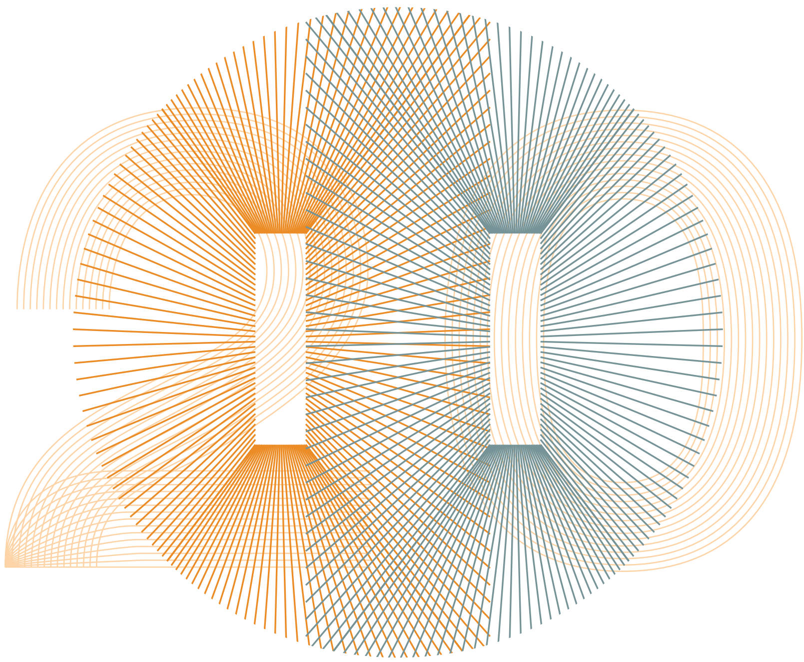
Investec Bank (Channel Islands) Limited
Abridged financial statements for the year ended 31 March 2011

2011



Out of the Ordinary™

Investec
Specialist Private Bank

Directors, Officers and Professional Advisers

Directors

A. Tapnack (Chairman)
D. Fitch
K. Allen
C. P. Goodwin
S. D. Henry
R. A. R. Evans (Non executive)
S. Heilbron (Non executive) (resigned 06/10/10)
P. Stevens (Non executive) (appointed 06/10/10)

Secretary

Finistere Secretaries Ltd

Auditors

Ernst & Young LLP
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St Julian's Avenue
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

Despite some signs of economic recovery the 12 months ended 31st March 2011 continued to provide challenging trading conditions for Investec Bank (Channel Islands) Limited. Whilst the Channel Islands jurisdictions may have escaped the worst of the global economic woes, there can be no doubt that the impact has been felt.

The Banking sector continues to face many challenges, with continued focus on capital adequacy, liquidity and credit risk management, whilst the level of regulatory scrutiny remains high.

Against this background it is very pleasing to be able to report a most creditable financial performance. During the year the business has sought to refocus on its key target markets, notably the Channel Islands financial intermediary sector. As a direct and intentional result of this strategy the level of client deposits has fallen during the period under review, however the bank's liquidity position remains strong. In addition there has been considerable focus on using this liquidity more efficiently by working to improve the margins earned on Treasury assets.

The year has also witnessed the business working more closely with other parts of the Investec Group, and leveraging off the broad range of experience and skills that exist across the organisation. This has allowed us to expand the range of products and services we are able to offer our clients.

The success of this strategy is evidenced by the fact that post tax profits have grown significantly to £13.328m representing an increase of almost 33% over the preceding year.

The level of client loans has declined slightly, however continued careful credit management has ensured that the level of arrears and defaults remain low. In addition the bank remains well capitalised with a Tier 1 Capital ratio of 14.16% at 31 March 2011.

The year has also seen changes in our Board brought about by changes in the executive structure of Investec Bank plc. Stephen Heilbron resigned as a Director during the year to devote time to his new position as Joint MD of Investec Bank plc. I thank him for his efforts during the time he has served as a Board member. I also welcome his successor, Paul Stevens, to the Board. He brings with him extensive experience in Property Lending along with nearly twenty years service with Investec.

