# Investec Bank (Channel Islands) Limited Abridged financial statements for the year ended 31 March 2007

Investec

Private Bank

# Directors, Officers and Professional Advisers

## Directors

A. Tapnack (Chairman) – appointed 6 March 2007
H. Herman (Chairman) – resigned 30 January 2007
M. Mirghavameddin
C. P. Goodwin
S. D. Henry
R. A. R. Evans (Non executive)
L. Blitz (Non executive) – resigned 30 January 2007
S. Heilbron (Non executive)

## Secretary

Finistere Secretaries Ltd

## Auditors

Ernst & Young LLP
14 New Street
St Peter Port
Guernsey

## Registered Office

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Investec Bank (Channel Islands) Limited is a wholly owned subsidiary of Investec Overseas Investments Limited which is incorporated in Great Britain, and registered in England and Wales. The ultimate holding company is Investec plc.

Copies of the full financial statements of Investec Bank (Channel Islands) Limited are available on request.

# Chairman's statement

I am pleased to present the results for Investec Bank (Channel Islands) Ltd for the year ended 31 March 2007. Having been reappointed to the Board in March 2007 after an absence of some three years, I am delighted to now serve as Chairman.

The Bank continues to perform strongly in the Channel Islands, reporting a fifth consecutive year of profit growth. Profit after tax increased by 33% over the previous year to £14.0m (2006: £10.5m) driven by a 14% overall growth in assets which now stand at £1.55bn (2006: £1.36bn).

The 17% growth in the loan book is attributable to the high quality staff who have been attracted to the Bank and who have developed distinct offerings to serve the needs of our local and international client base. Client deposits increased by 14% to £1.456bn (2006: £1.277bn) attributable to new clients attracted to the Bank as well as drawing further funds through our existing strong client relationships.

We increased our foot print in the Channel Islands after the year end by opening a branch in Jersey in May 2007. This branch is designed to extend our operations in the Channel Islands and build on our success in Guernsey by establishing relationships with the fiduciary sector and corporate clients in Jersey.

The Bank is working towards the adoption of Basel II with effect from 1 January 2008. The relevant changes are being made to our systems and business processes and we are confident of a smooth implementation of the Basel II Regulations.

A strong management team, low staff turnover, employees with outstanding talent and entrepreneurial spirit and close co-operation with our colleagues in other jurisdictions all contributed to produce another exceptional year for the Bank.

On behalf of the members of the Board, I express our gratitude and deep appreciation to Hugh Herman for his dedicated and meticulous stewardship of the Board as Chairman from 1998 to 2007 and for his continuing interest and support for the Bank. On behalf of the shareholders, I thank the Board and the staff in Guernsey and Jersey for their loyalty and hard work which has resulted in the strong performance reported.

We value each client and their contribution towards these results and thank them for their loyalty to Investec and to the Bank. With their continued support and the high quality of our staff we look forward to another successful year.

Alan Tapnack
Chairman

# Independent Auditor's report

To the Directors of Investec Bank (Channel Islands) Limited

We have examined the abridged financial statements on pages 5 to 14 together with the audited financial statements of Investec Bank (Channel Islands) Limited for the year ended 31 March 2007. The scope of our work for the purpose of this report was limited to confirming whether the abridged financial statements have been properly prepared from the audited financial statements and have been drawn up in a manner authorised by the Guernsey Financial Services Commission.

In our opinion the abridged financial statements have been extracted from the audited financial statements and have been drawn up in accordance with the provisions of The Banking Supervision (Bailiwick of Guernsey) Law, 1994 in a manner authorised by the Guernsey Financial Services Commission.

On 27 July 2007 we reported, as auditors of Investec Bank (Channel Islands) Limited, to the members on the audited financial statements as follows:

"We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 32. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994, The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

## Basis of audit opinion

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

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

## Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Accounting Standards, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended; and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994, The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Furthermore, we have examined the Statement of Financial Resources set out on page 24 and in our opinion the financial resources requirement specified in Rule 4.02 of The Collective Investments Schemes (Designated Persons) Rules 1988 has been satisfied."

