Out of the Ordinary®

Investec

Investec Bank (Mauritius) Limited
Annual Financial Statements
2009

Corporate information

Investec Bank (Mauritius) Limited

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Directorate

David M Lawrence (58)
BA(Econ) (Hons) Mcom
Chairman

Pierre de Chasteigner du Mee (56)
ACEA FBIM FMAAT

Angelique Anne Desvaux De Marigny (33)
LLB, Barrister-at-Law
Maitrise en Droit (Université de Paris I-Panthéon-Sorbonne)

Hugh S Herman (68)*
BA LLB LLD (Honoris CAUSA)

Craig C McKenzie (48)
Bsc Msc CFA
Chief Executive Officer

Peter R S Thomas (64)
CA(SA)

David M van der Walt (44)**
BCom (Hons) CA(SA)

* Resigned on 17 July 2008
** Resigned on 13 February 2009

Board committees

Board Sub-committee
David M Lawrence, Chairman
Pierre de Chasteigner du Mee
Craig C McKenzie

Audit Committee
Peter R S Thomas, Chairman
Pierre de Chasteigner du Mee
David M Lawrence

In attendance
Craig C McKenzie, Chief Executive Officer
Head of Operations
Head of Banking
Group Head of Internal Audit
Group Compliance Officer
Internal Audit and Compliance Officer
External auditors

Compensation Committee
David M Lawrence, Chairman
Tracey Rowe

In attendance
Craig C McKenzie

Conduct Review and Risk Policy Committee
David M Lawrence, Chairman
Pierre de Chasteigner du Mee
Peter R S Thomas

In attendance
Craig C McKenzie

Governance Committee
David M Lawrence, Chairman
Peter R S Thomas

Nomination Commitee
David M Lawrence, Chairman
Pierre de Chasteigner du Mee

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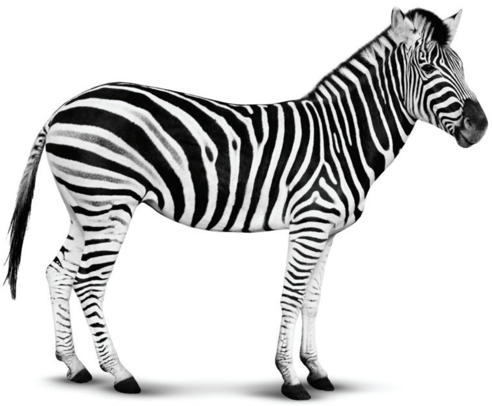


1 Investec Bank (Mauritius) Limited in perspective

Overview of Investec Bank (Mauritius) Limited

Who we are

Investec Bank (Mauritius) Limited was established as a wholly owned subsidiary of Investec Bank Limited in 1997. Initially the bank focused on structured finance transactions and has since expanded to cover a wider range of products, including property finance into most geographical regions where the Investec group has a footprint. Since being established, the bank has quickly become recognised as one of the leading international banks in Mauritius.

The bank employs a team of 55 local and expatriate staff and has an efficient and profitable business, operating in compliance with regulatory standards and banking practices both in Mauritius and in South Africa.

The bank embraces the Investec group's strategic goals and objectives, which are based on the aspiration to be recognised as a distinctive specialist banking group. This distinction is embodied in an entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and the ability to be nimble, flexible and innovative. An essential pillar of the bank's operating philosophy is that it does not seek to be all things to all people. The bank's core philosophy has been to build a well defined, value added business, focused on serving the needs of select market niches where it can compete effectively.

The bank's specialised services in cross border transactions are complemented by dedicated personal service, competitive rates and distinctive products. Mauritius offers a convenient time zone, with no exchange control or withholding taxes for non-residents.

What we do

Investec Bank (Mauritius) Limited remains highly focused on the trends and dynamics within its jurisdiction and industry. Strong interaction takes place between the bank and its clients in developing new specialist products and services.

The bank offers the following services:

Specialised finance and lending

The bank provides aircraft finance, medium-to-long term structured finance, customised debt and equity products, commodity-based finance, cash-backed and general lending services in major foreign currencies.

The bank also offers exclusive residential and commercial property finance to non-residents, focusing on South Africa and is actively involved in financing Integrated Resort Scheme (IRS) and Real Estate Scheme (RES) projects and villa acquisitions in Mauritius.

Complementing its specialised finance and lending expertise, the bank offers advisory services, covering structured finance, project finance and debt origination.

Treasury and deposit products

A range of treasury and deposit products in the major foreign currencies includes call and fixed term deposit accounts, high yield access accounts (seven-day notice), base plus accounts (fixed deposit for a minimum of one year), combo accounts (dual currency), zero coupon deposits as well as foreign exchange and hedging.

A wide network of correspondent banks and SWIFT capability ensures a rapid and efficient service for the transfer of funds.

Trustee and fiduciary services

Investec Trust (Mauritius) Limited, a wholly owned subsidiary of Investec Bank (Mauritius) Limited, facilitates in structuring, managing and protecting assets. It offers a full range of trust and administration services, allowing clients to take advantage of competitive costs and the extensive double taxation treaty network that Mauritius has with various countries.

Overview of the Investec group

Who we are

Investec (comprising Investec plc and Investec Limited) is an international, specialist banking group that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974, we acquired a banking licence in 1980 and were listed on the JSE Limited South Africa in 1986.

In July 2002, the group implemented a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg. A year later, the group concluded a significant empowerment transaction in which empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, Investec has expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, Investec has an efficient integrated international business platform, offering all its core activities in the UK and South Africa and select activities in Australia.

What we do

The group is organised as a network comprising five business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities. Our head office provides certain group-wide integrating functions and is also responsible for our central funding and the Trade Finance business.

Investec's strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist banking group. This distinction is embodied in the group's entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. Investec does not seek to be all things to all people and aims to build well-defined, value-added businesses focused on serving the needs of select market niches where it can compete effectively.

Mission statement

We strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values.

Values

- Outstanding talent – empowerment, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

Distinctive Performance

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

Dedicated Partnerships

Client Focus

- Distinctive offering
- Leverage resources
- Break china for the client

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

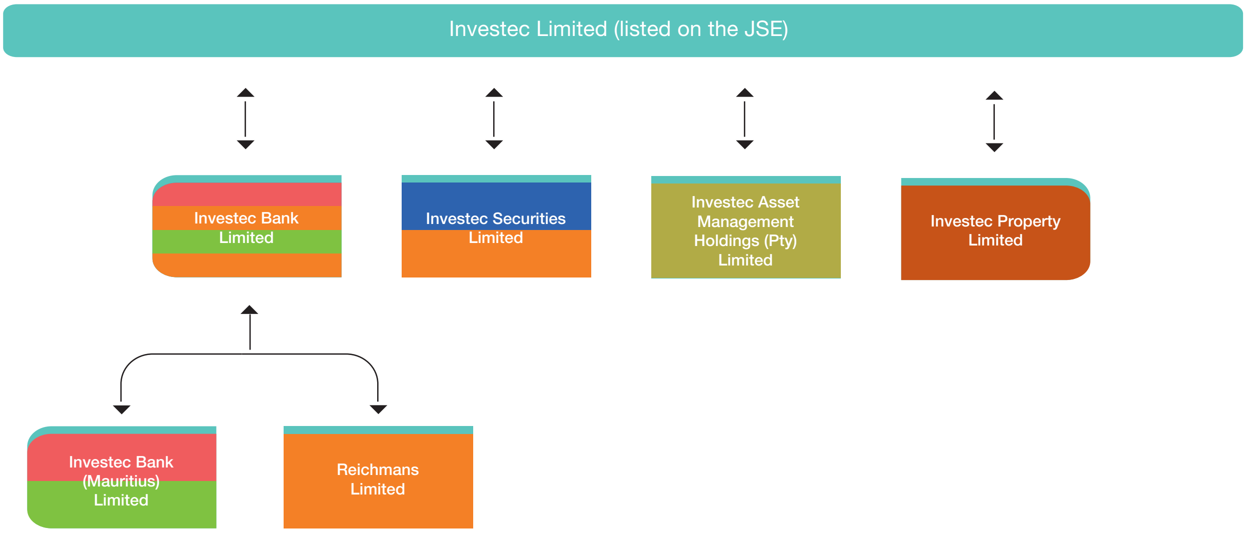
Philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance

Investec Bank (Mauritius) Limited organisational structure

In terms of the implementation of the DLC structure Investec Limited is the controlling company of Investec's businesses in Southern Africa and Mauritius.

As at 31 March 2009



Key: activities conducted

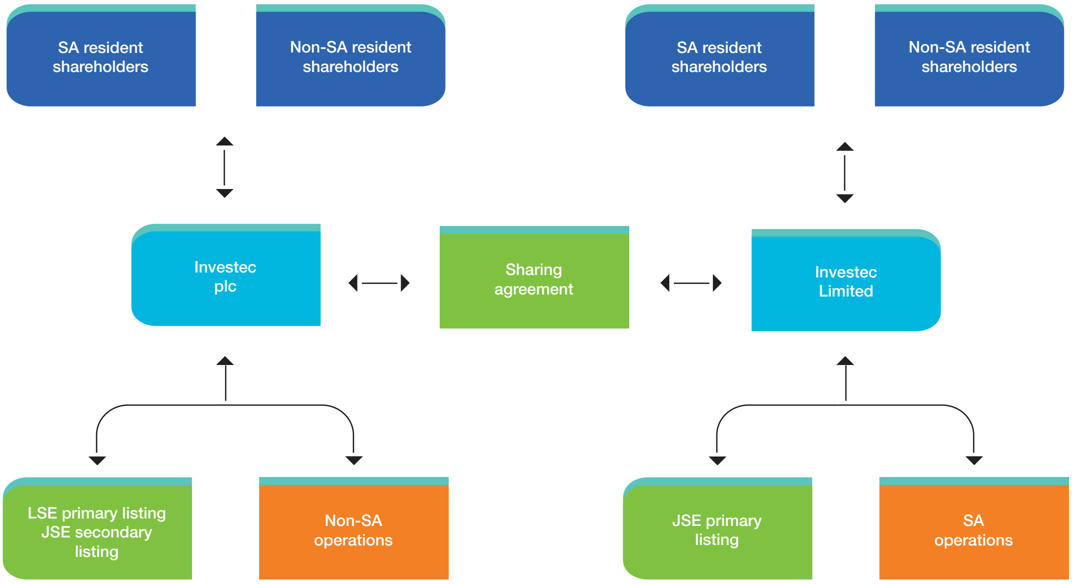
- Private Banking
- Private Client Portfolio Management and Stockbroking
- Capital Markets
- Investment Banking
- Asset Management
- Property Activities
- Other Activities

Note:
All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

Overview of Investec's Dual Listed Companies structure

During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore business on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002.

DLC structure



Salient features:

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms.
- Investec operates as if it is a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company.
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Further information on the group's DLC structure is available in the circular mentioned above, as well as in the preliminary offering circular issued on 8 July 2002. A copy of these circulars can be found on the group's website.

2 Management discussion and analysis

Management discussion and analysis

Business and strategic overview

International markets have been extremely turbulent over the past financial year. Investec Bank (Mauritius) Limited, being primarily an internationally focused bank, is exposed to this volatility in the market. In response to the global environment, management has taken steps to bolster the bank's capital by issuing additional ordinary shares and doubling the ratio of cash holdings to customer deposits. The bank's capital adequacy ratio stood at 23.7% at year-end.

Whilst operating income before fair value adjustments was 38.7% higher than 2008, the bank's investment portfolio suffered negative mark to market movements and impairments. The bank however, remained profitable.

An overview of the bank's performance

Salient financial features

For the year to 31 March USD'000	2009	2008	2007
Net interest income	45 560	43 974	35 576
Net fee and commission income	4	2 202	1 718
Net mark to market movements	(40 974)	6 715	(3 870)
Total operating income	24 303	40 356	43 802
Impairment losses	(13 469)	(13 276)	355
Net operating income	10 834	27 080	44 157
Total operating expenses	(6 432)	(7 428)	(4 361)
Profit for the year	3 860	18 644	37 858
Total assets	915 119	1 194 514	916 145
Total shareholders' equity	150 431	139 218	138 927

Net interest income increased by 3.6% to USD45.6 million (2008: USD44.0 million).

Net fee and commission income decreased to USD4 thousand in 2009 (2008: USD2.2 million) primarily due to management fees paid.

Mark to market losses of USD41.0 million on the bank's investment portfolio comprise of:
- USD23.3 million on structured credit investments;
- USD3.7 million on the listed equity investment portfolio; and
- USD14.0 million on the unlisted equity investment portfolio.

Impairment losses of USD13.5 million were primarily due to an impairment loss of USD7.0 million on an associate company and USD5.2 million on a financial asset held-to-maturity.

Review by financial priority areas

The bank focuses on a number of financial priority areas as indicated below.

Key ratios

For the year to 31 March %	2009	2008	2007
Net interest margin	4.8	4.5	4.3
Productivity ratio	26.5	18.4	10.0
Return on average equity	2.7	13.4	28.7
Return on average assets	0.4	1.8	4.2
Cash to customer deposits	34.4	17.9	21.6
Capital adequacy ratio*	23.7	14.0	15.4
Tier 1 ratio*	22.9	13.3	15.3

* Capital adequacy figures for 2009 and 2008 are presented in terms of Basel II and for 2007 in terms of Basel I

Management discussion and analysis

The net interest margin increased to 4.8% from 4.5% in 2008.

