2010

Investec Bank (Channel Islands) Limited

Abridged financial statements
for the year ended 31 March 2010

Out of the Ordinary™

Investec
Specialist Private Bank

Directors, Officers and Professional Advisers

Directors

A. Tapnack (Chairman)
M. Mirghavameddin (resigned 03/09/2009)
D. Fitch (appointed 14/09/2009)
K. Allen (appointed 26/11/2009)
C. P. Goodwin
S. D. Henry
R. A. R. Evans (Non executive)
S. Heilbron (Non executive)

Secretary

Finistere Secretaries Ltd

Auditors

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
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

The dislocation in financial markets and the difficult economic conditions of the past two years have continued into the year under review and have spread to sovereign states in the EU. In the banking sector liquidity, capital and credit have continued to be under stress. This has fed through into activity levels for banks and their clients.

Against this background, I am pleased to report that Investec Bank (Channel Islands) Limited continues to perform strongly. Our client deposit book grew by 3% to £1.946 billion (2009: £1.888 billion) providing ample liquidity. The Bank is well capitalised; the capital ratio having increased to 16.57% (2009: 15.61%). In the testing environment for credit and collateral values, the Loan Book has proved resilient, with a significant reduction in past due loans. Although post-tax profits declined the Bank is pleased to be able to report post tax profits of £10m (2009: £16.6m).

The year also witnessed significant changes in personnel. After 8 years as Managing Director, Mort Mirghavameddin stepped down in September 2009. We thank Mort for his contribution to the growth of the bank under his stewardship. I am pleased to report that Stephen Henry who has served with distinction as Finance Director of the Bank for the past 13 years has taken on the role of Managing Director. Stephen has been a key contributor to the success and safety of Investec Bank (Channel Islands) Limited and I am confident he will lead the business to even greater success in the future.

In addition, it is pleasing to report that David Fitch and Kevin Allen have been appointed to the Board during the year. Both are existing employees of the Bank, and their knowledge of the business and of it's core clients in Guernsey and Jersey will be invaluable as we seek to drive the business forward over the next 12 months.

The Bank continues to invest in its back office systems as it improves its offering to clients. During the year the Online Banking system used by Intermediary Clients was enhanced to allow payments to be made electronically. In the coming year we plan to further enhance the online system to allow foreign exchange transactions to be completed online.

This solid performance is testament to the efforts of all our employees. It is their dedication and commitment to provide the highest levels of customer service which we believe distinguishes the bank from its competitors. I thank the Board for the invaluable support they have given to the management of the Bank.

More than ever, these results reflect the loyalty of our clients. On behalf of the Board I thank them for their continued support and loyalty.

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 2010. 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 30 June 2010 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 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 34. 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 262 of The Companies (Guernsey) Law, 2008. 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, 2008, 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 2010 and of its profit for the year then ended; and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008, 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 33 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 of the full financial statements reproduced above, was as follows:

"Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting practices.

Guernsey Company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the profit or loss of that company for that period. In preparing those financial statements the Directors should:

– 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 confirm that they have complied with the above requirements in preparing the financial statements. They also confirm that so far as they are aware, there is no material relevant audit information of which the Company's auditors are unaware and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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, 2008. 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
August 2010

Profit and loss account

Year ended 31 March (£'000)	2010	2009
Net interest and similar income	21 247	22 773
Net other income	3 224	6 397
Total income	**24 471**	**29 170**
Expenses including taxation	14 435	12 556
Retained profit for the financial year	**10 036**	**16 614**
Retained profit brought forward	91 856	75 242
Retained profit carried forward	**101 892**	**91 856**

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

Balance sheet

As at 31 March (£'000)	Notes	2010	2009
Assets			
Loans and advances to banks	3	887 521	1 408 939
Debt securities held to maturity		615 549	–
Derivative financial instruments		16 565	23 288
Loans and advances to customers		579 294	605 504
Investment in subsidiary company	5	100	100
Other assets		1 521	1 839
Intangible fixed assets		569	344
Tangible fixed assets		785	950
		2 101 904	2 040 964
Liabilities and equity shareholders' funds			
Share capital	6	14 652	14 652
Reserves and share premium account	7	122 843	112 664
Equity shareholders' funds		137 495	127 316
Derivative financial instruments		15 548	21 410
Deposit and current accounts	3	1 946 397	1 887 798
Other liabilities (including taxation)		2 464	4 440
		2 101 904	2 040 964

The abridged financial statements on pages 5 to 17 were approved by the Board of Directors in August 2010 and are signed on its behalf by:

S. D. Henry

D. Fitch

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

Notes to the abridged financial statements at 31 March 2010

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 financial instruments and in accordance with applicable Guernsey law and United Kingdom accounting standards.

Foreign currency transactions
The presentation and functional currency of the Company 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 using the effective interest rate method. 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 provision for 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:

	%
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%
Freehold property	Nil (market value is deemed to be greater than cost)

Impairment of non financial assets
The Company 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 Company 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 Company 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 Company.