# Independent Auditor's report

The statement of directors' responsibilities referred to in our audit report on the full financial statements, reproduced above, was as follows:

"The Directors are responsible for preparing financial statements in accordance with applicable Guernsey law and generally accepted accounting principles. Guernsey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and The Companies (Guernsey) Law, 1994. The Directors also have additional responsibilities as the company is a Designated Person under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 and The Collective Investment Schemes (Designated Persons) Rules, 1988. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities."

Ernst & Young LLP

Guernsey, Channel Islands
3 September 2007

# Profit and loss accounts

| Year ended 31 March (£'000) | 2007 | 2006 Restated |
|---|---|---|
| Net interest and similar income | 18 487 | 14 543 |
| Net other income | 4 830 | 3 546 |
| | 23 317 | 18 089 |
| Expenses including taxation | 9 333 | 7 582 |
| **Operating profit for the financial year** | **13 984** | **10 507** |

The notes on pages 7 to 14 form part of these abridged financial statements.

# Balance sheet

| As at 31 March (£'000) | Notes | 2007 | 2006 Restated |
|---|---|---|---|
| **Assets** | | | |
| Loans and advances to banks | 3 | 968 855 | 858 031 |
| Debt securities held to maturity | | 144 201 | 123 615 |
| Derivative financial instruments | | 1 365 | 2 755 |
| Loans and advances to customers | | 433 649 | 371 498 |
| Investment in subsidiary company | 5 | 100 | 100 |
| Other assets | | 1 213 | 765 |
| Intangible fixed assets | | 268 | 139 |
| Tangible fixed assets | | 1 126 | 1 123 |
| | | 1 550 777 | 1 358 026 |
| **Liabilities and equity shareholders' funds** | | | |
| Share capital | 6 | 14 652 | 14 652 |
| Reserves and share premium account | 7 | 74 933 | 60 896 |
| Equity shareholders' funds | | 89 585 | 75 548 |
| Derivative financial instruments | | 955 | 2 311 |
| Deposit and current accounts | 3 | 1 455 771 | 1 277 052 |
| Other liabilities (including taxation) | | 4 466 | 3 115 |
| | | 1 550 777 | 1 358 026 |



The abridged financial statements on pages 5 to 14 were approved by the Board of Directors on 3 September 2007 and are signed on its behalf by:

M. Mirghavameddin 

S. D. Henry 

The notes on pages 7 to 14 form part of these abridged financial statements.

# Notes to the abridged financial statements at 31 March 2007



## 1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements of the Company:

### Basis of preparation

The abridged financial statements are prepared under the historical cost convention, as modified for the revaluation of certain investments and in accordance with applicable Guernsey law and United Kingdom accounting standards.

### Change in accounting policies

The accounting policies are consistent with those applied in the previous financial year except as follows:

As of 1 April 2006, the Bank adopted:

FRS 20 "Share based payments";
FRS 21 "Events after the balance sheet date";
FRS 23 "Effects of foreign exchange rates";
FRS 25 "Financial Instruments – Disclosure and Presentation";
FRS 26 "Financial Instruments – Measurement"; and
FRS 28 "Corresponding Amounts".

In preparing the financial statements for the current year, the company has adopted FRS 25 and 26. As a result of this, all financial assets and liabilities, including certain financial instruments previously recognised as off balance sheet financial instruments, are stated at fair value in the Balance Sheet and accordingly the opening balances of retained earnings have been adjusted by £636,208 as if the standard had always been applied. The profit/(loss) on fair value revaluation of the financial instruments for the current year is £49,793 and is accounted for in the accordance with the FRS.

The adoption of FRS 20 has resulted in a change in accounting policy for share based-payment transactions. FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period. For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model. For cash-settled transactions fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this.

Previously, the company did not recognise the cost of share options as they were recognised in the accounts of the parent company. As a result of this change additional staff costs of £51,820 (2006: £20,046) have been recognised in the profit and loss. In addition, an opening adjustment of £169,873 at 31 March 2005 was made to equity, with the creation of a share based payments reserve.

### Foreign currency transactions

The presentation and functional currency of the bank is sterling.