The productivity ratio, which is the ratio of non-interest expense to net interest income and other income, increased to 26.5% from 18.4% in 2008 due to the decrease in total operating income.

The return on average equity has decreased to 2.7% in 2009 from 13.4% in 2008 because of lower profit reported for the year and an increase in share capital during the year.

The return on average assets has decreased to 0.4% in 2009 from 1.8% in 2008.

The cash to customer deposit ratio has increased to 34.4% in 2009 from 17.9% in 2008 following the bank's strategy to remain highly liquid during the financial crisis.

The capital adequacy ratio increased to 23.7% from 14.0% in 2008. This was as a result of an increase in the capital base following the issue of new ordinary shares amounting to USD25.0 million during the year and a decrease in the bank's risk weighted assets to USD656.3 million (2008: USD1 036.9 million). The capital base is made up of mainly Tier 1 capital representing 96.7% of the total capital.

Interest income and related assets

For the year to 31 March USD'000	2009		2008		2007	
	Interest income	Related assets	Interest income	Related assets	Interest income	Related assets
Due from banks	999	148 630	6 281	69 676	2 295	62 911
Loans and advances to customers	49 916	461 137	51 090	824 782	50 632	501 450
Financial assets – available-for-sale	–	–	–	–	3 702	57 131
Financial assets – held-to-maturity	2 360	22 670	2 926	35 274	–	–
Amount due from group companies	13 515	208 259	13 804	148 497	10 401	150 068
Financial assets designated at fair value through profit or loss (debt securities)	8 280	26 569	10 196	54 577	9 377	58 644
	75 070	867 266	84 297	1 132 806	76 407	830 204

Interest expense and related liabilities

For the year to 31 March USD'000	2009		2008		2007	
	Interest expense	Related liabilities	Interest expense	Related liabilities	Interest expense	Related liabilities
Deposits by banks	3 082	105 747	5 492	100 656	5 227	107 971
Repurchase agreements	30	898	139	1 497	112	2 360
Due to customers	10 777	439 739	17 125	396 444	11 700	295 468
Debt securities in issue	1 269	2 190	1 371	2 554	4 308	2 862
Amount due to group companies	14 352	183 463	16 196	496 795	19 484	276 369
	29 510	732 037	40 323	997 946	40 831	685 030

Operating expenses

For the year to 31 March USD'000	2009	2008	2007
Personnel expenses	(3 865)	(3 729)	(2 244)
Depreciation of equipment	(94)	(102)	(91)
Other operating expenses	(2 473)	(3 597)	(2 026)
	(6 432)	(7 428)	(4 361)

Total operating expenses decreased to USD6.4 million (2008: USD7.4 million) mainly due to lower IT costs incurred in 2009.

Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7") and disclosures on capital required by International Accounting Standard 1: Presentation of Financial Statements ("IAS 1") are included within this section of the Annual Report (pages 12 to 47) with further disclosures provided within the financial statements section (pages 59 to 101). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

Investec Bank (Mauritius) Limited recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, the bank's comprehensive risk management process involves identifying, understanding and managing the risks associated with each of its businesses.

Risk awareness, control and compliance are embedded in the bank's day-to-day activities.

Group Risk Management (part of Group Services) independently monitors, manages and reports on the bank's risk as mandated by the board of directors through the Investec group's Board Risk and Capital Committee (BRCC). The bank is, however, ultimately responsible for managing risks that arise.

The bank monitors and controls risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping it to pursue growth across its business.

Investec Group Risk Management's objectives

Group Risk Management's objectives are to:
- Be the custodian of the group's risk management culture
- To ensure the business operates within the board stated appetite
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor exposures across risk classes
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the boards reasonable assurance that the risks the group are exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees, as mandated by the board.

Executive summary of the year in review from a risk perspective

The bank has maintained a sound balance sheet with low leverage and a diversified business model which has enabled it to navigate through the present challenging operating environment.

This has been supported by the following key operating fundamentals:
- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital.
- Strong risk and capital management culture; embedded into the bank's day-to-day activities and values. The bank seeks to achieve an appropriate balance between risk and reward in its business, taking cognisance of all stakeholders' interests.
- Credit and counterparty exposures to a select target market; the bank's risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. The bank has, however, experienced an increase in impairments and defaults as a result of weak economic conditions.
- Limited exposure to rated and unrated structured credit investments; representing less than 0.3% of total assets.
- A low leverage ratio of approximately 6 times.
- A high level of readily available, high quality liquid assets. The bank continues to maintain a low reliance on interbank wholesale funding to fund core lending asset growth.
- Strong capital ratios; the bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy. The bank has strengthened its capital base during the period.
- A level of recurring income which continues to support sustainability of operating profit, albeit at a lower level.

The global financial market crisis has resulted in increasing risk levels and has impacted the markets in which the bank operates on a number of fronts. The group's overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held it in good stead over the period. Detailed information on key developments during the financial year is provided in the sections that follow. Maintaining credit quality, moderating loan growth, strictly managing risk and liquidity and continuing to grow the bank's capital base remain strategic imperatives for the year ahead.

Management discussion and analysis

An overview of key risks

In the ordinary course of business the bank faces a number of risks that could affect its business operations.

These risks are summarised briefly in the table below. The sections that follow provide information on a number of these risk areas. For additional information pertaining to the management and monitoring of these risks, see the references provided.

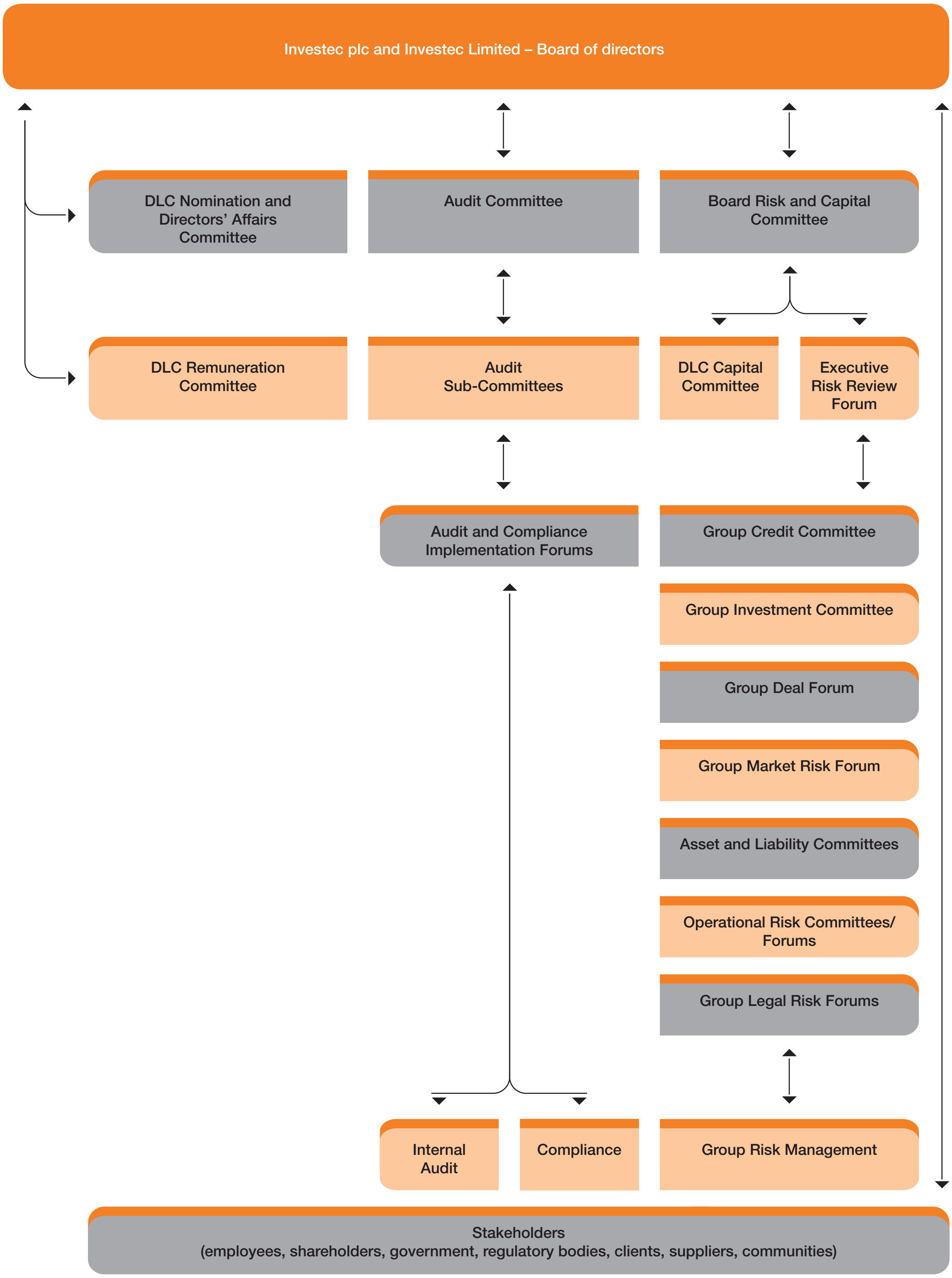
Key risks	Reference
• Credit and counterparty risk exposes the bank to losses caused by financial or other problems experienced by its clients	See pages 15 to 34
• Liquidity risk may impair the bank's ability to fund its operations	See pages 35 to 39
• Net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 35 to 39
• Market, business and general economic conditions and fluctuations could adversely affect the bank's businesses in a number of ways	See pages 34 and 35
• The bank may be unable to recruit, retain and motivate key personnel	See Our Business Responsibility website
• Employee misconduct could cause harm that is difficult to detect	See pages 39 to 43
• Operational risk may disrupt the bank's business or result in regulatory action	See pages 39 to 43
• The bank may be vulnerable to the failure of its systems and breaches of its security systems	See pages 39 to 43
• The bank may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 44 to 48
• The financial services industry in which the bank operates is intensely competitive	See pages 3 to 5
• Legal and regulatory risks are substantial in the bank's businesses	See page 43
• Reputational, strategic and business risk	See page 43

Additional risks and uncertainties not presently known to the bank or that the bank currently deems immaterial may in the future also impair the bank's business operations. The bank's business, financial condition or results of operations could be adversely affected by any of these risk factors.

Investec group risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level and at a group level in the various locations in which the Investec group operates. These committees and forums operate together with Group Risk Management and are mandated by the Investec group board. A diagram of the Investec group's governance and risk framework is provided on the following page. A diagram of the bank's governance and risk framework is provided on page 51 and detail on the bank's risk committees and forums is provided on pages 52 and 53.

Investec group governance and risk framework



Credit and counterparty risk management

Credit and counterparty risk description Audited

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to the bank or otherwise to perform as agreed. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, the bank has placed funds with other financial institutions;
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received; and
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk).
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled.
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

Credit and counterparty risk governance structure Audited

To manage, measure and mitigate credit and counterparty risk, independent credit committees exist in each geography where the Investec group assumes credit risk. These committees operate under board approved delegated limits, policies and procedures. There is a high level of executive and non-executive involvement in the credit decision making forums. It is policy that all centralised credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the Investec Group Credit Committee, the following structures assist in managing, measuring and monitoring credit and counterparty risk:

- Arrears management and regular arrears reporting ensures that individual positions and any potential trends are dealt with in a timely manner
- Management Committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Investment Committee, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements.

Whilst the group does not have a separate country risk forum, the Global Group Credit Committees will consider, analyse, and assess the appropriate limits to be recorded when required, to extend the loans to foreign jurisdictions. When applications are submitted to the local group credit committee, consideration of the country risk element forms part of the sanctioning process. The local group credit committee has the power to recommend to the Global Credit Committee an appropriate country credit limit where undertaking a particular transaction could exceed the approved country limit. The Global Credit Committee is responsible for approving country limits.

Credit and counterparty risk appetite

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to avoid or minimise over exposure and concentration risk.

An assessment of the bank's clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, the bank seeks comfort in mitigating its risk by thoroughly assessing the ability of its borrowers to meet their payment obligations. Furthermore the bank has very little appetite for unsecured debt and ensures that good quality collateral is provided in support of obligations (refer to page 34 for further information).

The bank typically originates loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and longstanding relationship with its clients.

Pricing is motivated by the relevant business unit on a transaction by transaction basis, with consideration given to the manner of origination of the asset and the forward strategy for the asset. Pricing recommendations are discussed and agreed at the appropriate credit committee to ensure that reward is appropriate to the risk and that pricing is not compromised in the pursuit of volume or relationship. As a consequence of market behaviour, pricing for similar risk may differ from time to time.

Management and measurement of credit and counterparty risk Audited

Fundamental principles employed in the management of credit and counterparty risk are:
- A clear definition of the bank's target market
- A quantitative and qualitative assessment of the creditworthiness of the bank's counterparties
- Appropriate independent due diligence
- Analysis of all related risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty, and geographical concentration)
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures within the bank's operating units is made to management, the executives and the board. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents and implemented by the bank's Group Credit division.

Despite strict adherence to the above principles increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility.

Investec completes scenario tests on its loan portfolio with regards to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit/risk stress tests also play an integral part in the bank's capital planning process.

A large proportion of the portfolio is not rated by external rating agencies. As a result Investec mainly places reliance upon internal considerations of counterparties and borrowers, and uses ratings prepared externally where available for support. Within the credit approval process all available internal and external ratings are included in the assessment of the client quality.

