

Group Services and Other Activities

Group Services includes the Central Services and Central Funding functions, while Other Activities predominantly includes the International Trade Finance business and Assurance Activities.

Scope of activities

Central Services	<ul style="list-style-type: none"> - Corporate Affairs - Corporate Social Investment - Economics Research - Facilities - Finance and Operations - Head Office - Human Resources - Information Centre - Information Technology 	<ul style="list-style-type: none"> - International Financial Institutions - Investor Relations - Legal and Tax - Marketing - Organisation Development - Regulatory, Internal Audit and Compliance - Risk Management - Secretarial - Staff Shares Division
Other Activities	International Trade Finance (ReichmansCapital) <ul style="list-style-type: none"> - Trade, asset and debtor finance 	

Management structure

Banking and Institutions Chief Integrating Officer Corporate Affairs and Sustainability Corporate Governance, Internal Audit and Compliance Corporate Social Investment	David Lawrence Allen Zimble Carole Mason (SA) Bradley Tapnack Setlogane Manchidi (SA) Richard Vardy (UK)
Facilities Finance and Operations Human Resources	Craig Gunnell Rayanne Jacobson Allen Zimble (UK) Tracey Rowe (SA) Bruce Braude (UK)
Information and Business Intelligence Centres	Amanda Ritchie (SA) Stacey Lee-Yates (SA)
Information Technology	Ingrid David Simon Shapiro Helmut Bahrs Ursula Nobrega David Nurek Raymond van Niekerk Caryn Solomon (UK) Rene Dembo (SA) Ciaran Whelan Les Penfold Pankaj Shah (UK) Justin Cowley (SA) Robin Jacobson Howard Tradonsky John Wilks
International Financial Institutions Investor Relations Legal Marketing Organisation Development	
Risk Management Secretarial and Staff Share Schemes Tax	
ReichmansCapital	

Group Services and Other Activities

Overview and financial analysis

£'000	31 March 2007	31 March 2006	Variance	% Change
International Trade Finance	5 462	4 505	957	21.2%
USA continuing businesses	-	(120)	120	(100.0%)
UK Traded Endowments	(109)	(47)	(62)	>100.0%
Assurance Activities	1 646	11 518	(9 872)	(85.7%)
	6 999	15 856	(8 857)	(55.9%)
Central Funding	66 981	66 777	204	0.3%
Central Services	(74 649)	(57 851)	(16 798)	29.0%
Operating (loss)/profit before goodwill, non-operating items and taxation	(669)	24 782	(25 451)	>100.0%

£'000 - 31 March 2007	UK & Europe	Southern Africa	Australia	Other	Total group
International Trade Finance	2 957	2 505	-	-	5 462
UK Traded Endowments	-	(109)	-	-	(109)
Assurance Activities	-	1 646	-	-	1 646
Central Funding	(4 516)	63 716	7 400	381	66 981
Central Services	(31 408)	(32 700)	(10 541)	-	(74 649)
Operating (loss)/profit before goodwill, non-operating items and taxation	(32 967)	35 058	(3 141)	381	(669)

£'000 - 31 March 2006	UK & Europe	Southern Africa	Australia	Other	Total group
International Trade Finance	2 192	2 313	-	-	4 505
USA continuing businesses	-	-	-	(120)	(120)
UK Traded Endowments	-	(47)	-	-	(47)
Assurance Activities	-	11 518	-	-	11 518
Central Funding	(5 616)	67 020	5 375	(2)	66 777
Central Services	(22 542)	(31 407)	(3 902)	-	(57 851)
Operating profit/(loss) before goodwill, non-operating items and taxation	(25 966)	49 397	1 473	(122)	24 782

Developments

International Trade Finance

- Notwithstanding higher interest rates and a volatile exchange rate, we continued to add new clients across the board.

Assurance activities

- A profit of £1.6 million (2006: £11.5 million) was generated from Assurance Activities, which represents the residual earnings from the businesses that were retained following the reinsurance of the group risk business on 31 December 2004.

Central costs

- We have a policy of allocating costs that are housed in the centre that are, in effect, performing a function for the divisions of the group.
- There are certain costs that are strategic in nature which have not been allocated for pure segmental disclosure, amounting to £74.6 million. (2006: £57.9 million). However, a portion thereof (£61.6 million) is allocated to the operating divisions for purposes of determining return on adjusted capital per business segment. Refer to page 27 for further details.
- Central costs increased from £57.9 million to £74.6 million, largely as a result of an increase in variable remuneration given increased profitability.

Central Funding

- We have a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained.
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements the group faces at the relevant point in time.
- The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to the five operating divisions.

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income (excluding interest on sub-debt and debentures)	86 040	63 992	22 048	34.5%
Other income	40 235	59 024	(18 789)	(31.8%)
Interest paid on sub-debt and debentures	126 275	123 016	3 259	2.6%
Impairment losses on loans and advances	(54 963)	(52 911)	(2 052)	3.9%
Admin expenses and depreciation	794	1 771	(977)	(55.2%)
Admin expenses and depreciation	(5 125)	(5 099)	(26)	0.5%
Operating profit before goodwill, non-operating items and taxation	66 981	66 777	(204)	0.3%

The variance in operating profit over the year can be explained as follows:

- Net interest income was positively affected by increased cash holdings.
- The decline in other income reflects:
 - A lower level of return on certain of the assets in the South African portfolio.
 - A loss of £3.4 million arising on the derivative hedging of the preferred securities issued by a subsidiary of Investec plc from Euros into Pounds Sterling. This exposure is hedged with the equal and opposite impact reflected in earnings attributable to minorities.