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Foreign exchange gains and losses are included in the profit and loss account.

Forward foreign exchange contracts are valued using appropriate valuation techniques applying a comparison to similar instruments for which market observable prices exist. Gains and losses are recognised in the profit and loss account.

### Debt securities

Debt securities held to maturity are included in the Balance Sheet at amortised cost. Gains and losses on sale are recognised upon realisation.

### Investment in subsidiary

Subsidiaries are held for the long term and are included at cost, subject to regular impairment review.

Impairment losses are recognised as an expense in the profit and loss account in the period in which they are identified.

Realised gains and losses on the sale of investments are reflected in the Profit and Loss Account.

### Property, plant, equipment and intangible assets

Property and equipment is recorded at cost less accumulated depreciation and impairments.

Depreciation and amortisation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, that the bank would currently obtain from the disposal of an asset of similar age and condition as expected at the end of the useful life of the asset.

The annual depreciation and amortisation rates for each class of asset is as follows:

| | % |
|---|---|
| Freehold property | Nil |
| Leasehold improvements | Over the Term of the lease |
| Office equipment – furniture and fittings | 20%-33% |
| Office equipment – general | 15%-20% |
| Office equipment – computer equipment | 33% |
| Intangible Assets | 33% |

# Notes to the abridged financial statements at 31 March 2007





### Impairment of non financial assets

The bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

### Share-based payments

*Equity-settled transactions*

The bank operates share option and share purchase schemes for employees, on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing staff to share in the risks and rewards of the bank.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market conditions, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

### Revenue recognition

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act.

The effective interest yield calculation is based on the estimated life of the underlying instrument. Where this is not readily available, the contractual life is used.

Commissions and fees include fees earned from foreign exchange, credit related fees, bank charges and custodian services. All such commissions and fees are recognised as revenue when the related services are performed.

### Financial instruments

*Financial assets and liabilities held at fair value through profit and loss*

Financial instruments designated as held at fair value through profit and loss include all instruments classified as held for trading and those intruments designated as fair value through profit and loss. Financial instruments are classified as trading when they are held with the intention of short term disposal, held with the intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit and loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

*Held-to-maturity assets*

Held to maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates. Financial instruments that the bank has the postive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortised cost using the effective interest rate, less impairment losses.

# Notes to the abridged financial statements at 31 March 2007

*Due from banks and loans and advances to customers*
'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment – available for sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest and similar income' in the income statement. Any losses arising from impairment are recognised in the income statement.

*Financial liabilities*
Financial liabilities are classified as non-trading, held for trading or designated at fair value through profit or loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest method.

Liabilities held for trading or designated as held at fair value through profit and loss are accounted for as indicated above.

*Derecognition of financial assets and liabilities*
A financial asset or a portion thereof, is derecognised when the bank's rights to cash flows has expired; or when the bank has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all of the risks and rewards associated with financial assets or when control over the financial asset has passed.

A financial liability is derecognised when it is extinquished, that is when the obligation is discharged, cancelled or expired.

*Derivative instruments*
Derivatives include forward foreign exchange contracts and embedded derivatives on profit share agreements.

All derivative instruments of the bank are recorded on balance sheet at fair value. Postive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

Changes in the fair value of derivates held for trading are included in operating income.

*Financial guarantees*
In the ordinary course of business, the Bank gives financial guarantees. Financial guarantees are initially recognised in the financial statements at fair value in 'Other liabilities' being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

The premium received is recognised in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

*Impairment of loans and advances*
The bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

### Consolidation and cash flow statement
Since the company is a wholly owned subsidiary, in accordance with FRS2 (Financial Reporting Standard Number 2: Accounting for Subsidiary Undertakings) the financial statements present information about the company as an individual undertaking and not about its group. For the same reason, in accordance with FRS1 (Financial Reporting Standard Number 1: Cash Flow Statements), the company is exempt from the requirements to prepare a cashflow statement.