The internal rating models used are specific to each portfolio. The internal ratings are used as an input into the credit decision and as means of assessing the risk of rated portfolios. Ongoing development of internal rating models has yielded good results in Project Finance, Private Bank Property, Corporate and Bank and Financial Institutions areas of operation. Investec remains focused on developing its models in the light of its idiosyncratic risk profile and against extreme downturn events.

Fitch, Standard and Poor's and Moody's have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:
- In relation to banks and securities firms, Fitch has been selected by us as the primary ECAI, with Standard & Poor's being used as support where a Fitch rating is not available.
- In relation to sovereigns, corporates and small to medium enterprises, both Standard & Poor's and Moody's are considered to be eligible ECAIs. Where the assessments of these two ECAIs differ, the more conservative rating will be applied.

Credit and counterparty risk in Mauritius

Investec Bank (Mauritius) Limited offers various banking services and its primary business activities are corporate lending, property finance, resource finance and structured finance. Target market includes both corporate and private clients. Prudential limits have been set and are monitored daily. The bank has also undertaken trading and investment in structured credit investments where it has invested in rated and unrated debt instruments largely within the UK and Europe and to a lesser extent in the US.

Asset quality analysis – credit risk classification and provisioning policy Audited

It is a policy requirement that the bank makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established Investec group and the Bank of Mauritius guidelines. In the financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Individually assessed allowances

The bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio subject to separate review.

Management discussion and analysis

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by management to ensure alignment with the bank's overall policy. Portfolio impairments are conducted in accordance with the Bank of Mauritius guidelines on 'Credit Impairment Measurement and Income Recognition'.

Financial guarantees and unutilised commitments are assessed and provisions are made in a similar manner as for loans.

The information provided in the table reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 26). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the "International Convergence of Capital Measurement and Capital Standards" Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of assets with credit risk where a "loss trigger event" has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

Management discussion and analysis

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/ credit agreed payment due date, although management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil their credit obligation to the group (i.e. Credit Committee is concerned). For the following reasons: • Covenant breaches; • There is a slowdown in the counterparty's business activity; • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty; or • Any re-structured credit exposures until appropriate Credit Committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable; • The bank is relying, to a large extent, on available collateral; or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in "Sub-standard" (or a lower quality category)
		Doubtful	• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or • Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets is remote.

Credit risk mitigation Audited

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and repurchase transactions, cash or securities,
- For commercial lending, charges over real estate properties,
- For retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the bank does not occupy repossessed properties for business use.

The majority of credit mitigation within the bank's Treasury activities is in the form of netting (primarily International Swap Dealers Association).

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:

- A legally enforceable right to set-off exists; and
- There is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances be denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk managed on a net basis.

An analysis of collateral is provided on page 34.

Credit and counterparty risk year in review

The past financial year has seen a number of trends and factors impacting on the credit quality and assessment of credit and counterparty risk:

- The global financial crisis had a negative impact on the domestic economic cycles.
- Liquidity constraints and general tightening in liquidity across the industry.
- Conservative lending approach from the banking sector and the effects of repricing.
- Market volatility with the main stock exchanges reflecting reductions on a year on year basis.
- Collapse in commodity prices and continued volatility.

For assets written during the current year there has been strict adherence to lower loan to value lending and increased pricing requirements.

Core loans and advances portfolio decreased by 43.7% to USD483.8 million. The quality of the overall loans and advances portfolio deteriorated with default loans (net of impairments) as a percentage of core loans and advances increasing from 0.02% to 1.7%. Due to the deteriorating asset quality a lot of emphasis has been placed on the strengthening of recoveries and administrative areas and increased involvement from executive and senior management to deal with potential problematic loans and working on the best outcome/solution for the bank and its clients.

Credit and counterparty risk information

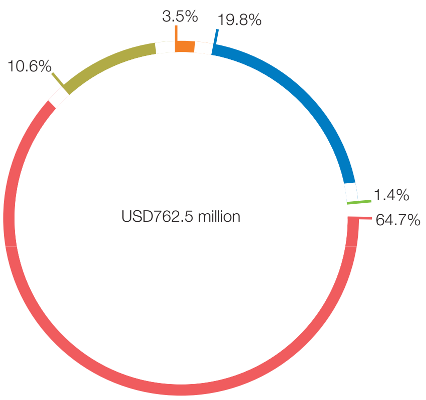
Pages 15 to 19 describe where and how credit and counterparty risk is exists in the bank's operations. The tables that follow provide an analysis of the bank's credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

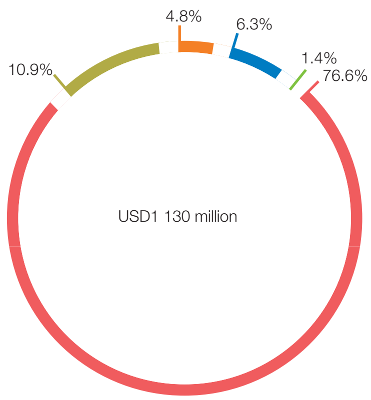
USD'000 Audited	31 March 2009	31 March 2008	% change	Average*
On-balance sheet exposures	**681 183**	**1 006 044**	**(32.3%)**	**843 616**
Unrated credit instruments arising from securitisation/principal finance activities	26 569	54 577	(51.3%)	40 573
Bank placements	151 122	70 895	>100%	111 010
Trading exposures (positive fair value excluding potential future exposures)	10 371	15 576	(33.4%)	12 974
Gross core loans and advances to customers	493 121	864 996	(43.0%)	679 059
Off-balance sheet exposures	**81 313**	**123 539**	**(34.2%)**	**102 427**
Guarantees	40 650	58 711	(30.8%)	49 681
Committed facilities, contingent liabilities, other	40 663	64 828	(37.3%)	52 746
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**762 496**	**1 129 583**	**(32.5%)**	**946 043**

* Where the average is based on a straight line average

31 March 2009



31 March 2008



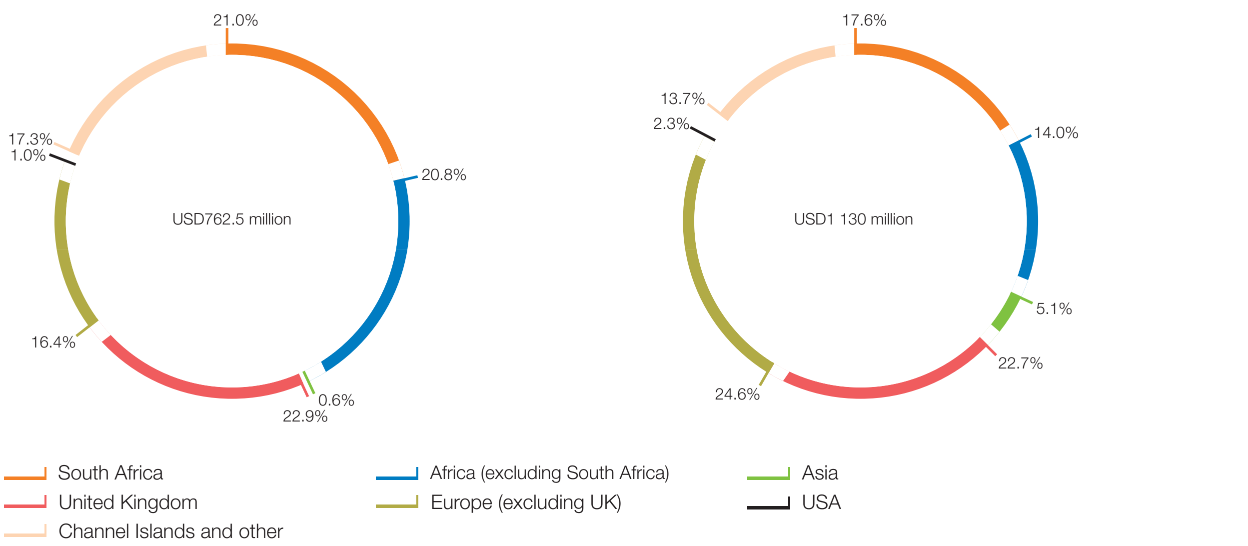
Unrated credit instruments
Gross core loans and advances to customers
Bank placements
Off-balance sheet exposures
Trading exposures

An analysis of gross credit and counterparty exposure by geography

Concentration of risk is managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client and counterparty as of 31 March 2009 was USD53 million (2008: USD47 million).

31 March 2009

31 March 2008



A further analysis of our on-balance sheet credit and counterparty exposures

The table below indicates in which class of asset (on the face of the balance sheet) our on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

USD'000 Audited	Unrated credit instruments	Bank placements
As at 31 March 2009		
Cash and balances with central banks	–	2 492
Due from banks	–	148 630
Investment securities	26 569	–
Derivative financial instruments	–	–
Loans and advances to customers	–	–
Deferred tax assets	–	–
Other assets	–	–
Investments in associates	–	–
Equipment	–	–
Amount due from holding bank and other group companies	–	–
Investments in subsidiaries	–	–
Total	26 569	151 122
As at 31 March 2008		
Cash and balances with central banks	–	1 219
Due from banks	–	69 676
Investment securities	54 577	–
Derivative financial instruments	–	–
Loans and advances to customers	–	–
Deferred tax assets	–	–
Other assets	–	–
Investments in associates	–	–
Equipment	–	–
Amount due to holding bank and other group companies	–	–
Investments in subsidiaries	–	–
Total	54 577	70 895

Notes:
1. Largely relates to exposures that are classified as equity risk in the banking book.
2. Relates to impairments.

Trading exposures (positive fair value excluding potential future exposures)	Gross core loans and advances to customers	Total credit and counterparty exposures	Assets that we deem to have no legal credit exposures	Note reference	Total balance sheet
–	–	2 492	–		2 492
–	–	148 630	–		148 630
–	27 410	53 979	10 326	1	64 305
10 371	–	10 371	15 957	1	26 328
–	465 711	465 711	(4 574)	2	461 137
–	–	–	326		326
–	–	–	1 190		1 190
–	–	–	2 184		2 184
–	–	–	230		230
–	–	–	208 259		208 259
–	–	–	38		38
10 371	493 121	681 183	233 936		915 119
–	–	1 219	2		1 221
–	–	69 676	–		69 676
–	35 724	89 851	33 135	1	122 986
15 576	–	15 576	–		15 576
–	829 722	829 722	(4 940)	2	824 782
–	–	–	202		202
–	–	–	1 133		1 133
–	–	–	10 155		10 155
–	–	–	242		242
–	–	–	148 497		148 497
–	–	–	44		44
15 576	864 966	1 006 044	188 470		1 194 514

Detailed analysis of gross credit and counterparty exposures by industry

USD'000	Professional	Agriculture
As at 31 March 2009		
On-balance sheet exposures	56 312	33 803
Unrated instruments arising from securitisation/principal finance activities	–	–
Bank placements	–	–
Trading exposures (positive fair value excluding potential future exposures)	–	–
Gross core loans and advances to customers	56 312	33 803
Off-balance sheet exposures	29 466	–
Guarantees	27 959	–
Committed facilities, contingent liabilities, other	1 507	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements	85 778	33 803
As at 31 March 2008		
On-balance sheet exposures	30 980	14 338
Unrated instruments arising from securitisation/principal finance activities	–	–
Bank placements	–	–
Trading exposures (positive fair value excluding potential future exposures)	–	–
Gross core loans and advances to customers	30 980	14 338
Off-balance sheet exposures	17 370	–
Guarantees	9 990	–
Committed facilities, contingent liabilities, other	7 380	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements	48 350	14 338

Summary analysis of gross credit and counterparty exposures by industry

USD'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008
Professional	56 312	30 980	29 466	17 370	85 778	48 350
Agriculture	33 803	14 338	–	–	33 803	14 338
Construction	81 982	157 840	86	–	82 068	157 840
Personal	123	3 014	–	–	123	3 014
Global business licence holders	66 409	59 602	1 355	–	67 764	59 602
Financial and business services	96 205	150 516	226 607	179 858	322 812	330 374
Traders	1 113	55 113	–	–	1 113	55 113
Manufacturing	18 213	74 716	1 432	3 163	19 645	77 879
Transport	87 001	173 574	110	3 815	87 111	177 389
Other entities	51 960	145 303	10 319	60 381	62 279	205 684
Total	493 121	864 996	269 375	264 587	762 496	1 129 583

Construction	Personal	Global business licence holders	Financial and business services	Traders	Manu-facturing	Transport	Other entities	Total
81 982	123	66 409	284 267	1 113	18 213	87 001	51 960	681 183
–	–	–	26 569	–	–	–	–	26 569
–	–	–	151 122	–	–	–	–	151 122
–	–	–	10 371	–	–	–	–	10 371
81 982	123	66 409	96 205	1 113	18 213	87 001	51 960	493 121
86	–	1 355	38 545	–	1 432	110	10 319	81 313
–	–	–	12 691	–	–	–	–	40 650
86	–	1 355	25 854	–	1 432	110	10 319	40 663
82 068	123	67 764	322 812	1 113	19 645	87 111	62 279	762 496
157 840	3 014	59 602	291 564	55 113	74 716	173 574	145 303	1 066 044
–	–	–	54 577	–	–	–	–	54 577
–	–	–	70 895	–	–	–	–	70 895
–	–	–	15 576	–	–	–	–	15 576
157 840	3 014	59 602	150 516	55 113	74 716	173 574	145 303	864 996
–	–	–	38 810	–	3 163	3 815	60 381	123 539
–	–	–	27 596	–	3 163	–	17 962	58 711
–	–	–	11 214	–	–	3 815	42 419	64 828
157 840	3 014	59 602	330 374	55 113	77 879	177 389	205 684	1 129 583

