Investec Bank (Channel Islands) Limited

Abridged financial statements for the year ended 31 March 2008

Investec

Private Bank

Directors, Officers and Professional Advisers

Directors

A. Tapnack (Chairman)
M. Mirghavameddin
C. P. Goodwin
S. D. Henry
R. A. R. Evans (Non executive)
S. Heilbron (Non executive)

Secretary

Finistere Secretaries Ltd

Auditors

Ernst & Young LLP
14 New Street
St Peter Port
Guernsey

Registered Office

La Vieille Cour
La Plaiderie
St Peter Port
Guernsey
GY1 3LP
Channel Islands
Telephone: (01481) 723506
Facsimile: (01481) 741147
Swift: GMGUGGSP

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 delighted to present the results for Investec Bank (Channel Islands) Ltd. for the year ended 31 March 2008. Notwithstanding most difficult conditions for the banking sector, caused by the dislocation of global credit markets, we are pleased to report a sixth consecutive year of profit growth, up 49% after tax to £20.9 million (2007: £14.0 million) driven by a 15% increase in assets, which now stand at £1.79 billion (2007: £1.55 billion).

Client deposits continued to grow and rose by 15% on the previous year to £1.671 billion on the back of a combination of new clients and further funds from existing relationships. Our loan book grew 18% to £513.4 million based on distinctive offerings for local and international clients.

We have successfully implemented the relevant changes to our systems and business processes to meet the requirements of Basel II Regulations. Over the last three years we have doubled our profitability and accordingly made the same tax contributions to The States notwithstanding the reduction in tax rates in Guernsey from 20% to 10%.

Our Jersey branch, opened in May 2007, continues to establish relationships across the fiduciary and corporate sector and we are gaining traction in building our balance sheet in that jurisdiction.

On behalf of the shareholders, I thank the Board and the staff in Guernsey and Jersey for their hard work which has contributed to these fine results. We value each client and thank them for their loyalty to Investec and, with their continued support and that of our management and staff, we look forward to the continued development of the bank.

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 17 together with the audited financial statements of Investec Bank (Channel Islands) Limited for the year ended 31 March 2008. 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 June 2008 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 2008 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.

Independent Auditor's report

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 2008 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 25 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."

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
27 June 2008

Profit and loss accounts

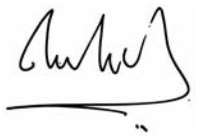
Year ended 31 March (£'000)	2008	2007
Net interest and similar income	23 267	18 487
Net other income	9 513	4 830
	32 780	23 317
Expenses including taxation	11 881	9 333
Operating profit for the financial year	**20 899**	**13 984**

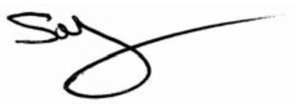
The notes on pages 7 to 17 form part of these abridged financial statements.

Balance sheet

As at 31 March (£'000)	Notes	2008	2007
Assets			
Loans and advances to banks	3	1 189 331	968 855
Debt securities held to maturity		77 749	144 201
Derivative financial instruments		9 224	1 365
Loans and advances to customers		513 434	433 649
Investment in subsidiary company	5	100	100
Other assets		3 579	1 213
Intangible fixed assets		310	268
Tangible fixed assets		1 083	1 126
		1 794 810	1 550 777
Liabilities and equity shareholders' funds			
Share capital	6	14 652	14 652
Reserves and share premium account	7	95 925	74 933
Equity shareholders' funds		110 577	89 585
Derivative financial instruments		7 123	955
Deposit and current accounts	3	1 670 658	1 455 771
Other liabilities (including taxation)		6 452	4 466
		1 794 810	1 550 777

The abridged financial statements on pages 5 to 17 were approved by the Board of Directors on 25 June 2008 and are signed on its behalf by:

M. Mirghavameddin 

S. D. Henry 

The notes on pages 7 to 17 form part of these abridged financial statements.

Notes to the abridged financial statements at 31 March 2008

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.

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%

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).

Notes to the abridged financial statements at 31 March 2008

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.

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 or loss

Financial instruments designated as held at fair value through profit or loss include all instruments classified as held for trading and those instruments designated as fair value through profit or 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 or 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 positive 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.

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.

Notes to the abridged financial statements at 31 March 2008

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 or 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 extinguished, 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. Positive 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 derivatives 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.

Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. 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 2008

2. Review of the bank's risk profile

Risk management

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Bank is exposed to credit risk, liquidity risk, financing and interest rate risk, foreign currency risk, market risk and operational 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 2007.

Risk Management processes throughout the Bank are audited by the internal audit function, that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings to the Audit Committee of the Bank's parent company.

Monitoring and controlling risks is primarily performed based on limits established by the Bank or allocated to the Bank by its parent company. Reports are prepared daily to ensure that all agreed limits are adhered to. A daily summary is circulated to Senior Management, to identify any breaches of Market limits, Foreign Exchange exposures, Interest Rate risk and Liquidity.

