost Allocations	(2,017)	(1,612)	(1,703)	6,213	881
Depreciation	(562)	(74)	(190)	(1,396)	(2,222)
Provision for bad & doubtful debts	(1,478)	(561)	(0)	2,509	470
Operating profit before taxation and amortisation of goodwill	14,382	8,988	4,349	1,143	28,862

Investec Bank (UK) Limited

Capital adequacy statement

	Unaudited As at 30 September	
	2003	2002
	£000	£000
Risk weighted assets	2,355,533	2,396,140
Total assets — banking	2,045,870	1,853,519
Trading Book — notional assets	309,663	542,621
Tier 1	509,437	471,893
Tier 2	57,786	54,725
Impairments	(57,533)	(43,320)
Net qualifying capital	509,690	483,298
Qualifying capital as a % of RWA	21.64%	20.17%
Tier 1	19.19%	17.89%
Tier 2	2.45%	2.28%

Investec Bank (UK) Limited

Asset quality, specific and general provisions

	Unaudited As at 30 September	
	2003	2002
	£000	£000
Total loans & advances[1]	1,886,956	1,400,382
Managed book	17,579	33,092
Net Loans & advances	1,869,377	1,367,290
Specific provisions	11,147	9,214
General provisions	18,486	15,425
	29,633	24,639
Gross non-performing loans	24,728	16,804
Security	21,044	12,623
Net non-performing	3,684	4,181
Specific provision as a % of total loans and advances[1]	0.59%	0.66%
General provision as a % of net loans and advances[1]	0.99%	1.13%
Total provisions as a % of total loans and advances[1]	1.57%	1.76%
Total provisions as a % of gross non-performing loans	119.84%	146.63%
Total provisions as a % of net non-performing loans	804.37%	589.31%

Note:

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

Investec Finance plc

Balance sheet

	Notes	31/3/2002 £
CURRENT ASSETS		
Debtors	3	2
CAPITAL AND RESERVES		
Called up equity share capital	4	2

Investec Finance plc

Notes to the financial statements

1 Accounting Policies

Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards as defined in Section 256 of the Companies Act 1985.

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 Holdings Limited.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The company has adopted the provisions of Financial Reporting Standard 19 ''Deferred Taxation''. FRS 19 requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computations. Under FRS 19 deferred tax assets are recognised to the extent that they are regarded as recoverable.

Related party transactions

The directors have taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties.

2 Profit And Loss Account

The directors' emoluments and auditors' remuneration have been borne by the parent company. The directors were employed and remunerated as directors or executives of Investec Holdings (UK) Limited 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.

The Company has not traded and has made neither profit nor loss nor any other recognised gains or losses during the period.

There were no other items of expenditure requiring disclosure. The company has no employees.

3 Debtors

	16/11/2000 to 31/3/2002
	£
Amounts owed by parent undertaking	2

4 Called Up Share Capital

	16/11/2000 to 31/3/2002
	£
Authorised:	
50,000 ordinary shares of £1 each	50,000
Allotted, called up and fully paid	
2 ordinary shares of £1 each	2

The Company was incorporated on 16 November 2000, with 50,000 £1 ordinary authorised share capital and on the same date 2 ordinary shares of £1 each were issued at par.

5 Reconciliation Of Shareholders' Equity

	16/11/2000 to 31/3/2002 £
Issue of shares	2
Opening shareholders' equity	—
Closing shareholders' equity	2

6 Ultimate Parent Undertaking

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

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

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

Investec Finance plc

Financial statements for the year ended 31 March 2003

Balance sheet

	Notes	Unaudited 31/3/2003 £	31/3/2002 £
CURRENT ASSETS			
Debtors	3	2	2
CAPITAL AND RESERVES			
Called up equity share capital	4	2	2

Investec Finance plc

Notes to the financial statements

1 Accounting Policies

Basis of presentation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards as defined in Section 256 of the Companies Act 1985.

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. The company has adopted the provisions of Financial Reporting Standard 19 ''Deferred Taxation''. FRS 19 requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computations. Under FRS 19 deferred tax assets are recognised to the extent that they are regarded as recoverable.

Related party transactions

The directors have taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties.

2 Profit and Loss Account

The directors' emoluments and auditors' remuneration have been borne by the parent company. 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.

The Company has not traded and has made neither profit nor loss nor any other recognised gains or losses during the period.

There were no other items of expenditure requiring disclosure. The company has no employees.

3 Debtors

	31/3/2003	31/3/2002
	£	£
Amounts owed by parent undertaking	2	2

4 Called Up Share Capital

	31/3/2003	31/3/2002
	£	£
Authorised:		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid 2 ordinary shares of £1 each	2	2

5 Reconciliation of Shareholders' Equity

	31/3/2003	31/3/2002
	£	£
Issue of shares	—	2
Opening shareholders' equity	2	—
Closing shareholders' equity	2	2

6 Ultimate Parent Undertaking

The company's immediate parent undertaking is Investec Group (UK) plc.

As at 31 March 2002, the company's ultimate parent undertaking and controlling party was Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on the Johannesburg Stock Exchange. During the year the Group was restructured. As at 31 March 2003, 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.

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