Asset quality and impairments

USD'000 Audited	31 March 2009	31 March 2008
Gross core loans and advances to customers (including held-to-maturity assets)	493 121	864 996
Total impairments	(9 314)	(4 940)
Portfolio impairments	(4 487)	(4 886)
Specific impairments	(4 827)	(54)
Net core loans and advances to customers	483 807	860 056
Average gross core loans and advances to customers	679 059	686 140
Current loans and advances to customers	432 407	843 795
Total gross non-current loans and advances to customers	60 714	21 201
Past due loans and advances to customers (1-60 days)	41 319	20 845
Special mention loans and advances to customers	6 197	127
Default loans and advances to customers	13 198	229
Gross core loans and advances to customers	493 121	864 996
Total gross non-current core loans and advances to customers	60 714	21 201
Gross core loans and advances to customers that are past due but not impaired	49 936	20 972
Gross core loans and advances to customers that are impaired	10 778	229
Total income statement charge for impairments against core loans	(6 484)	(13 276)
Gross default loans and advances to customers	13 198	229
Specific impairments	(4 827)	(54)
Defaults net of specific impairments	8 371	175
Collateral and other credit enhancements	16 119	177
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.98%	0.01%
Portfolio impairments as a % of gross core loans and advances to customers	0.91%	0.59%
Total impairments as a % of gross core loans and advances to customers	1.89%	0.60%
Specific impairments as a % of gross default loans	36.57%	23.58%
Gross defaults as a % of gross core loans and advances to customers	2.68%	0.03%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.73%	0.02%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e income statement charge as a % of average gross core loans and advances)	0.95%	1.93%

An age analysis of gross non-current core loans and advances to customers

USD'000 Audited	31 March 2009	31 March 2008
1 – 60 days	43 594	20 845
61 – 90 days	5 232	127
91 – 180 days	9 936	177
181 – 365 days	1 952	52
Total gross non-current loans and advances to customers (actual capital exposure)	60 714	21 201
1 – 60 days	1 300	556
61 – 90 days	33	14
91 – 180 days	34	13
181 – 365 days	223	50
Total gross non-current loans and advances to customers (actual amount in arrears)	1 590	633

A further age analysis of gross non-current core loans and advances to customers

USD'000 Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	Total
As at 31 March 2009					
Gross core loans and advances to customers that are past due but not impaired					
Total capital exposure	42 452	5 232	300	1 952	49 936
Amount in arrears	1 300	33	34	223	1 590
Gross core loans and advances to customers that are impaired					
Total capital exposure	1 142	–	9 636	–	10 778
Amount in arrears	–	–	–	–	–
As at 31 March 2008					
Gross core loans and advances to customers that are past due but not impaired					
Total capital exposure	20 845	127	–	–	20 972
Amount in arrears	556	14	–	–	570
Gross core loans and advances to customers that are impaired					
Total capital exposure	–	–	177	52	229
Amount in arrears	–	–	13	50	63

Of the total aggregate amount of gross past due but not impaired loans and advances to customers, the fair value of collateral that the bank held against the loans as at 31 March 2009 was USD70 million (2008: USD33 million).

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on total capital exposure)

USD'000 Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	Total
Past due (1 – 60 days)	41 319	–	–	–	41 319
Special mention	965	5 232	–	–	6 197
Special mention (1 – 60 days)	965	–	–	–	965
Special mention (61 – 90 days and well secured)	–	5 232	–	–	5 232
Default	1 310	–	9 936	1 952	13 198
Sub-standard	1 310	–	9 936	1 952	13 198
Total	43 594	5 232	9 936	1 952	60 714

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on actual amount in arrears)

USD'000 Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	Total
Past due (1 – 60 days)	1 238	–	–	–	1 238
Special mention	54	33	–	–	87
Special mention (1 – 60 days)	54	–	–	–	54
Special mention (61 – 90 days and well secured)	–	33	–	–	33
Default	8	–	34	223	265
Sub-standard	8	–	34	223	265
Total	1 300	33	34	223	1 590

An age analysis of gross non-current core loans and advances to customers as at 31 March 2008 (based on total capital exposure)

USD'000 Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	Total
Past due (1 – 60 days)	20 845	–	–	–	20 845
Special mention	–	127	–	–	127
Special mention (61 – 90 days and well secured)	–	127	–	–	127
Default	–	–	177	52	229
Sub-standard	–	–	177	–	177
Doubtful	–	–	–	52	52
Total	20 845	127	177	52	21 201

An age analysis of gross non-current core loans and advances to customers as at 31 March 2008 (based on actual amount in arrears)

USD'000 Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	Total
Past due (1 – 60 days)	556	–	–	–	556
Special mention	–	14	–	–	14
Special mention (61 – 90 days and well secured)	–	14	–	–	14
Default	–	–	13	50	63
Sub-standard	–	–	13	–	13
Doubtful	–	–	–	50	50
Total	556	14	13	50	633

An analysis of core loans and advances to customers

USD'000 Audited	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)
As at 31 March 2009				
Current core loans and advances	432 407	–	–	432 407
Past due (1 – 60 days)	–	41 319	–	41 319
Special mention	–	6 197	–	6 197
Special mention (1 – 60 days)	–	965	–	965
Special mention (61 – 90 days and well secured)	–	5 232	–	5 232
Default	-	2 420	10 778	13 198
Sub-standard	–	2 420	10 778	13 198
Total	432 407	49 936	10 778	493 121
As at 31 March 2008				
Current core loans and advances	843 795	–	–	843 795
Past due (1 – 60 days)	–	20 845	–	20 845
Special mention	–	127	–	127
Special mention (1 – 60 days)	–	–	–	–
Special mention (61 – 90 days and well secured)	–	127	–	127
Default	–	–	229	229
Sub-standard	–	–	177	177
Doubtful	–	–	52	52
Total	843 795	20 972	229	864 996

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
–	(3 933)	428 474	–
–	(376)	40 943	1 238
–	(57)	6 140	87
–	(9)	956	54
–	(48)	5 184	33
(4 827)	(121)	8 250	265
(4 827)	(121)	8 250	265
(4 827)	(4 487)	483 807	1 590
–	(4 766)	839 029	–
–	(118)	20 727	556
–	(1)	126	14
–	–	–	–
–	(1)	126	14
(54)	(1)	174	63
(2)	(1)	174	13
(52)	–	–	50
(54)	(4 886)	860 056	633

Management discussion and analysis

An analysis of core loans and advances to customers and impairments by counterparty type

USD'000 Audited	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 60 days)
As at 31 March 2009			
Professional	53 112	1 080	–
Agriculture	33 803	–	–
Construction	42 204	37 358	–
Personal	123	–	–
Global business licence holders	61 870	284	–
Financial and business services	94 995	245	965
Traders	1 113	–	–
Manufacturing	8 578	–	–
Transport	84 649	2 352	–
Other entities	51 960	–	–
Total gross core loans and advances to customers	432 407	41 319	965
As at 31 March 2008			
Professional	29 533	1 218	–
Agriculture	14 338	–	–
Construction	139 998	17 715	–
Personal	3 014	–	–
Global business licence holders	59 602	–	–
Financial and business services	148 604	1 912	–
Traders	55 113	–	–
Manufacturing	74 716	–	–
Transport	173 574	–	–
Other entities	145 303	–	–
Total gross core loans and advances to customers	843 795	20 845	–

Summary analysis of core loans and advances to customers by counterparty type

USD'000 Audited	31 March 2009	31 March 2008
Professional	56 312	30 980
Agriculture	33 803	14 338
Construction	81 982	157 840
Personal	123	3 014
Global business licence holders	66 409	59 602
Financial and business services	96 205	150 516
Traders	1 113	55 113
Manufacturing	18 213	74 716
Transport	87 001	173 574
Other entities	51 960	145 303
Total gross core loans and advances to customers	493 121	864 996

Special mention (61 – 90 days and well secured)	Sub-standard	Doubtful	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
978	1 143	–	56 312	(512)	(87)	(599)
–	–	–	33 803	(308)	–	(308)
–	2 420	–	81 982	(746)	–	(746)
–	–	–	123	(1)	–	(1)
4 254	–	–	66 409	(604)	–	(604)
–	–	–	96 205	(875)	–	(875)
–	–	–	1 113	(10)	–	(10)
–	9 635	–	18 213	(166)	(4 740)	(4 906)
–	–	–	87 001	(792)	–	(792)
–	–	–	51 960	(473)	–	(473)
5 232	13 198	–	493 121	(4 487)	(4 827)	(9 314)
–	177	52	30 980	(175)	(54)	(229)
–	–	–	14 338	(81)	–	(81)
127	–	–	157 840	(892)	–	(892)
–	–	–	3 014	(17)	–	(17)
–	–	–	59 602	(337)	–	(337)
–	–	–	150 516	(850)	–	(850)
–	–	–	55 113	(311)	–	(311)
–	–	–	74 716	(422)	–	(422)
–	–	–	173 574	(980)	–	(980)
–	–	–	145 303	(821)	–	(821)
127	177	52	864 996	(4 886)	(54)	(4 940)

Management discussion and analysis

Collateral

The following disclosure is made with respect to Basel II requirements and definitions.

As at 31 March 2009 USD'000	Collateral held against Gross core loans and advances	 Other credit and counter-party exposures*	Total
Eligible financial collateral	178 150	14 630	192 780
Listed	147 877	–	147 877
Cash	23 990	14 630	38 620
Debt securities issued by sovereigns	6 283	–	6 283
Mortgage bonds	460 664	–	460 664
Residential mortgages	137 117	–	137 117
Residential development	8 650	–	8 650
Commercial property development	121 007	–	121 007
Commercial property investments	193 890	–	193 890
Other collateral	405 951	7 784	413 735
Unlisted shares	64 126	–	64 126
Bonds other than mortgage bonds	255 821	–	255 821
Guarantees	4 294	–	4 294
Credit derivatives	46 898	–	46 898
Other	34 812	7 784	42 596
Total collateral	1 044 765	22 414	1 067 179
Suretyships	4 207	–	4 207
Collateral including suretyships	1 048 972	22 414	1 071 386

* A large percentage of these exposures (for example bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.

Equity and investment risk in the banking book

The bank is exposed to equity and investment risk which may arise from the various investments it has made in listed and unlisted companies. Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy.

The Investment Committee set up by the bank is responsible for the management of the investment portfolio. The committee reviews the performance of the investment portfolio at least once every quarter. It also reviews all new investment proposals and makes their determination known to the Credit Committee for administration purposes.

The table below provides an analysis of gains/(losses) recorded with respect to these investments.

For the year to 31 March USD'000	Gains/(losses) Unrealised	 Realised	 Dividends, net interest and other	Total
2009				
Unlisted investments	(14 012)	–	231	(13 781)
Listed equities	(2 643)	24	(869)	(3 488)
Embedded derivatives	2 496	–	–	2 496
Total	(14 159)	24	(638)	(14 773)
2008				
Unlisted investments	937	–	195	1 132
Listed equities	560	–	(208)	352
Embedded derivatives	(17 063)	–	–	(17 063)
Total	(15 566)	–	(13)	(15 579)

Unrealised revaluation gains are included in Tier 1 capital.

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

USD'000	On balance sheet value of investments 31 March 2009	Valuation change stress test 31 March 2009*	On balance sheet value of investments 31 March 2008	Valuation change stress test 31 March 2008*
Unlisted investments	8 658	1 299	21 518	3 228
Listed equities	6 408	1 602	10 943	2 736
Embedded derivatives	8 022	2 807	6 445	6 445
Total	23 088	5 708	38 906	12 409

* In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied by the group.

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of "Equity Risk" and embedded derivatives are considered in the calculation of capital required for credit risk.

Traded market risk management

Traded market risk description Audited

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

The Treasury team collates all relevant information daily. The Asset and Liability Management Committee discusses the bank's exposure to various market risks and ensures compliance with market risk limits set by the board. Appropriate data is also submitted to Group Risk Management to facilitate the understanding and management of the overall market risk to which the Investec group is exposed.

The bank enters into various derivatives contracts to mitigate market risk. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments and measured on a credit equivalent basis.

Balance sheet risk management

Balance sheet risk description

Balance sheet risk management encompasses the independent monitoring and prudential management of the financial risks relating to the bank's asset and liability portfolios, comprising market liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

Investec group balance sheet risk governance structure

Group management believes that a centralised framework permits active global management of balance sheet risk in this complex environment. Balance sheet risk management is discharged within each geography, using regional expertise and local market access as appropriate, continuously assessing the risks whilst taking changes in market conditions into account. Under the delegated authority of the Investec group board of directors, Asset and Liability Management Committees (ALCOs) within each region are mandated to manage the balance sheet risks on a consistent basis with pre-approved principles and policies across all business activities without exception. Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of the bank's operations without undue interruption. Each region further ensures that the liquidity management framework is compatible with local regulatory requirements and limits are set according to the depth and liquidity of the market in which the group operates.