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 2010

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 profit and loss account 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 profit and loss account.

The Company has taken advantage of the transitional provisions of FRS20 in respect of equity-settled awards so as to apply FRS20 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 profit and loss account 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 Company 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 profit and loss account. Any losses arising from impairment are recognised in the profit and loss account.

Notes to the abridged financial statements at 31 March 2010

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.

Fair value
Financial instruments carrying values in the financial statements closely represents their fair value due to the balances being short-term in nature and thus approximate their fair value.

Derecognition of financial assets and liabilities
A financial asset or a portion thereof, is derecognised when the Company's rights to cash flows has expired; or when the Company 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 Company are initially recorded and remeasured 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 Company 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 Company'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 profit and loss account in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

Impairment of loans and advances
The Company reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the profit and loss account. 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 cash flow 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 2010

2. Review of the bank's risk profile

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

The Company 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 2009.

Risk Management processes throughout the Company are audited by the internal audit function, that examines both the adequacy of the procedures and the Company'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 Company's parent company.

Monitoring and controlling risks is primarily performed based on limits established by the Company or allocated to the Company 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 receive 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:

As at 31 March (£m)	2010	2009
Loans and advances to banks	888	1 409
Loans and advances to customers	579	606
Debt securities held to maturity	616	–
Derivative financial instruments	17	23
Other Assets	3	3
Total on Balance Sheet Credit Exposures	**2 102**	**2 041**
Guarantees	4	22
Undrawn Loans	51	52
Total Credit Exposures	**2 157**	**2 115**

Of the total 'Loans and advances to banks', £201.4m (22.7%) was due from Investec Bank plc (2009: £869.3m).

Of the total 'Loans and advances to customers', 99.2% (£577.0m) was fully secured by collateral (2009: £603.8m). 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.

£1.3 million of loans are considered as past due as at 31 March 2010 (2009: £21.2m). These loans are aged in the 90 to 180 days range.

There were no loans renegotiated during the year (2009: £6.9m). This loan is included in loans and advances to customers.

In addition to placing funds with the Company's parent, funds are also placed with other banks. The Company 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 Company. These limits are monitored daily and any breaches of limits are reviewed by the Company's Board of Directors.

Notes to the abridged financial statements at 31 March 2010

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

	As at 31 March 20010				As at 31 March 2009			
Fitch Rating	Limit £m	%	Exposure £m	%	Limit £m	%	Exposure £m	%
AAA	–	0.0%	–	0.0%	–	0.0%	–	0.0%
AA+	50	0.7%	–	0.0%	50	0.4%	–	0.0%
AA	335	4.9%	42	4.8%	350	2.8%	46	3.3%
AA-	1 325	19.3%	104	11.7%	1 032	8.2%	45	3.2%
A+	1 150	16.7%	275	31.0%	730	5.8%	205	14.5%
A	783	11.4%	195	22.0%	295	2.3%	184	13.1%
A-	200	2.9%	75	8.4%	150	1.2%	–	0.0%
BBB+	10	0.1%	–	0.0%	25	0.2%	–	0.0%
BBB	3 025	44.0%	196	22.1%	10 000	79.2%	929	65.9%
Unrated	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	6 878	**100.0%**	**888**	**100.0%**	**12 632**	**100.0%**	**1 409**	**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 2010. 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 Company enters into interest rate swaps to manage that risk. At 31 March 2010 no significant contracts were entered into.

The Company 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:

	As at 31 March 2010			As at 31 March 2009		
Currency	MPM Position £m	MPM Limit £m	% Utilisation	MPM Position £m	MPM Limit £m	% Utilisation
GBP	(467)	1 300	36%	548	700	78%
USD	(229)	500	46%	77	500	15%
JPY	(47)	85	55%	(67)	85	79%
EURO	(23)	250	9%	(39)	250	15%
Others	21	50	41%	(14)	50	28%
Overall	**787**	**2 000**	**39%**	**744**	**1 000**	**74%**

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 2010

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 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 and Treasury bills. The Company does not enter into commodity contracts.

The table below summarises the maturity profile of the Company'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 Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cashflows indicated by the Company's deposit retention history.

At 31 March 2010 (£'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	16 234	5 954	–	–	–	22 188
Customer accounts	778 733	941 428	82 129	60 726	79 015	1 942 031
Derivative financial instruments	13 967	1 042	117	421	–	15 548
Loan Commitments	50 108	–	–		500	50 608
Guarantees	62	38	1 525	638	1 273	3 535
At 31 March 2009						
Liabilities						
Deposits by banks	30 280	3 613	5 852	–	–	39 745
Customer accounts	581 893	1 007 485	179 401	76 989	8 352	1 854 120
Derivative financial instruments	20 735	286	151	238	–	21 410
Loan Commitments	50 267	–	–	500	1 000	51 767
Guarantees	–	–	–	1 742	20 089	21 831