### Related party transactions
The company is exempt from disclosure of certain transactions required by FRS8 (Financial Reporting Standard 8: Related Party Disclosure), as it is a wholly owned subsidiary company and the consolidated financial statements of the group in which the company is included are publicly available. Any reference to Holding Company in the financial statements refers to either an immediate or other controlling party in the Investec group.

### Taxation
Current and deferred tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

# Notes to the abridged financial statements at 31 March 2007

## 2. Review of the bank's risk profile

### Risk management

The company's financial instruments comprise customer deposits and other market borrowings, some cash and liquid resources, and other assets and liabilities arising directly from the company's operations.

The main risks arising from the company's financial instruments are credit risk, liquidity risk, financing and interest rate risk, foreign currency risk and market price risk. The company's Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since 1 April 2006.

### Treasury policies

The company's liquidity risk, and exposure to interest rate and foreign exchange risks are managed by the company's treasury department. Treasury seeks to reduce or eliminate financial risk, to ensure sufficient liquidity is available to meet forseeable needs and to invest cash assets safely and profitably. It operates within policies and procedures agreed by the company's Board of Directors and the ultimate parent company, which include strict controls on the use of financial instruments in managing the company's risk.

Although the company does not actively trade, it is authorised to take small positions in currency within the overall limits imposed by the company's Board of Directors.

### Credit risk

Credit risk is the risk that a customer or counterparty will be unwilling or unable to meet a commitment that it has entered into with the company. The company continuously reviews the credit quality of counter-parties and limits individual aggregate exposures accordingly. The company's Board of Directors receive regular reports on the credit exposures. These include information on large credit exposures, asset concentration, levels of bad debt provisioning and country exposure limits.

As at 31 March 2007, Investec Bank (Channel Islands) Limited had total loans and advances to banks of £968,855,295 (2006: £856,831,008). Of this total, £639,595,178 (66.0%) was due from Investec Bank UK Limited (2006: £576,680,791).

As at 31 March 2007, total loans and advances to customers totalled £433,648,744 (2006: £371,497,698). Of this amount 99.3% (£430,825,464) was fully secured by collateral (2006: £370,645,912). The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral are residential property, commercial property, cash and investment portfolios.

### Financing and interest rate risk

Exposure to interest rate risk is the risk that arises when there is an imbalance between rate and non rate-sensitive assets, liabilities and off balance sheet items. The company's policy is to maintain the interest rate risk at a minimal level except that management may invest the shareholders' funds in fixed or floating rate instruments in response to market conditions.

Company policy dictates that interest rates should not be fixed for any period greater than one year. If circumstances arise which require rates to be fixed for greater than one year, the company enters into interest rate swaps to manage that risk. At 31 March 2007 no significant contracts were entered into.

### Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The company's policy throughout the year has been to set limits for sight to 8 days and sight to 1 month liquidity.

Surplus funds are invested in high quality liquid marketable instruments including money market instruments and bank deposits. Debt securities held during the year include Certificates of Deposit. The company does not enter into commodity contracts.

### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in the foreign exchange rates. The company's foreign exposure arises from providing services to customers. The company's policy is to hedge against foreign exchange risks by matching currency liabilities with currency assets. The company's Board of Directors receive regular reports on foreign currency exposures. The table in note 9 shows the company's exposure to major currencies as at 31 March 2007.

### Market price risk

Liquidity and trading values are an issue with unquoted investments and opportunities for the accumulation and disposal of holdings may be limited.

### Interest rate sensitivity gap analysis

Part of the company's return on financial instruments is obtained from controlled mismatching of the date on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The following table summarises these repricing mismatches on the company's non-trading book as at 31 March 2007. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date, taking into account the effects of derivatives whose effect is to alter the interest base of an asset or liability.