As ever, I wish to extend my thanks to the staff of Investec Bank (Channel Islands) Limited, whose hard work, dedication and professionalism is greatly appreciated by the Board.

Finally on behalf of the Board I would like to thank the loyal clients of Investec Bank (Channel Islands) Limited. The Investec Group remains firmly committed to the Channel Islands market and the Bank has recently signed a long-term lease on new premises that will ensure that it will be able to meet the needs of its clients long into the future.

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 18 together with the audited financial statements of Investec Bank (Channel Islands) Limited for the year ended 31 March 2011. 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 29 June 2011 we reported, as auditors of Investec Bank (Channel Islands) Limited, to the members on the audited financial statements as follows:

"We have audited the financial statements of Investec Bank (Channel Islands) Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

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 explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material mis-statements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2011, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008, The Banking Supervision (Bailiwick of Guernsey) Law, 1994 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987 require us to report to you if, in our opinion:
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit."

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; 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
16 August 2011

Profit and loss account

Year ended 31 March (£'000)	2011	2010
Net interest and similar income	22 085	21 247
Net other income	3 371	3 224
Total income	**25 456**	**24 471**
Expenses including taxation	12 128	14 435
Profits for the financial year	**13 328**	**10 036**
Retained profit brought forward	101 892	91 856
Dividend paid	20 000	–
Retained profit carried forward	**95 220**	**101 892**

The notes on pages 7 to 18 form part of these abridged financial statements.

Balance sheet

As at 31 March (£'000)	Notes	2011	2010
Assets			
Loans and advances to banks	3	495 375	887 521
Reverse repurchase agreements		86 031	–
Debt securities held to maturity		477 934	615 549
Derivative financial instruments		20 276	16 565
Loans and advances to customers		545 143	579 294
Investment in subsidiary company	5	100	100
Other assets		1 670	1 521
Intangible fixed assets		289	569
Tangible fixed assets		654	785
		1 627 472	2 101 904
Liabilities and equity shareholders' funds			
Share capital	6	14 652	14 652
Reserves and share premium account	7	117 128	122 843
Equity shareholders' funds		131 780	137 495
Derivative financial instruments		20 064	15 548
Deposit and current accounts	3	1 473 696	1 946 397
Other liabilities (including taxation)		1 932	2 464
		1 627 472	2 101 904

The abridged financial statements on pages 5 to 18 were approved by the Board of Directors on 16 August 2011 and are signed on its behalf by:

C. P. Goodwin

D. Fitch

The notes on pages 7 to 18 form part of these abridged financial statements.

Notes to the abridged financial statements at 31 March 2011

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.

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 Company 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 2011

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.

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 2011

Available for sale financial assets

Available for sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not associates, joint ventures or subsidiaries of the group. Further, certain loans and receivables that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available for sale financial assets.

Financial assets classified as available for sale are measured at fair value on the balance sheet, with unrealised gains and losses recognised in reserves. When the asset is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the profit and loss account. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate. Dividends earned whilst holding available for sale financial assets are recognised in the profit and loss account when the right of payment has been established.

If an available for sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in equity are included in the profit and loss account in the period in which the impairment is identified.

Impairments on available for sale equity instruments are not reversed once recognised in the profit and loss account.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed, limited to the impairment value previously recognised in the profit and loss account.

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.

Sale and repurchase agreements

Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under "Reverse repurchase agreements". The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Hedge accounting

The Company applies fair value hedge accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the Company ensures that all of the following conditions are met:

- At inception of the hedge the Company formally documents the relationship between the hedging instrument and hedged item including the risk management objectives and the strategy in undertaking the hedge transaction
- The hedge is expected to be highly effective in achieving offsetting, that is within a range of 80% to 125%, changes in fair value attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship
- The effectiveness of the hedge can be reliably measured, i.e. the fair value of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated

Notes to the abridged financial statements at 31 March 2011

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; the derivative expires, or is sold, terminated or exercised; when the hedge item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the profit and loss account. Changes in fair value of the hedged item that are attributable to the risk hedged are recorded as part of the carrying value of the hedged item and are also recognised in the profit and loss account.