The group continues to improve risk measurement processes and methodologies in line with regulatory requirements and banking industry best practice. The Investec group Balance Sheet Risk Management team ensures that a comprehensive and consistent governance framework for balance sheet risk management is followed across the group. The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing governance and oversight of the Treasury activities (within the Capital Markets division), and the execution of the group's policy, to management, ALCO, the Investec group Executive Risk Review Forum (ERRF) and BRCC and the board. In carrying out its duties the Balance Sheet Risk Management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues (including identification and testing of various company-specific and market-driven stress scenarios) through daily liquidity reporting and scenario analysis which quantify our positions. The governance framework adopted for the management of structural interest rate risk in the banking book mirrors that of liquidity risk.

Balance sheet risk mitigation

The Treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, providing for a controlled and flexible response to volatile market conditions. The Treasury function is the sole interface with the wholesale market for both cash and derivative transactions, and actively manages the liquidity mismatch and non-trading interest rate risk arising from the group's asset and liability portfolios. The Treasury function is required to exercise tight control over funding, liquidity, concentration and non-trading interest rate risk within conservative parameters.

Balance Sheet Risk Management combines traditional gap analysis and quantitative models, including stress tests. This is designed to measure the range of possible future liquidity needs and potential distribution of net interest income and economic value under various scenarios covering a spectrum of events in which the group could find itself and prepares accordingly. The modelling process is supported by ongoing technical and economic analysis. The result is formally reported to management, ERRF, BRCC and the board on a regular basis. The entire process is underpinned by a system of extensive internal and external controls.

An active presence is maintained in professional markets and each jurisdiction manages the wholesale money market capacity for its name, supported by efforts in relationship management with corporate and institutional clients. Important factors in assuring the stability of unsecured funding are competitive rates, the maintenance of depositors' confidence and the bank's reputation.

Non-trading interest rate risk description

Non-trading interest rate risk is the impact on net interest earnings and sensitivity to economic value, as a result of increases or decreases in interest rates arising from the execution of the bank's core business strategies and the delivery of products and services to its customers.

Sources of banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, yield curves and spreads. These affect the interest rate margin realised between lending income and borrowing costs, when applied to the bank's rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity. The mix of interest rate repricing characteristics is influenced by the underlying financial needs of customers.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking and arises from the provision of retail, private client and wholesale (non-trading) banking products and services. The bank is exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally the bank is exposed to yield curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices.

Non-trading interest rate risk is measured and managed both from a net interest margin (earnings) perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board approved risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure and allows for the detection of interest rate risk by concentration of repricing; net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve; and economic value sensitivity and stress-testing to macroeconomic movement or changes which measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. This combination of measures provides senior management (and ALCO) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value. This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk.

Management monitors closely net interest margins by entering into a number of interest rate swaps to protect it against changes in interest rates.

Interest rate sensitivity gap

The table below shows the bank's non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

At 31 March 2009 USD'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short term funds – banks	149	–	–	–	–	–	149
Investment/trading assets	1	–	–	–	–	90	91
Advances	441	12	2	6	–	–	461
Other assets	–	–	–	–	–	3	3
Assets	**591**	**12**	**2**	**6**	**–**	**93**	**704**
Deposits – banks	(106)	–	–	–	–	–	(106)
Deposits – non-banks	(398)	(13)	(11)	(12)	(5)	(1)	(440)
Investment/trading liabilities	–	–	–	–	–	(22)	(22)
Other liabilities	(1)	–	–	–	–	(8)	(9)
Liabilities	**(505)**	**(13)**	**(11)**	**(12)**	**(5)**	**(31)**	**(577)**
Intercompany loans	6	19	–	–	–	–	25
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**(150)**	**(150)**
Balance sheet	**92**	**18**	**(9)**	**(6)**	**(5)**	**(88)**	**2**
Off-balance sheet	4	(13)	(4)	4	–	7	(2)
Repricing gap	**96**	**5**	**(13)**	**(2)**	**(5)**	**(81)**	**–**
Cumulative repricing gap	**96**	**101**	**88**	**86**	**81**	**–**	**–**

Economic value sensitivity

As discussed above the group's preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect the bank's economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention, i.e. the numbers represent the change in the bank's net asset value should such a hypothetical scenario arise.

'million	Sensitivity to the following interest rates (expressed in original currencies) ZAR	GBP	USD	EUR	All (USD)
200bp down	21.4	0.5	(0.7)	2.1	1.7
200bp up	(21.4)	(0.5)	0.7	(2.1)	(1.7)

Liquidity risk description

Liquidity risk is the risk that the bank has insufficient capacity to fund increases in assets, or is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Risk management has become more sophisticated with liquidity risk being no exception and the bank considers both funding liquidity risk and market liquidity risk.

Sources of liquidity risk include unforeseen withdrawals of demand deposits, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset timeously with minimal risk of capital loss, unpredicted customer non-payment of a loan obligation and a sudden increased demand for loans.

Management and measurement of liquidity risk

Liquidity management is vital for protecting the bank's depositors, preserving market confidence, safeguarding the bank's reputation and ensuring sustainable growth. Through active liquidity management, the bank seeks to preserve stable, reliable and cost-effective sources of funding. To accomplish this, management uses a variety of liquidity risk measures that consider market conditions, prevailing interest rates, projected balance sheet growth, and future funding and liquidity needs, whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop the bank's funding strategy and measure and manage the execution thereof. The funding plan details the proportion of the bank's external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits.

The bank maintains a statutory deposit with the Bank of Mauritius equal to 4.5% of resident customer deposits and loans. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the bank. Liquidity risk is calculated by the contractual maturity cash flow mismatch between assets and liabilities.

The bank's liquidity management processes are based on the following elements:

- Preparation of cash flow projections (assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch, which are translated into short-term and long-term funding strategies.
- Maintaining an appropriate mix of term funding.
- Management of concentration risk, being undue reliance on any single counterparty or counterparty group, sector, market, product, instrument, currency and tenor.
- Daily monitoring and reporting of cash flow measurement and projections, for the key periods for liquidity management, against the risk limits set.
- Performing assumptions-based scenario analysis to assess potential cash flows at risk.
- Maintenance of liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

Liquidity mismatch

The tables that follow show the bank's liquidity mismatch. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and the bank records all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.
- As an integral part of the broader liquidity generation strategy, the bank maintains a liquidity buffer in the form of unencumbered cash and near cash as a buffer against both expected and unexpected cash flows.
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by selling these securities. Investec has:
  - Set the time horizon to one month to monetise its cash and near cash portfolio of "available for sale" discretionary treasury assets, where there are deep secondary markets for this elective asset class.
  - Set the time horizon to "on demand" to monetise its statutory liquid assets for which liquidity is guaranteed by the central bank.
  - Reported the "contractual" profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- The new funding the bank would require under normal business circumstances is shown in the "behavioural mismatch". To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products, which models the point of probable maturity. In addition, re-investment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity

At 31 March 2009 USD'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Cash and short term funds – banks	74	75	–	–	–	–	–	149
Investment/trading assets	42	–	–	–	–	24	25	91
Advances	(2)	6	136	18	32	189	82	461
Other assets	–	–	–	3	–	–	–	3
Assets	114	81	136	21	32	213	107	704
Deposits – banks	(4)	(12)	–	(10)	–	(80)	–	(106)
Deposits – non-banks	(148)	(14)	(234)	(12)	(11)	(16)	(5)	(440)
Investment/trading liabilities	–	–	(1)	(15)	–	(4)	(2)	(22)
Other liabilities	–	–	–	(9)	–	–	–	(9)
Liabilities	(152)	(26)	(235)	(46)	(11)	(100)	(7)	(577)
Intercompany loans	111	(16)	(6)	18	(12)	(35)	(35)	25
Shareholders' funds	–	–	–	–	–	–	(150)	(150)
Balance sheet	73	39	(105)	(7)	9	78	(85)	2
Off-balance sheet	(1)	(1)	–	(9)	(2)	(1)	12	(2)
Contractual liquidity gap	72	38	(105)	(16)	7	77	(73)	–
Cumulative liquidity gap	72	110	5	(11)	(4)	73	–	–

Note: contractual liquidity adjustments (as discussed on page 38)

USD'000	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Investment/trading assets	(49)	–	–	–	49	–	–	–

Behavioural liquidity (as discussed on page 38)

USD'000	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Behavioural liquidity gap	78	96	110	32	6	80	65	(467)
Cumulative	78	174	284	316	322	402	467	–

Operational risk management

Operational risk description

Operational risk is defined as the risk of loss or earnings volatility arising from failed or inadequate internal processes, people and systems, or from external events.

The bank recognises operational risk as a significant risk category, and strives to manage this within acceptable levels through the promotion of sound operational risk management practices.

The bank has adopted the Standardised Approach to calculate operational risk regulatory capital in accordance with the Bank of Mauritius Guideline on Operational Risk Management and Capital Adequacy Determination.

Management discussion and analysis

Operational risk philosophy

The bank has established operational risk management capability and practices, consistent with group practices and policies that will promote the management of, and mitigate the risk of, significant operational risk loss, including minimising operational risk incidents and events.

This includes:

- Senior management commitment to effective and efficient operational risk management within the bank.
- Understanding the operational risks and controls to which the bank is exposed, including the treatment of significant residual risk.
- The monitoring of appropriate controls and indicators.
- The capture and evaluation of incidents and loss events, and implementation of corrective action.

The operational risk management practices are aligned with leading practice and the requirements of the supervisory expectations of the jurisdiction.

Operational risk governance structure

The governance structure for operational risk management is outlined below.

Board

The board of directors approves, monitors and reviews the operational risk profile, appetite and practices of the bank.

Group Operational Risk Management

An independent specialist Group Operational Risk Management function is responsible for establishing the framework for operational risk management, and promotes consistent and sound operational risk management practices and processes across the group. This is in line with regulatory and stakeholder expectations in managing our operational risk.

Group Operational Risk Management has a specific responsibility for the monitoring and oversight of Business Continuity Risk Management and Financial Crime Risk Management; and monitors Change Control Management, Information Security Risk and Technology Risk, which is the responsibility of the subject matter experts.

The Operational Risk Committee and/or working groups promote and monitor the effectiveness of the operational risk management framework and develop and implement practices supporting operational risk policies and practices.

Group Operational Risk Management is responsible for facilitating the interaction and relationship with the various supervisors of the group.

Senior management

The board through senior management is responsible for implementing appropriate operational risk mitigation and control practices to prevent, detect and minimise the impact of significant operational risks should these materialise.

Senior management is responsible for:

- Establishing sound governance practices,
- Implementing the operational risk management framework, practices and policies,
- Promoting sound risk management practices consistent with group practices,
- Establishing a capacity and capability to manage operational risk,
- Ensuring awareness and understanding of the operational risk environment and expectations.

Embedded Risk Manager

The bank has appointed and mandated an Embedded Risk Manager (ERM) to establish, implement and maintain sound operational risk management practices in line with group operational risk management practices. The ERM is the liaison and communication link with Group Operational Risk Management.

Assurance

All processes are subject to reviews by Internal Audit as well as onsite reviews by the relevant supervisors.

Operational risk management framework

The operational risk management framework adopted by the group sets out a structured and consistent approach for implementing a systematic, effective and efficient process to manage operational risk across the group.

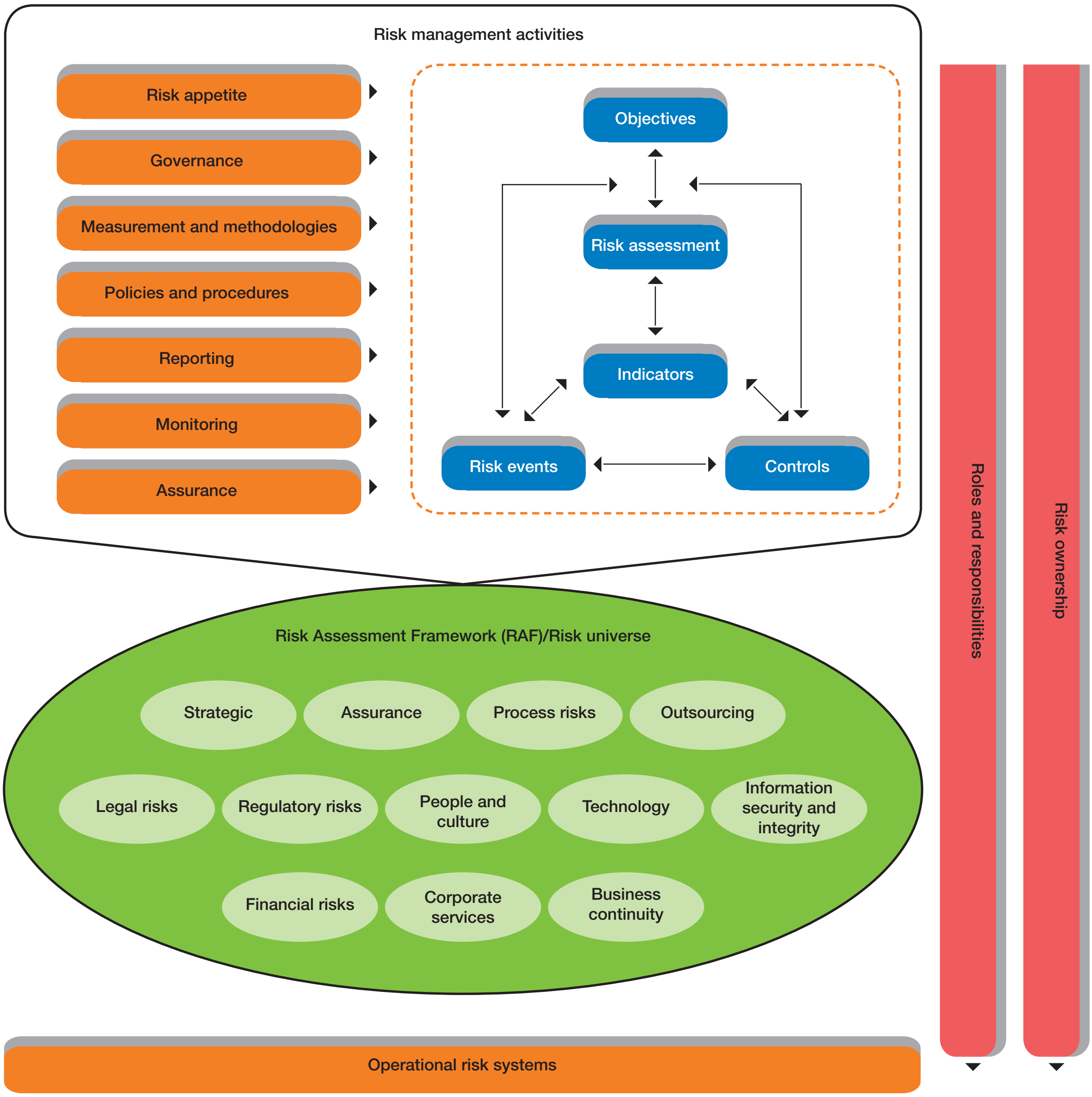
The bank has implemented the group framework to manage operational risk and thus improve business performance and ensure compliance with its regulatory requirements.