# Notes to the abridged financial statements at 31 March 2007

Interest rate sensitivity gap analysis (£'000)

| | Not more than three months | More than three months but not more than six months | More than six months but not more than one year | More than one year but not more than five years | More than five years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Fixed rate – up to 5% | 195 162 | 25 701 | – | 517 | – | – | 221 380 |
| Fixed rate – above 5% | 449 199 | 48 638 | 40 952 | – | – | – | 538,789 |
| Floating rate – up to 5% | 9 086 | – | – | – | – | – | 9 086 |
| Floating rate – above 5% | 777 451 | – | – | – | – | – | 777 451 |
| Non-interest bearing | – | – | – | – | – | 4 071 | 4 071 |
| **Total assets** | **1 430 898** | **74 339** | **40 952** | **517** | **–** | **4 071** | **1 550 777** |
| **Liabilities** | | | | | | | |
| Fixed rate – up to 5% | 96 580 | 7 516 | 1 571 | – | – | – | 105 667 |
| Fixed rate – above 5% | 525 449 | 63 215 | 8 167 | – | – | – | 596 831 |
| Floating rate – up to 5% | 351 226 | – | – | – | – | – | 351 226 |
| Floating rate – above 5% | 402 048 | – | – | – | – | – | 402 048 |
| Non-interest bearing | – | – | – | – | – | 5 420 | 5 420 |
| **Total liabilities** | **1 375 303** | **70 731** | **9 738** | **–** | **–** | **5 420** | **1 461 192** |
| Equity | – | – | – | – | – | 89 585 | 89 585 |
| Interest rate sensitivity gap | 55 595 | 3 608 | 31 214 | 517 | – | 90 934 | – |
| Cumulative interest rate sensitivity gap as at 31 March 2007 | 55 595 | 59 203 | 90 417 | 90 934 | 90 934 | – | – |
| Cumulative interest rate sensitivity gap as at 31 March 2006 | 28 554 | 47 926 | 47 781 | 25 233 | 74 892 | – | – |

# Notes to the abridged financial statements at 31 March 2007



## 3. Maturities of certain assets and liabilities

**Loans and advances to banks**

| (£'000) | 2007 | 2006 Restated |
|---|---|---|
| Repayable: | | |
| Up to one month | 532 006 | 513 350 |
| From one month to three months | 424 181 | 319 254 |
| From three months to one year | 12 668 | 25 427 |
| | 968 855 | 853 031 |

**Deposit and current accounts**

| (£'000) | 2007 | 2006 Restated |
|---|---|---|
| Repayable: | | |
| Up to one month | 713 604 | 727 326 |
| From one month to three months | 662 852 | 497 529 |
| From three months to one year | 79 315 | 51 889 |
| From one year to five years | – | 308 |
| Five years and over | – | – |
| | 1 455 771 | 1 277 052 |



## 4. Provision for loan losses

**Reconciliation of movements in specific impairments for bad and doubtful debts**

| (£'000) | 2007 | 2006 Restated |
|---|---|---|
| Balance at beginning of year | 518 | – |
| Charge for year | 312 | 518 |
| Recoveries | (415) | – |
| Balance at end of year | 415 | 518 |
| Movement for the year | (103) | 518 |

The specific impairment in each year relates to one commercial property loan.

# Notes to the abridged financial statements at 31 March 2007





## 5. Investments

| Name of subsidiary | Nature of business | Issued Capital | % held | Country of incorporation |
|---|---|---|---|---|
| Investec Bank (Channel Islands) Nominees Limited | Nominee company | 100 000 | 100% | Guernsey |

## 6. Share capital

| (£'000) | 2007 | 2006 |
|---|---|---|
| Authorised: 23,250,000 ordinary shares of £1 each | 23 250 | 23 250 |
| Allotted, called up and fully paid: ordinary shares of £1 each | 14 652 | 14 652 |