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 2011

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.

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)	2011	2010
Loans and advances to banks	495	888
Reverse repurchase agreements	86	–
Loans and advances to customers	545	579
Debt securities held to maturity	478	616
Derivative financial instruments	20	17
Other Assets	3	3
Total on Balance Sheet Credit Exposures	**1 627**	**2 102**
Guarantees	4	4
Undrawn Loans	47	51
Total Credit Exposures	**1 678**	**2 157**

Of the total 'Loans and advances to banks', £358.0m (72%) was due from Investec Bank plc (2010: £201.4m).

Of the total 'Loans and advances to customers', 98% (£536.0m) was fully secured by collateral (2010: £577.0m). 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.

£9 million of loans are considered as watchlist and nil considered as past due as at 31 March 2011 (2010: nil and £1.3m). These loans are aged in the 90 to 180 days range.

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 2011

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

	As at 31 March 2011				As at 31 March 2010			
Fitch Rating	Limit £m	%	Exposure £m	%	Limit £m	%	Exposure £m	%
AAA	–	0.0%	–	0.0%	–	0.0%	–	0.0%
AA+	50	1.3%	–	0.0%	50	0.7%	–	0.0%
AA	231	5.8%	23	4.6%	335	4.9%	42	4.8%
AA-	1 218	30.8%	20	4.0%	1 325	19.3%	104	11.7%
A+	885	22.4%	–	0.0%	1 150	16.7%	275	31.0%
A	810	20.5%	2	0.4%	783	11.4%	195	22.0%
A-	181	4.6%	50	10.1%	200	2.9%	75	8.4%
BBB+	55	1.4%	–	0.0%	10	0.1%	–	0.0%
BBB	525	13.3%	400	80.8%	3 025	44.0%	196	22.1%
Unrated	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	3 955	**100.0%**	**495**	**100.0%**	**6 878**	**100.0%**	**888**	**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 15 shows management's estimate of the interest rate sensitivity gap as at 31 March 2011. 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.

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 2011			As at 31 March 2010		
Currency	MPM Position £m	MPM Limit £m	% Utilisation	MPM Position £m	MPM Limit £m	% Utilisation
GBP	74	1 300	6%	(467)	1 300	36%
USD	(36)	500	7%	(229)	500	46%
JPY	(1)	85	1%	(47)	85	55%
EURO	(254)	500	51%	(23)	250	9%
Others	21	50	43%	21	50	41%
Overall	**386**	**2 000**	**19%**	**787**	**2 000**	**39%**

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 2011

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, Treasury bills, Floating Rate Notes and Fixed Rate Bonds. 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 2011	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	16 327 449	–	–	–	–	16 327 449
Customer accounts	647 867 185	662 464 622	31 503 936	72 039 388	58 554 635	1 472 429 766
Derivative financial instruments	11 965 280	587 547	328 992	7 177 109	4 917	20 063 845
Loan commitments	47 440 748	–	–	–	–	47 440 748
Guarantees	500 000	–	2 181 773	500 000	787 755	3 969 528
At 31 March 2010						
Liabilities						
Deposits by banks	16 233 840	5 954 044	–	–	–	22 187 885
Customer accounts	778 732 702	941 428 499	82 128 687	60 726 482	79 014 559	1 942 030 929
Derivative financial instruments	13 967 379	1 042 138	116 897	421 379	–	15 547 793
Loan Commitments	50 107 838	–	–	–	500 000	50 607 838
Guarantees	62 000	38 000	1 524 940	637 500	1 272 919	3 535 359

Notes to the abridged financial statements at 31 March 2011

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 2011 Effect on profit £	31 March 2010 Effect on profit £
USD	5%	10 158	(1 327)
NZD	5%	(668)	54
SEK	5%	801	195
CHF	5%	1 911	(136)
EUR	5%	18 458	459
CAD	5%	753	1 804
JPY	5%	(1 808)	(178)

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 2011. 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 2011