A group wide operational risk system is used for the recording, identification, assessment, measurement and monitoring of operational risks facing the bank. This system allows for the recording and linking of risk assessments, risk events and risk indicators where appropriate, enabling a comprehensive view of the operational risk profile. Detailed analysis and reporting across the operational risk profile is also possible.

The Operational Risk Management framework covers the following processes:

- Identification and assessment of risks and controls by senior management on a regular basis, including treatment plans to mitigate and manage assessed residual risk;
- Indicators that support senior management and anticipation of risks and treatment plans;
- Incident and Loss Event Data recording, evaluation and action plans;
- Consolidation and comparison of data to identify trends, patterns, and developing issues.

The following diagram provides an overview of the Investec group's Operational Risk Management framework.



Operational risk identification and risk assessments

The risk assessment process is central to the operational risk management process. A qualitative risk assessment is conducted using an identified universe of operational risks contained in the Risk Assessment Framework (RAF).

The RAF is organised into risk areas and relevant associated detailed risks. Risks are assessed based on likelihood of occurrence and consequence, arriving at a controlled operational risk exposure.

The risk assessments are conducted in accordance with the Group Operational Risk methodology.

The assessment of risks and controls is subject to treatment and escalation in terms of the Group Operational Risk Appetite policy, which sets out the operational risk exposure that the bank is willing to accept or retain.

There is an ongoing review of the risk assessments based on internal or external risk events, changes in the business environment, and new products introduced.

Risks are assessed and considered before implementation of new products in accordance with the Group Product Development and Enhancement policy and the applicable regulatory requirements.

Operational risk indicators

Key operational risk indicators are monitored. The process remains an ongoing area of development.

Operational risk measurement

Material operational risks relevant to the jurisdictions in which the Investec group operates have been identified by Group Operational Risk Management in conjunction with the business units.

In the year under review each material operational risk was subjected to a scenario evaluation. Various plausible, extreme, infrequent scenarios were developed and documented for each material operational risk. Scenario information was sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

The scenario evaluations are combined through Monte Carlo simulation to determine a business unit and group proposed operational risk measure which is considered as an input into the internal operational risk capital. This is subject to review by the Capital Committee.

Reporting

Operational risk management reporting is essential to ensure that the bank's risk exposures are understood at all levels throughout the bank and the group, and that resources are focused on appropriate areas.

The ERM reports to senior management on a monthly basis and submits information that allows for the relevant review of the bank's operational risk profile and for the relevant escalation of any issues or potential failures.

Reports detailing the operational risk profile of the bank are submitted to Group Operational Risk Management on a monthly basis, and the Audit Committee as appropriate.

The CEO submits a comprehensive written report to the board on a quarterly basis.

Other key operational risks

Business continuity risk

The ability of the bank to respond to and maintain an appropriate level of operating capability in the event of a disruption is a significant area of focus.

Senior management is responsible for maintaining a crisis management as well as a business continuity capability for each of the group's geographical locations. A network of business continuity coordinators has responsibility for embedding the business continuity capability. This capability is subject to independent monitoring, review and assessment by both Group Operational Risk Management and Internal Audit.

Business continuity risk awareness and practices have continued to mature throughout the bank. Continuous improvement of the operating resilience allowed the bank to respond effectively to various minor incidents without significant disruption to the business. Regular and robust simulations are conducted to assess the readiness to respond to disruptions and identify areas that require remediation.

Financial crime

Financial crime is considered a key operational risk. The focus is on risk identification, loss investigation, recovery and prosecution, and recommending enhanced practices to mitigate this risk.

Incidents of fraud are investigated, recovery initiated and legal action implemented. It is the bank's policy to take conclusive action on all financial crime that is identified as being perpetrated against us. Case information is collected and compiled by the specialists in the correct manner, to facilitate the legal process and obtain the necessary convictions.

Management discussion and analysis

Developments

In the year under review the bank's operational risk function was subject to regulatory reviews by the South African Reserve Bank and the Bank of Mauritius.

As a result of the current financial crisis and the lessons learnt from this, the bank strives to continuously strengthen its operational risk environment by regularly evaluating the risk assessments and control framework and updating them in line with developments in the market and emerging exposures.

Areas of focus:

- Business continuity capability – rigorous and ongoing simulations and readiness evaluation.
- Awareness and understanding of financial crime.
- Enhancements to the IT Risk Assessment Framework which incorporates the Information Security Framework.
- The refinement of the operational risk measurement methodologies through scenario analysis.
- Key operational risk indicators that are relevant have been considered and remain an ongoing development area.
- Improvement of the quality of operational risk management data.
- Introduction of a new risk and causal analysis approach to enable the bank to further analyse internal and external risk events.
- Improvements to the reporting framework. Continued enhancements based on industry practice.

The bank's processes provide for continuous development and monitoring to ensure that the framework and practices remain relevant and are appropriate and adequate and in line with leading industry practices including regulatory requirements. Embedding operational risk management awareness and practices in the bank's business remains an ongoing activity.

Insurance

The bank maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the Group Insurance Risk Manager. Regular interaction between Group Operational Risk Management and Group Insurance Risk ensures that there is an exchange of information of both areas in order to enhance the mitigation of operational risks.

Reputational risk

Reputational risk is caused by damage to the bank's reputation, name or brand. Such damage may result from a breakdown of trust, confidence or business relationships. Reputational risk may also arise as a result of other risks manifesting and not being mitigated.

The bank has various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. The bank also subscribes to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

The bank is aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The bank's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Corporate governance structures and processes in operation throughout the group assist in mitigating this risk.

Legal risk management

Legal risk is the risk of loss resulting from any of the bank's rights not being fully enforceable or from its obligations not being properly performed. This includes the bank's rights and obligations under contracts entered into with counterparties.

Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered. The legal team seeks to ensure that any agreement which the bank enters into provides the bank with appropriate rights and remedies. The bank has two qualified lawyers in permanent employment and also uses external legal advice.

Capital management and allocation

Philosophy and approach

As a consequence of the recent banking crisis there is a strong expectation from bank stakeholders that banking groups need to and will improve their capital adequacy ratios. The bank has always held capital well in excess of regulatory requirements and it intends to perpetuate this philosophy and ensure that it remains well capitalised in a vastly changed banking world. Accordingly, the bank considers it appropriate to adjust its capital adequacy targets and build its capital base, targeting a minimum tier one capital ratio of 13% and a total capital adequacy ratio of 15% to 19%.

During the year ended 31 March 2009, the bank increased its capital base by issuing new ordinary shares amounting to USD25.0 million. The bank's risk weighted assets decreased to USD656.3 million (2008: USD1 036.9 million). The capital base is made up of mainly Tier 1 capital representing 96.7% of the total capital.

Effective from 1 January 2009, the bank began to report under the Basel II regulatory regime as required by the Bank of Mauritius, although the bank implemented Basel II Standardised Approaches for credit and operational risk from January 2008 in order to fulfil South African Reserve Bank reporting requirements. The bank reports information on its capital position to the Investec Limited Capital Committee which in turn reports to the group DLC Capital Committee.

The determination of target capital is driven by the group's strategy and risk appetite, taking into account regulatory and market factors applicable to Investec. At the most fundamental level, the group seeks to balance its capital consumption between ensuring that it is prudently capitalised to meet its risks, and optimise shareholder returns.

The group's internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is tied to group-wide disciplines surrounding:

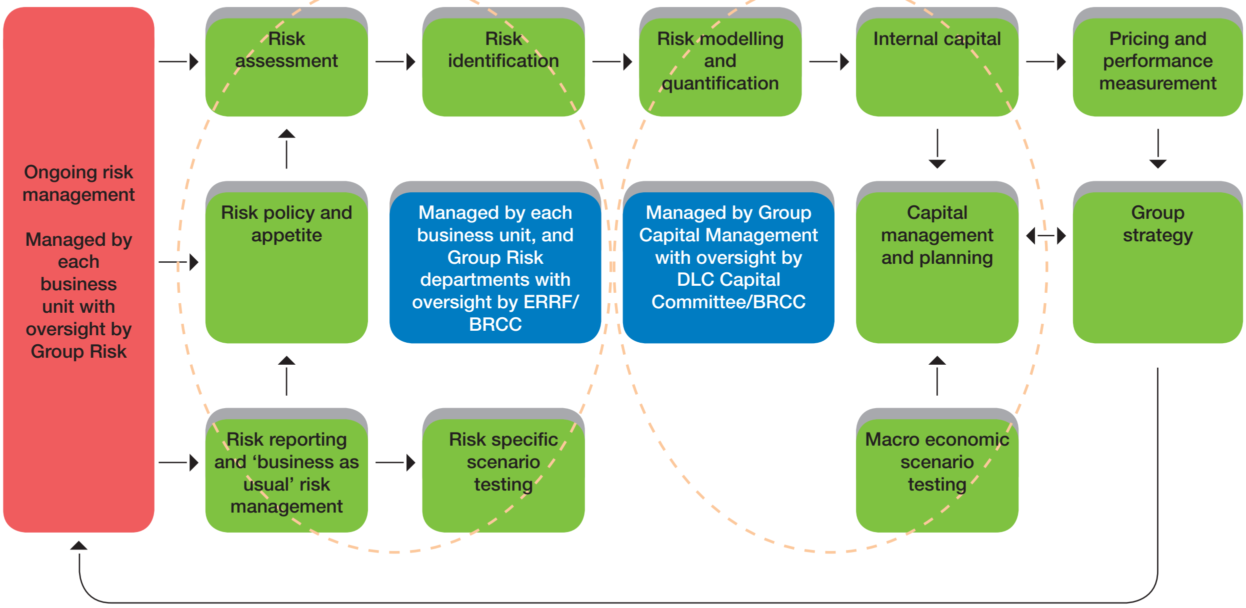
- Capital allocation and structuring
- Investment decision making and pricing
- Risk management, especially as it relates to the selection of deals, markets, and investment opportunities
- Performance measurement
- Risk-based incentive compensation.

Consequently the objectives of the internal capital framework are to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions and support growth in assets
- Maintain sufficient capital to meet regulatory requirements
- Support the group's growth strategy
- Allow the exploration of acquisition opportunities where such opportunities are consistent with the group's strategy and risk appetite;
- Facilitate pricing that is commensurate with the risk being taken
- Allocate capital according to the greatest expected marginal risk based return, and track performance on this basis
- Reward performance taking into account the relative levels of risk adopted.

The framework has been approved by the board and is managed by the Investec group DLC Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal basis.

In order to achieve these objectives, the group adheres to the following approach to the integration of risk and capital management.



Risk assessment and identification

Investec reviews the business annually to map its universe of key risks, which are ultimately reviewed and agreed by the Investec group BRCC following an extensive process of engagement with senior management. This is a bottom up process initially performed by each business unit. Key risks are then debated and agreed at senior management level and ultimately by BRCC. Assessment of the materiality of risks is directly linked to the Investec group board's stated risk appetite and approved risk management policies covering all key risks.

Internal capital

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with the group's risk appetite. Internal capital requirements are supported by the board approved risk assessment process. Assessments for all risks are based on analysis of internal data, management expertise and judgment and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Traded market risk;
- Equity and investment risk in the banking book;
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks;
- Business risk; and
- Operational risk.

Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to, risks relating to: fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Investec group's pricing and performance measurement

Internal capital is fully integrated into many key operational processes, including:

- Determining transactional risk based returns on capital
- Establishing break even pricing
- Optimising capital allocation
- Comparing risk based performance across business areas
- Forming a basis for the determination of Economic Value Added at a transactional level, and hence the basis for discretionary variable remuneration.

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of the group's capital resources, and hence on the basis of their contribution to risk adjusted return on capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows the group to embed risk and capital discipline at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key processes at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the Investec group BRCC. This process forms the fundamental structure of our capital adequacy assessment process.