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 foreseeable 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 receives regular reports on credit exposures. These include information on large credit exposures, asset concentration, levels of bad debt provisioning and country exposure limits.

Total Credit Exposures are summarised below:

At 31 March (£m)	2008	2007
Loans and advances to banks	1 189	969
Loans and advances to customers	513	434
Debt securities held to maturity	78	144
Derivative financial instruments	9	1
Other Assets	4	1
Total on Balance Sheet Credit Exposures	**1 793**	**1 549**
Guarantees	21	10
Undrawn Loans	112	103
Total Credit Exposures	**1 927**	**1 662**

Of the total 'Loans and advances to banks', £732.8m (62.0%) was due from Investec Bank UK Limited (2007: £639.6m).

Of the total 'Loans and advances to customers', 99.5% (£510.9m) was fully secured by collateral (2007:£430.8m). 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.

No loans were considered as past due at 31 March 2008 (2007: £nil).

In addition to placing funds with the Bank's parent, funds are also placed with other banks. The Bank has limits on the maximum value of funds it can place with any counterparty. These limits are approved by Group Credit and allocated to the Bank. These limits are monitored daily and any breaches of limits are reviewed by the Bank's Board of Directors.

Notes to the abridged financial statements at 31 March 2008

An analysis of the counterparty risk on loans and advances to banks is shown below:

Fitch Rating	As at 31 March 2008 Limit £m	%	Exposure £m	%	As at 31 March 2007 Limit £m	%	Exposure £m	%
AAA	25	0.2%	0	0.0%	0	0.0%	0	0.0%
AA+	635	4.9%	95	8.0%	415	3.4%	148	15.3%
AA	485	3.8%	79	6.7%	385	3.2%	78	8.0%
AA-	1 145	8.9%	168	14.1%	925	7.6%	69	7.1%
A+	240	1.9%	0	0.0%	205	1.7%	0	0.0%
A	175	1.4%	40	3.4%	105	0.9%	0	0.0%
A-	75	0.6%	0	0.0%	50	0.4%	0	0.0%
BBB+	10 010	78.0%	807	67.8%	10 010	82.6%	674	69.6%
Unrated	40	0.3%	0	0.0%	25	0.2%	0	0.0%
	12 830	**100.0%**	**1 189**	**100.0%**	**12 120**	**100.0%**	**969**	**100.0%**

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.

Page 14 shows management's estimate of the interest rate sensitivity gap as at 31 March 2008. Assets and liabilities are included in the table at the earliest date at which the applicable interest rate can change.

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 bank enters into interest rate swaps to manage that risk. At 31 March 2008 no significant contracts were entered into.

The Bank monitors interest rate risk using MPM (Million Pound Months) analysis. Using this analysis, exposures are expressed on the basis of residual term to earliest interest re-pricing date (in months) x nominal value of the exposure. Limits are set for each currency and are monitored daily.

Summary of MPM Position:

Currency	As at 31 March 2008 MPM Position £m	MPM Limit £m	% Utilisation	As at 31 March 2007 MPM Position £m	MPM Limit £m	% Utilisation
GBP	328	500	66%	(6)	500	1%
USD	(133)	500	27%	(114)	500	23%
JPY	(53)	75	70%	(32)	75	43%
EURO	(24)	250	10%	(48)	250	19%
Others	46	50	92%	7	50	14%
Overall	**584**	**1 000**	**58%**	**208**	**1 000**	**21%**

The Overall MPM limit represents the maximum exposure permitted. It does not equate to the sum of the individual currency limits.

Notes to the abridged financial statements at 31 March 2008

Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The table in Note 27 shows the maturity analysis of the balance sheet of the bank.

The company's policy throughout the year has been to set limits for sight to eight days and sight to one 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 comprise Certificates of Deposit. The company does not enter into commodity contracts.

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cashflows indicated by the Bank's deposit retention history.

At 31 March 2008 (£'000)	Up to one month	More than one month but 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	Over one year	Total
Liabilities						
Deposits by banks	35 753	19 770	19 136	–	–	74 660
Customer accounts	749 191	774 882	69 992	9 022	–	1 603 088
Derivative financial instruments	3 014	1 122	2 315	673	673	7 797
Loan Commitments	110 758	–	–	–	1 500	112 258
Guarantees	1 207	730	–	–	19 228	21 165
At 31 March 2007						
Liabilities						
Deposits by banks	18 606	–	–	–	–	18 606
Customer accounts	696 329	667 525	70 729	10 429	–	1 445 012
Derivative financial instruments	658	200	51	46	46	1 001
Loan Commitments	100 562	–	–	–	2 000	102 561
Guarantees	1 687	1 581	1 214	2 415	2 851	9 748

Notes to the abridged financial statements at 31 March 2008

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's foreign exposure arises from providing services to customers. The company's policy is to hedge against foreign exchange risk by matching currency liabilities with currency assets. The company's Board of Directors receive regular reports on foreign currency exposures.