Notes to the abridged financial statements at 31 March 2010

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 and equity. 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 Company. 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 2010 Effect on profit £	31 March 2009 Effect on profit £
USD	5%	(1 327)	768
NZD	5%	54	(1 787)
SEK	5%	195	(729)
CHF	5%	(136)	(1 381)
EUR	5%	459	2 589
CAD	5%	1 804	191
JPY	5%	(178)	(132)

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 Company does not expect to eliminate all operational risks, but through effective control procedures and by monitoring and responding to potential risks, the Company 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 2010. 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 2010

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 3%	1 326 456	53 964	15 370	42 428	4 600	–	1 442 818
Fixed rate – above 3%	88 902	14 803	25 946	75 805	14 115	–	219 570
Floating rate – up to 3%	165 599	–	–	–	–	–	165 599
Floating rate – above 3%	254 376	–	–	–	–	–	254 376
Non-interest bearing	–	–	–	–	–	19 541	19 541
Total Assets	**1 835 333**	**68 767**	**41 316**	**118 233**	**18 715**	**19 541**	**2 101 905**
Liabilities							
Fixed rate – up to 3%	492 707	75 257	51 941	28 426	4 202	–	652 533
Fixed rate – above 3%	12 162	708	3 658	19 332	10 110	–	45 969
Floating rate – up to 3%	1 237 853	–	–	–	–	–	1 237 853
Floating rate – above 3%	10 043	–	–	–	–	–	10 043
Non-interest bearing	–	–	–	–	–	18 012	18 012
Total Liabilities	1 752 765	75 965	55 599	47 757	14 312	18 012	1 964 410
Equity	–	–	–	–	–	137 495	137 495
Interest rate sensitivity gap	82 569	(7 197)	(14 283)	70 476	–	(135 966)	–
Cumulative interest rate sensitivity gap as at 31 March 2010	82 569	75 371	61 088	131 563	131 563	–	–
Cumulative interest rate sensitivity gap as at 31 March 2009	264 363	124 102	129 373	123 786	123 786	–	–

Notes to the abridged financial statements at 31 March 2010

3. Maturities of certain assets and liabilities

Loans and advances to banks

(£'000)	2010	2009
Repayable:		
Up to one month	380 506	626 456
From one month to three months	395 040	665 480
From three months to one year	102 840	117 003
From one year to five years	9 135	–
	887 521	1 408 939

Deposit and current accounts

(£'000)	2010	2009
Repayable:		
Up to one month	794 857	612 036
From one month to three months	946 038	1 008 986
From three months to one year	141 366	258 717
From one year to five years	49 825	8 059
Five years and over	14 311	–
	1 946 397	1 887 798

4. Provision for loan losses

Reconciliation of movements in specific impairments for bad and doubtful debts

(£'000)	2010	2009
Balance at beginning of year	1 150	–
Charge for year	3 664	1 395
Recoveries	–	–
Written off during year	2 731	(245)
Balance at end of year	2 082	1 150
Movement for the year	932	1 150

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

Notes to the abridged financial statements at 31 March 2010

5. Investments

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

6. Share capital

(£'000)	2010	2009
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	Share based payment reserve	Profit & loss account	Total
Balance at 31 March 2009	20 348	460	91 856	112 664
Profit for year	–	–	10 036	10 036
Share based payments adjustments	–	142	–	142
Balance at 31 March 2010	**20 348**	**602**	**101 892**	**122 842**

Notes to the abridged financial statements at 31 March 2010

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)	2010	2009
Forward foreign exchange contracts – nominal values	1 684 611	1 233 130
Guarantees	3 535	21 831
Undrawn loans	50 608	51 267

9. Currency exposure

The currency exposure as at 31 March 2010 is stated in the Sterling equivalent.

(£'000)	£	US$	Euro	Other	Total
Assets	1 057 837	738 376	203 157	102 533	2 101 905
Liabilities	(1 057 837)	(738 376)	(203 157)	(102 533)	(2 101 905)
Net off balance sheet assets/(liabilities)	145	1 658	(1 788)	(143)	(127)
Net position as at 2010	145	1 658	(1 788)	(143)	(127)
Net position as at 2009	877	(1 090)	(281)	727	233

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.

11. Related party transactions

Administrative expenses include payments totalling £53,335 (2009: £24,626) to Ozannes Advocates and Notaries Public, for legal advice. Until 31 December 2003, R. A. R. Evans, a Non-Executive Director of Investec Bank (Channel Islands) Limited, was a Partner in Ozannes. He continues to work for Ozannes as a consultant. There were no payments outstanding to Ozannes as at 31 March 2010.

During the year there were no material transactions with key management personnel.

Other group private banking companies

Investec Bank (UK) Limited, London and Manchester

Investec Bank (UK) Limited, Dublin Branch

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 Company 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, 32 day notice, 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 Company 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 Company 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 Company 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 Company is able to provide specialist trust advice and expertise necessary for the planning and management of family wealth for future generations.