Capital disclosures in terms of Basel II

The tables that follow provide information as required in terms of Basel II.

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided in the financial statements.

USD'000	31 March 2009	31 March 2008
Regulatory capital		
Tier 1		
Share capital	56 478	34 634
Retained income	78 030	89 441
Requirement by BCM	16 093	15 514
Other reserves	(342)	(1 188)
Total Tier 1	150 259	138 401
Less: deductions	(19)	(22)
	150 240	138 379
Tier 2		
Aggregate amount	5 097	6 723
Less: deductions	(19)	(22)
	5 078	6 701
Total capital	155 318	145 080
Capital requirements	65 632	103 690
Credit risk – prescribed standardised exposure classes	55 210	92 888
Corporates	28 193	40 091
Secured on real estate property	13 962	17 016
Short term claims on institutions and corporates	9 736	30 963
Retail	30	273
Institutions	2 751	4 168
Other exposure classes	538	377
Equity risk – standardised approach	4 382	4 262
Listed equities	641	1 094
Unlisted equities	3 741	3 168
Operational risk – standardised approach	6 040	6 540

Capital adequacy

USD'000	31 March 2009	31 March 2008
Tier 1 capital	150 259	138 401
less: deductions	(19)	(22)
	150 240	138 379
Tier 2 capital	5 097	6 723
less: deductions	(19)	(22)
	5 078	6 701
Total capital	155 318	145 080
Risk-weighted assets (banking and trading)	656 315	1 036 902
Credit risk – prescribed standardised exposure classes	552 099	928 883
Corporates	281 928	400 908
Secured on real estate property	139 617	170 157
Short term claims on institutions and corporates	97 357	309 630
Retail	298	2 728
Institutions	27 513	41 684
Other exposure classes	5 386	3 776
Equity risk – standardised approach	43 819	42 617
Listed equities	6 408	10 943
Unlisted equities	37 411	31 674
Operational risk – standardised approach	60 397	65 402
Capital adequacy ratio	23.7%	14.0%
Tier 1 ratio	22.9%	13.3%
Capital adequacy ratio – pre operational risk	26.1%	14.9%
Tier 1 ratio – pre operational risk	25.2%	14.2%

Corporate governance

Introduction

The bank is committed to promoting sustainable stakeholder confidence in its conduct as a business and as a corporate citizen.

While the board oversees the overall process and structure of corporate governance, each business area and every employee of the bank is responsible for acting in accordance with sound corporate governance practices.

In formulating its governance framework, the bank applies recognised corporate governance practices pragmatically so as to:

- Identify and mitigate significant risks, including reputational risk
- Exercise effective review and monitoring of its activities
- Promote informed and sound decision making
- Enable effectiveness, efficiency, responsibility and accountability
- Facilitate legal and regulatory compliance
- Secure trust and confidence of all stakeholders
- Protect the bank's brand and reputation
- Ensure sustainable business practices, including social and environmental activities
- Disclose the necessary information to enable all stakeholders to make a meaningful analysis of the financial position and actions
- Respond appropriately to changes in market conditions and the business environment

The values and philosophies of the bank are the framework against which behaviour and practices are measured as to assess the characteristics of good governance. These values require that directors and employees behave with integrity, displaying consistent and uncompromising moral strength and conduct in order to promote and maintain trust.

Sound corporate governance is implicit in the bank's values, culture, processes, functions and organisational structure. Structures are designed to ensure that the values remain embedded in all businesses and processes. The bank continually refines these structures and a written Statement of Values serves as its Code of Ethics.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Investec group's Board Risk and Capital Committee and the Audit Committee assist the board of the bank in this regard. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

The overall system of internal control is designed to mitigate, not eliminate, significant risks that the bank faces and was in place for the year under review. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss.

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the bank's financial statements, accounting policies and the information contained in the Annual Report.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks the bank faces in preparing the financial and other information contained in this Annual Report. This process was in place for the year under review and up to the date of approval of the Annual Report and financial statements. The process is implemented by management and independently monitored for effectiveness by the Audit, Risk and other sub-committees of the board, which are referred to below.

The bank's financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Corporate governance practices
- Accounting policies adopted
- The desire to provide relevant and clear disclosures
- The nature and complexity of the business
- The risks the bank assumes, and their management and mitigation
- Key business and control processes in operation
- The operation of board committee support structures
- Operational soundness
- The needs of all the stakeholders.

Internal audit

The Internal Audit function is managed at group level and is tasked with providing the board with an independent and objective opinion as to the bank's control environment in relation to the risks it faces. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

External audit

Ernst & Young are the external auditors of the bank. The independence of the external auditors is reviewed with the auditors by the Audit Committees each year. The Audit Committee meets with the external auditors to review the scope of the external audit and any other audit matters. The external auditors are invited to attend Audit Committee meetings and have access to the Chairman of the Audit Committee.

Compliance

Compliance risk is the risk that the bank fails to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to its businesses. The bank seeks to adopt the highest standard of compliance best practice.

The Compliance function ensures that the bank continuously complies with existing and emerging regulation impacting on its operations. The bank recognises its responsibility to conduct business in accordance with the laws and regulations of the country and areas in which it operates. The Compliance function is supported by Group Compliance and the compliance officer of the bank.

The bank is subject to extensive supervisory and regulatory governance. Any significant business development must be approved by both the Bank of Mauritius (BOM) and the South African Reserve Bank (SARB).

The bank's Compliance Officer provides regular training to staff to ensure that all employees are familiar with regulatory obligations. The Compliance Officer works closely with the business and operational units to ensure consistent management of compliance risk.

Regulation and supervision

The bank is subject to regulation by the host regulator (Bank of Mauritius) and the South African Reserve Bank. It seeks to achieve open and active dialogue with its regulators and supervisors, in order to comply with the various regulatory and supervisory requirements. The bank reports to regulators and supervisory bodies regularly and is subject to an annual on-site inspection.

Values and code of conduct

Investec has a strong organisational culture of entrenched values, which forms the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written Statement of Values, which serves as its Code of Ethics, and is continually reinforced.

Regular values review workshops are conducted across the group, allowing employees to debate the meaning, importance and relevance of these values to its daily operations.

Investec continually strives to conduct its business with uncompromising integrity and fairness, so as to promote trust and confidence in the banking industry.

Human resources and remuneration policy

The bank's philosophy is to employ high calibre individuals, who are characterised by integrity and innovation and who adhere and subscribe to its culture, values and philosophies. The bank promotes entrepreneurship by providing a working environment which stimulates extraordinary performance.

The bank rewards employees for their contribution through payment of a competitive annual package, a variable performance bonus and ownership in the form of share incentive scheme participation. Other factors are also considered important such as the organisation's core values, work content and management style in the attraction, retention and motivation of employees.

Management discussion and analysis

Board of directors

Role and responsibilities

The board is accountable for the performance and affairs of the bank. It is responsible for the adoption of strategic plans, monitoring of operational performance and management, ensuring an effective risk management strategy, compliance with applicable legislation, upholding corporate governance standards and succession.

The board meets its objectives by reviewing and guiding corporate strategy, setting the bank's values and standards, promoting the highest standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks the bank faces, determining its risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of key supporting board committees.

In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board. The board monitors and evaluates management's progress on an ongoing basis.

Furthermore, directly or through its sub-committees and forums, the board:

- Assesses the quantitative and qualitative aspects of the bank's performance through a comprehensive system of financial and non-financial monitoring. This involves an annual budget process, detailed quarterly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital projections and business plans
- Monitors compliance with relevant laws, regulations and codes of business practice
- Monitors communication with all stakeholders and disclosures made
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of the internal systems of control
- Ensures the bank adopts sustainable business practices, including its social and environmental activities
- Evaluates the performance of senior management and considers succession planning.

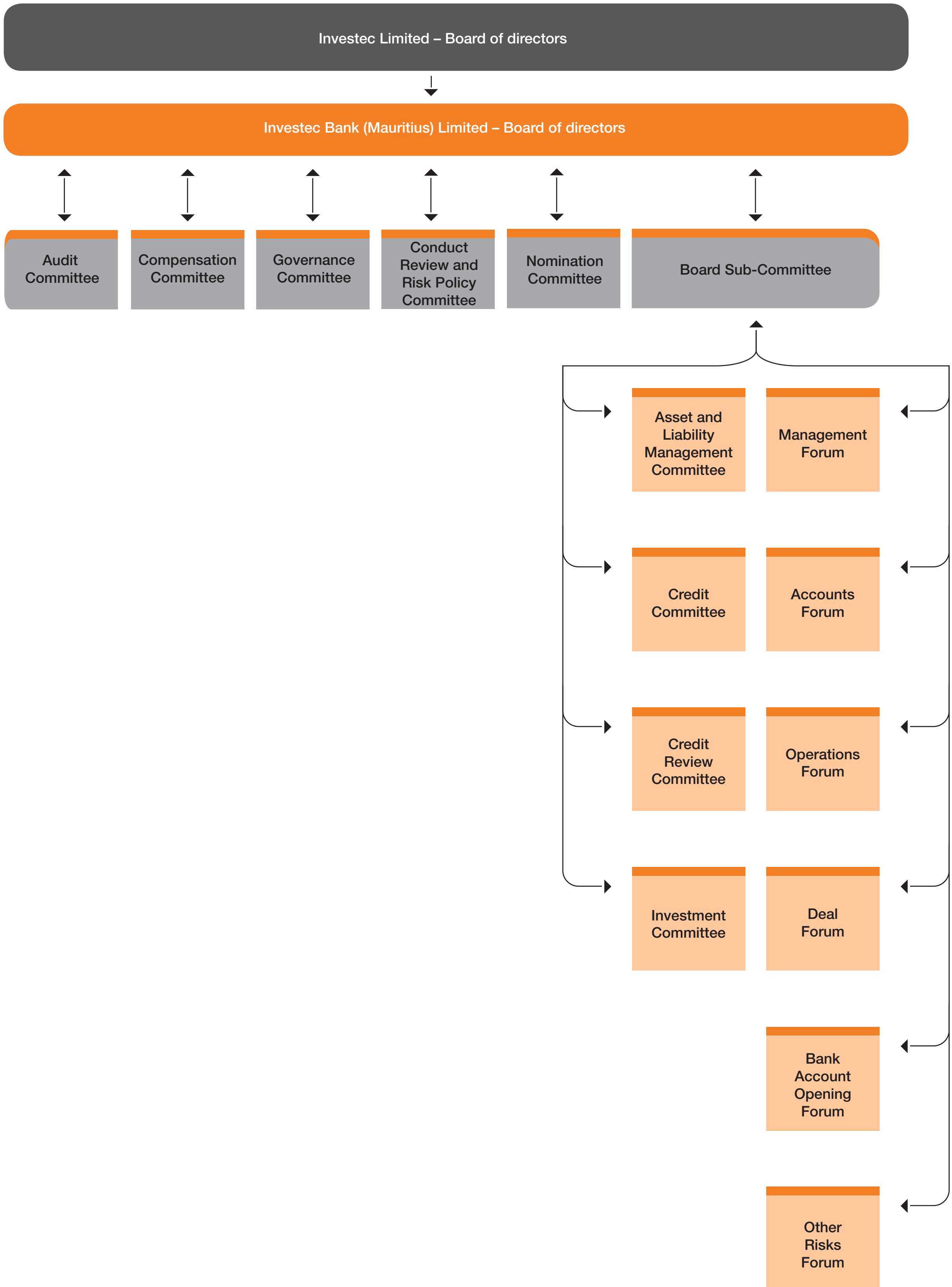
Executive and non-executive directors are widely represented in various risk management committees and forums (see diagram on the following page). Involvement by the directors of Investec Bank (Mauritius) Limited in these committees and forums is indicative of a "hands on" style, which facilitates a detailed understanding of the bank's day-to-day activities.

Detailed risk information is provided to the board. Reports from management to the board provide a balanced assessment of significant risks and the effectiveness of the risk management procedures and systems in managing these risks.

The board of Investec Bank (Mauritius) Limited comprises five members: three directors are independent external directors while one director is employed full time by the Investec group. Three of the directors are resident in Mauritius. Four board meetings were held during the financial year under review.

Governance framework

The bank's governance framework can be depicted as follows:



Board committees

Board Sub-committee

This committee comprises of three members, including the Chief Executive Officer. The committee meets as and when required and assumes the roles and responsibilities of the board.

Audit Committee

This committee examines and reviews the findings of all internal and external audits conducted at the bank by the bank's duly appointed internal and external auditors in order to ensure that there are adequate internal controls to safeguard its assets and integrity. The committee comprises of three members, two of whom are independent external directors. The Chief Executive Officer, the Head of Banking, the Head of Operations, the Compliance officer, the Group Head of Internal Audit, the Group Compliance Officer and the external auditors are invited to attend meetings. The committee held two meetings during the year under review.

Compensation Committee

This committee comprises of two members, with the Chief Executive Officer being an invitee. The committee reviews the salaries and bonuses of employees and senior management based on key performance indicators. The committee met once during the year under review.

Conduct Review and Risk Policy Committee

This committee comprises of three directors, two of which are independent external directors. The committee monitors and reviews all related party transactions. The committee met four times during the year under review and noted no violations in terms of the Guideline on related party transactions issued by the Bank of Mauritius.

Governance Committee

This committee comprises of the Chairman and one independent external director of the board. The committee is responsible for ensuring that the board receives all relevant information to assist the board in making its decisions. The committee provides a link between the board and management in governance matters. The committee may be asked to appraise the performance of the board as a whole as well as its committees.