## 7. Reserves and share premium account

| (£'000) | Share premium | Money Market provision | SARB provision | Share based payment reserve | Profit & loss | Total |
|---|---|---|---|---|---|---|
| Balance at 31 March 2005 as previously reported | 6 348 | 614 | 1 899 | – | 28 144 | 37 005 |
| Remeasurement – FRS 25&26 Financial Instruments | – | – | – | – | (636) | (636) |
| Remeasurement – FRS 20 Share Based Payments | – | – | – | 170 | (170) | – |
| Restated balance at 31 March 2005 | 6 348 | 614 | 1 899 | 170 | 27 338 | 36 369 |
| Shares issued in year | 14 000 | – | – | – | – | 14 000 |
| Restated profit for year | – | – | – | – | 10 507 | 10 507 |
| Transfer to SARB Provision | – | (614) | 1 614 | – | (1 000) | – |
| Share based payments adjustments | – | – | – | 20 | – | 20 |
| Restated at 31 March 2006 | 20 348 | – | 3 513 | 190 | 36 845 | 60 896 |
| Profit for year | – | – | – | – | 13 984 | 13 984 |
| Share based payments adjustments | – | – | – | 53 | – | 53 |
| Transfer to SARB provision | – | – | 630 | – | (630) | – |
| **Balance at 31 March 2007** | **20 348** | **–** | **4 143** | **243** | **50 199** | **74 933** |

The Money Market Provision is a non distributable reserve calculated as 0.25% of the value of money market loans as at 31 March. This has been consolidated with the SARB provision in the year ended 31 March 2006. The SARB provision is a non-distributable reserve. This reserve is required by the South African Reserve Bank.

# Notes to the abridged financial statements at 31 March 2007

## 8. Commitments and contingent liabilities

In the normal course of business there are various outstanding commitments and contingent liabilities that are not reflected in the financial statements.

| (£'000) | 2007 | 2006 |
|---|---|---|
| Forward foreign exchange contracts – nominal values | 320 145 | 476 377 |
| Guarantees | 9 748 | 11 436 |
| Undrawn loans | 102 561 | 103 086 |

## 9. Currency exposure

The currency exposure is stated in the Sterling equivalent

| (£'000) | £ | US$ | Euro | Other | Total |
|---|---|---|---|---|---|
| Assets | 980 478 | 358 974 | 148 065 | 63 260 | 1 550 777 |
| Liabilities | (980 478) | (358 974) | (148 065) | (63 260) | (1 550 777) |
| Net off balance sheet assets/(liabilities) | 341 | (318) | 172 | (210) | (15) |
| Net position at 31 March 2007 | 341 | (318) | 172 | (210) | (15) |
| Net position at 31 March 2006 | (31) | (1 137) | (250) | 1 405 | (13) |



## 10. Pension costs

The company operates a money purchase pension scheme. Contributions of the company were 10%, 13%, 15%, 20% or 27% of staff salaries, depending on age and length of service.

# Other group private banking companies

Investec Bank (UK) Limited, London and Manchester

Investec Bank (UK) Limited, Dublin Branch

Investec Administration Services Limited

Investec Trust (Guernsey) Limited

Investec Trust (Jersey) Limited

Investec Bank (Switzerland) Limited, Zurich

Investec Trust (Switzerland) S.A.

Investec Trust (Mauritius) Limited

Investec Australia Limited, Sydney

Investec Bank Limited
- Johannesburg
- Cape Town
- Durban
- Port Elizabeth
- Pretoria

# Products and services

## Banking services

The Bank offers competitive savings products across multiple currencies, ranging from easy access to notice and fixed term deposit accounts.

## Investec Horizon Account

This 90 day notice account is available in Sterling, US dollar and Euro and offers highly competitive interest rates which will never fall below the UK Base, US Federal Reserve Bank or the European Central Bank rates.

## Direct Reserve Account

For those clients wishing to invest larger sums, this account is a multi-currency, high interest savings account offering consistently competitive rates of interest.

## Private Interest Current Account

This account is an easy access account available in eight currencies giving clients flexibility to manage their finances more effectively.

## Foreign exchange and treasury services

The Bank actively manages its own foreign exchange and treasury book enabling clients to gain access to competitive prices for spot and forward foreign exchanges, as well as fixed term deposits.

## Custody

The Bank offers a fully-integrated execution only securities dealing and custody service for those who wish to manage their own investments.

## Investment management

Clients have access to a variety of traditional and alternative investments through bespoke managed portfolios and specialist one-off investments.

## Lending

The Bank lends across a wide range of asset classes to meet clients' liquidity, funding/financing and asset securitisation needs.

## Trust and corporate services

Through Investec Trust, the Bank is able to provide specialist trust advice and expertise necessary for the planning and management of family wealth for future generations.