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%	373 543	543	(13 085)	12 457	–	–	373 458
Fixed rate – above 3%	47 897	1 779	7 144	13 857	–	–	70 677
Floating rate – up to 3%	781 045	–	–	–	–	–	781 045
Floating rate – above 3%	375 401	3 902	–	–	–	–	379 303
Non-interest bearing	–	–	–	–	–	22 989	22 989
Total Assets	**1 577 886**	**6 224**	**(5 941)**	**26 314**	**–**	**22 989**	**1 627 472**
Liabilities							
Fixed rate – up to 3%	287 329	17 901	49 496	53	–	–	354 779
Fixed rate – above 3%	13 050	2 468	11 139	2 056	–	–	28 713
Floating rate – up to 3%	1 045 992	–	–	–	–	–	1 045 992
Floating rate – above 3%	44 212	–	–	–	–	–	44 212
Non-interest bearing	–	–	–	–	–	21 996	21 996
Total Liabilities	1 390 583	20 369	60 635	2 109	–	21 996	1 495 692
Equity	–	–	–	–	–	131 780	131 780
Interest rate sensitivity gap before Interest Rate Swaps	187 303	(14 145)	(66 576)	24 205	–	(130 787)	–
Interest Rate Swaps	18 520	–	6 368	(24 888)	–	–	–
Interest rate sensitivity gap after Interest Rate Swaps	205 823	(14 145)	(60 208)	(683)	–	(130 787)	–
Cumulative interest rate sensitivity gap as at 31 March 2011	187 303	173 158	105 582	130 787	130 787	–	–
Cumulative interest rate sensitivity gap as at 31 March 2010	82 569	75 371	61 088	131 563	135 966	–	–

Notes to the abridged financial statements at 31 March 2011

3. Maturities of certain assets and liabilities

Loans and advances to banks

(£'000)	2011	2010
Repayable:		
Up to one month	2 499	380 506
From one month to three months	34 619	395 040
From three months to one year	138 843	102 840
From one year to five years	319 414	9 135
	495 375	887 521

Deposit and current accounts

(£'000)	2011	2010
Repayable:		
Up to one month	662 172	794 857
From one month to three months	672 907	946 038
From three months to one year	91 560	141 366
From one year to five years	34 947	49 825
Five years and over	12 110	14 311
	1 473 696	1 946 397

4. Provision for loan losses

Reconciliation of movements in specific impairments for bad and doubtful debts

(£'000)	2011	2010
Balance at beginning of year	2 082	1 150
Charge for year	1 836	3 664
Written off during year	2 849	2 732
Balance at end of year	1069	2 082
Movement for the year	(1 013)	932

The specific impairment in the current year relates to two commercial property loans.

Notes to the abridged financial statements at 31 March 2011

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)	2011	2010
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	Available for sale reserve	Retained earnings	Total
Balance at 31 March 2010	20 348	603	–	101 892	122 843
Profit for year	–	–	–	13 328	13 328
Fair value movements available for sale assets	–	–	775	–	775
Dividend paid	–	–	–	(20 000)	(20 000)
Share based payments adjustments	–	181	–	–	181
Balance at 31 March 2011	**20 348**	**784**	**775**	**95 220**	**117 127**

Notes to the abridged financial statements at 31 March 2011

8. Commitments and contingent liabilities

In the normal course of business there are various outstanding commitments and contingent liabilities.

(£'000)	2011	2010
Forward foreign exchange contracts – nominal values	1 716 438	1 684 611
Guarantees	3 969	3 535
Undrawn loans	47 441	50 608

9. Currency exposure

The currency exposure as at 31 March 2011 is stated in the Sterling equivalent.

(£'000)	£	US$	Euro	Other	Total
Assets	909 137	481 299	153 503	83 534	1 627 472
Liabilities including shareholders' funds	(909 137)	(481 299)	(153 503)	(83 534)	(1 627 472)
Net assets/(liabilities)	–	–	–	–	–
Off balance sheet					
Assets	724 553	446 247	343 631	202 091	1 716 522
Liabilities	(722 869)	(448 175)	(343 180)	(202 214)	(1 716 438)
Net off balance sheet assets/(liabilities)	1 684	(1 928)	451	(123)	84

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 £6,574 (2010: £53,335) to Mourant Ozannes (previously 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 2011.

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.