Fluctuations in exchange rates can have an effect on profit. The table below summarises the effect on profit of a 5% increase of exchange rates against sterling, assuming the net positions in each currency remain unchanged. The table shows the main exposures of the Bank. A negative value indicates a decrease in profit. Due to the policy of matching currency liabilities with currency assets, the effect of exchange rate movements on profit is minimal.

	Increase in FX rate against GBP	31 March 2008 Effect on profit £	31 March 2007 Effect on profit £
USD	5%	10 696	(474)
NZD	5%	(2 712)	(607)
SEK	5%	(2 466)	(1 363)
CHF	5%	1 328	92
EUR	5%	1 283	(2 407)
CAD	5%	(1 055)	712
JPY	5%	(289)	1 979

Operational risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank does not expect to eliminate all operational risks, but through effective control procedures and by monitoring and responding to potential risks, the Bank is able to manage the risks. All anticipated risks are identified and monitored, using Enterprise Risk Assessor software. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training, and assessment processes, including the use of internal audit.

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 2008. 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 2008

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%	542 420	26 490	18 324	–	–	–	587 234
Fixed rate – above 5%	132 600	82 142	1 814	1 226	–	–	217 783
Floating rate – up to 5%	58 653	–	–	–	–	–	58 653
Floating rate – above 5%	914 177	–	–	–	–	–	914 177
Non-interest bearing	–	–	–	–	–	16 963	16 963
Total assets	**1 647 851**	**108 632**	**20 139**	**1 226**	**–**	**16 963**	**1 794 810**
Liabilities							
Fixed rate – up to 5%	227 774	39 849	2 583	–	–	–	270 206
Fixed rate – above 5%	467 790	47 724	6 090	–	–	–	521 604
Floating rate – up to 5%	516 100	–	–	–	–	–	516 100
Floating rate – above 5%	362 748	–	–	–	–	–	362 748
Non-interest bearing	–	–	–	–	–	13 149	13 149
Total liabilities	**1 574 411**	**87 573**	**8 674**	**–**	**–**	**13 149**	**1 683 806**
Equity	–	–	–	–	–	110 577	110 577
Interest rate sensitivity gap	73 439	21 059	11 465	1 226	–	(106 762)	427
Cumulative interest rate sensitivity gap as at 31 March 2008	73 439	94 498	105 963	107 189	107 189	427	855
Cumulative interest rate sensitivity gap as at 31 March 2007	55 595	59 203	90 417	90 934	90 934	–	–

Notes to the abridged financial statements at 31 March 2008

3. Maturities of certain assets and liabilities

Loans and advances to banks

(£'000)	2008	2007
Repayable:		
Up to one month	518 799	532 006
From one month to three months	586 418	424 181
From three months to one year	84 114	12 668
	1 189 331	968 855

Deposit and current accounts

(£'000)	2008	2007
Repayable:		
Up to one month	784 263	713 604
From one month to three months	790 149	662 852
From three months to one year	87 573	79 315
From one year to five years	8 673	–
Five years and over	–	–
	1 670 658	1 455 771

4. Provision for loan losses

Reconciliation of movements in specific impairments for bad and doubtful debts

(£'000)	2008	2007
Balance at beginning of year	415	518
Charge for year	–	312
Recoveries	(415)	(415)
Balance at end of year	–	415
Movement for the year	(415)	(103)

The specific impairment in each year relates to one commercial property loan. This loan was repaid during the year ended 31 March 2008.

Notes to the abridged financial statements at 31 March 2008

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)	2008	2007
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	SARB provision	Share based payment reserve	Profit & loss	Total
Balance at 31 March 2007	20 348	4 143	242	50 199	74 932
Profit for year	–	–	–	20 899	20 899
Share based payments adjustments	–	–	93	–	93
Release SARB Provision	–	(4 143)	–	4 143	–
Balance at 31 March 2008	**20 348**	**–**	**335**	**75 242**	**95 924**

The SARB Provision is a non-distributable reserve. This reserve was required by the South African Reserve Bank. Following a change in Regulatory requirements this provision is no longer required and the entire amount and was transferred back to distributable reserves.

Notes to the abridged financial statements at 31 March 2008

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)	2008	2007
Forward foreign exchange contracts – nominal values	584 114	320 145
Guarantees	21 165	9 748
Undrawn loans	112 258	102 561

9. Currency exposure

The currency exposure as at 31 March 2008 is stated in the Sterling equivalent.

(£'000)	£	US$	Euro	Other	Total
Assets	1 069 937	421 025	220 766	83 082	1 794 810
Liabilities	(1 069 937)	(421 025)	(220 766)	(83 082)	(1 794 810)
Net off balance sheet assets/(liabilities)	(1 788)	(3 412)	2 100	3 103	4
Net position at 31 March 2008	(1 788)	(3 412)	2 100	3 103	4
Net position at 31 March 2007	341	(318)	172	(210)	(15)

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

Our 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.