Nomination Committee

This committee comprises of the Chairman and one independent external director. The committee is responsible for identifying and nominating candidates for the approval of the board to fill board vacancies, as and when required.

Management committees and forums

The day-to-day running of the bank's business is delegated to management. Issues are debated widely and decisions are taken in a transparent manner by the following committees and forums:

Asset and Liability Management Committee

This committee comprises of the Chief Executive Officer, the Head of Banking, the Head of Treasury, other invited staff and representatives from Group Risk Management. The committee meets monthly to oversee the bank's liquidity risk, interest rate risk and foreign exchange risk management. The committee oversees the banks policy for managing its balance sheet based on a detailed analysis of risk and return and managing those risks in relation to earnings and capital.

Credit Committee

This committee comprises of the Chief Executive Officer, the Head of Operations and the external directors. The committee meets as and when required to review and approve credit proposals.

Credit Review Committee

This committee comprises of a non-executive director, the Compliance Officer and the Head of Operations. The committee meets monthly to review the banks lending portfolio in accordance with the banks review procedures.

Investment Committee

This committee comprises of three members, including the Chief Executive Officer. The committee is responsible for the management of the investment portfolio. The committee reviews the performance of the investment portfolio at least once every quarter. It also reviews all new investment proposals and makes their determination known to the IBM Credit Committee for administration purposes.

Management Forum

This forum comprises of the Chief Executive Officer, the Head of Banking, the Head of Operations and the heads of other departments. The forum meets both formally and informally, to discuss various issues relating to the efficient and effective running of the bank.

Management discussion and analysis

Accounts Forum

This forum comprises of the Chief Executive Officer, the Head of Banking, the Head of Finance and a number of staff from the Finance division. The forum meets monthly to discuss and review accounting and financial issues.

Operations Forum

This forum comprises of the Head of Banking, the Head of Operations, the Head of Treasury and a number of staff within the operations. The forum meets both formally and informally to address the bank's operational issues.

Deal Forum

This forum comprises of the Chief Executive Officer, the Head of Operations and deal consultants. The forum meets on an ad hoc basis to discuss special deal structures and potential new deals.

Bank Account Opening Forum

This forum comprises of the Head of Customer Relations, members of the customer relations team, the Compliance Officer and the Anti-Money Laundering Officer. The forum is responsible for enforcing the bank's Anti-money Laundering policy.

Other Risks Forum

This forum comprises of the Chief Executive Officer, the Head of Banking and the Head of Operations. All other risks, which are not covered by the above committees or forums, are dealt with in the Other Risks Forum. This forum mainly deals with strategic risk, reputational risk, country risk and any other risks.

Related party transactions, policies and practices

The bank adheres to the Bank of Mauritius new Guideline on Related Party Transactions issued in January 2009. All transactions with a related party are carried out on terms and conditions that are at least as favourable to the bank as the market terms and conditions.

The board has set up a Conduct Review and Risk Policy Committee (CRRPC) which consists of three non-executive directors. The CRRPC meets at least once every quarter and reviews all transactions initiated in the quarter under review. After each meeting the matters reviewed by the CRRPC are reported to the board of directors. The bank reports on the proceedings of the CRRPC during the year to the Bank of Mauritius on a yearly basis.

The total on and off balance sheet credit exposure to the related parties amounted to USD 66.1 million representing 7.3% of the bank's total exposure. At 31 March 2009, none of the facilities granted to related parties was non-performing as was the case for the last three years. The credit exposure to the six related parties with the highest exposure amounted to USD 63.9 million representing 42.5% of the Tier 1 capital and all the related party transactions were within the regulatory limits as recommended in the abovementioned guideline.

Our Business Responsibility (OBR)

The bank has aligned itself with the group's strategic approach to OBR. Accordingly, the bank acknowledges the need to do 'good' for the 'right' reasons with emphasis on pursuing initiatives which will, above all, be of value for the greater Mauritian society.

During the past year the bank has successfully upgraded the sports and women's centre at the Guy Rozemont Government School (an initiative of the Ministry of Public Infrastructure, Land Transport and Shipping) which is situated in an underprivileged area in the Port Louis region of the Island. Subsequent to the upgrade, the bank donated funds for their equipment requirements and the volley ball team's uniforms. The bank is proud to be associated with this centre and will continue to support their appeals.

The conservation of the environment and the education of the Mauritian youth on financial awareness will be the focus areas of the bank's OBR activities during the coming year. In terms of our non-financial endeavours, the bank's challenge will be to identify ways of reducing its overall environmental footprint.

This management and discussion analysis on pages 10 to 53 is signed on behalf of the board

David M Lawrence Chairman	Pierre de Chasteigner du Mee Director	Craig C McKenzie Chief Executive Officer

29 June 2009

Financial statements 3

Directors' Statement

Statement of management's responsibility for financial reporting

The financial statements in this Annual Report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards of the International Accounting Standards Board as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

The bank has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the bank.

The bank's board of directors, acting in part through the Audit Committee and Conduct Review and Risk Policy Committee, which comprise independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The bank's internal auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the bank's external auditors. In addition, the bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the bank as it deems necessary.

The bank's external auditors, Ernst & Young, have full and free access to the board of directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

David M Lawrence	Pierre de Chasteigner du Mee	Craig C McKenzie
Chairman	Director	Chief Executive Officer

29 June 2009

Secretary's Report

Under Section 166(d) of the Companies Act 2001, I certify that, to the best of my knowledge and belief, the bank has lodged with the Registrar of Companies all such returns as are required of the bank in terms of the Act.

Prithiviraj Jeewooth
Secretary

29 June 2009

Independent Auditors' Report

Report on the financial statements

We have audited the accompanying financial statements of Investec Bank (Mauritius) Limited ('the bank') on pages 59 to 101 which comprise the balance sheet as at 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001 and Banking Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the bank as of 31 March 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance of the Mauritian Companies Act 2001.

Other matter

This report, including the opinion, has been prepared for and only for the bank's members, as a body, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Companies Act 2001

We have no relationship with or interests in the bank other than in our capacity as auditors and dealings with the bank in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the bank as far as it appears from our examination of those records.

Independent Auditors' Report

Banking Act 2004

In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius. The explanations or information called for or given to us by the officers or agents of the bank were satisfactory.

Ernst & Young

Ernst & Young

Andre Lai Wan Loong, A.C.A

Port Louis
Mauritius
29 June 2009

Balance sheet

At 31 March USD'000	Notes	2009	2008	2007
Assets				
Cash and balances with central bank	15	2 492	1 221	871
Due from banks	16	148 630	69 676	62 911
Derivative financial instruments	17	26 328	15 576	48 205
Investment securities	18	64 305	122 986	136 496
Amount due from holding bank	35	92 000	83 116	85 402
Amount due from group companies	35	116 259	65 381	64 666
Loans and advances to customers	19	461 137	824 782	501 450
Investment in associates	20	2 184	10 155	11 382
Investment in subsidiaries	21	38	44	49
Equipment	22	230	242	171
Deferred tax assets	12	326	202	216
Other assets	23	1 190	1 133	4 326
		915 119	1 194 514	916 145
Liabilities				
Deposits by banks	24	105 747	100 656	107 971
Securities sold under repurchase agreement with bank		898	1 497	2 360
Derivative financial instruments	17	22 182	39 752	82 543
Amount due to holding bank	35	134 394	410 184	160 146
Amount due to group companies	35	49 069	86 611	116 223
Due to customers	25	439 739	396 444	295 468
Debt securities in issue	26	2 190	2 554	2 862
Current tax liabilities	12	1 235	836	1 297
Other liabilities	27	9 234	16 762	8 348
		764 688	1 055 296	777 218
Equity				
Issued capital	29	56 478	34 634	38 819
Available for sale reserve	30	(342)	(1 188)	138
Foreign currency translation reserve	30	(255)	(2 305)	(1 178)
Other reserves	30	16 265	16 331	13 479
Retained earnings		78 285	91 746	87 669
Total equity		150 431	139 218	138 927
Total liabilities and equity		915 119	1 194 514	916 145

David M Lawrence
Chairman
Board of Directors

Pierre de Chasteigner
Director

Craig C McKenzie
Chief Executive Officer

29 June 2009

Income statement

For the year to 31 March USD'000	Notes	2009	2008	2007
Interest income	3	75 070	84 297	76 407
Interest expense	4	(29 510)	(40 323)	(40 831)
Net interest income		45 560	43 974	35 576
Fee and commission income	5	2 342	2 618	2 346
Fee and commission expense	5	(2 338)	(416)	(628)
Net fee and commission income		4	2 202	1 718
Net trading income/(loss)	6	16 577	(12 535)	10 378
Net (loss)/gain on financial instruments designated at fair value through profit or loss	7	(40 974)	6 715	(3 870)
Other income	8	3 136	-	-
Total operating income		24 303	40 356	43 802
Impairment losses on financial assets - Held-to-maturity	18	(5 204)	-	-
Impairment losses on loans and advances	9	(1 280)	(13 276)	355
Impairment loss on investment in an associate	20	(6 985)	-	-
Net operating income		10 834	27 080	44 157
Personnel expenses	10	(3 865)	(3 729)	(2 244)
Depreciation of equipment	22	(94)	(102)	(91)
Other operating expenses	11	(2 473)	(3 597)	(2 026)
Total operating expenses		(6 432)	(7 428)	(4 361)
Profit before income tax		4 402	19 652	39 796
Income tax expense	12	(542)	(1 008)	(1 938)
Profit for the year		3 860	18 644	37 858
		USD	USD	USD
Earnings per share (basic)	13	0.01	0.07	0.13

Statement of changes in equity

USD'000	Notes	Issued capital	Available for sale reserve	Foreign currency translation reserve	General banking reserve	Statutory reserve	Retained earnings	Total
At 1 April 2006		45 650	156	873	1 720	7 039	69 519	124 957
Movement in reserves 1 April 2006 - 31 March 2007								
Foreign currency adjustments		(6 831)	(24)	(2 051)	(257)	-	(10 731)	(19 894)
Fair value movements on available for sale assets		-	6	-	-	-	-	6
Total income and expense for the year recognised directly in equity		(6 831)	(18)	(2 051)	(257)	-	(10 731)	(19 888)
Profit for the year		-	-	-	-	-	37 858	37 858
Total income and expense for the year		(6 831)	(18)	(2 051)	(257)	-	27 127	17 970
Dividend paid	14	-	-	-	-	-	(4 000)	(4 000)
Appropriations to other reserves		-	-	-	(702)	5 679	(4 977)	-
At 31 March 2007		38 819	138	(1 178)	761	12 718	87 669	138 927
At 1 April 2007		38 819	138	(1 178)	761	12 718	87 669	138 927
Movement in reserves 1 April 2007 - 31 March 2008								
Foreign currency adjustments		(4 185)	(14)	(1 127)	(82)	-	(11 633)	(17 041)
Fair value movements on available for sale assets		-	(1 312)	-	-	-	-	(1 312)
Total income and expense for the year recognised directly in equity		(4 185)	(1 326)	(1 127)	(82)	-	(11 633)	(18 353)
Profit for the year		-	-	-	-	-	18 644	18 644
Total income and expense for the year		(4 185)	(1 326)	(1 127)	(82)	-	7 011	291
Appropriations to other reserves		-	-	-	138	2 796	(2 934)	-
At 31 March 2008		34 634	(1 188)	(2 305)	817	15 514	91 746	139 218
At 1 April 2008		34 634	(1 188)	(2 305)	817	15 514	91 746	139 218
Movement in reserves 1 April 2008 - 31 March 2009								
Foreign currency adjustments		(3 156)	169	2 050	(113)	-	(17 274)	(18 324)
Fair value movements on available for sale assets		-	677	-	-	-	-	677
Total income and expense for the year recognised directly in equity		(3 156)	846	2 050	(113)	-	(17 274)	(17 647)
Profit for the year		-	-	-	-	-	3 860	3 860
Total income and expense for the year		(3 156)	846	2 050	(113)	-	(13 414)	(13 787)
Issue of ordinary shares		25 000	-	-	-	-	-	25 000
Appropriations to other reserves		-	-	-	(532)	579	(47)	-
At 31 March 2009		56 478	(342)	(255)	172	16 093	78 285	150 431

Cash flow statement

For the year to 31 March USD'000	Notes	2009	2008	2007
Operating activities				
Profit before tax		4 402	19 652	39 796
Adjustments for:				
Change in operating assets	32	155 530	(412 802)	(86 483)
Change in operating liabilities	32	(128 244)	397 175	133 566
Non-cash item included in profit before tax	32	36 017	9 712	(7 979)
Income tax paid		(141)	(1 435)	(2 184)
Net cash flows from operating activities		67 564	12 302	76 716
Investing activities				
Purchase of investment securities		(2 245)	(3 015)	(5 502)
Proceeds on disposal of securities		122	4 881	14 939
Purchase of equipment	22	(125)	(178)	(91)
Proceeds on disposal of equipment		18	-	-
Investment in associate		-	-	(12 500)
Net cash flows (used in)/from investing activities		(2 230)	1 688	(3 154)
Financing activities				
Issue of ordinary shares		25 000	-	-
Redemption of preference shares		-	-	(12 277)
Dividend paid		-	-	(4 000)
Net cash flows from/(used in) financing activities		25 000	-	(16 277)
Net increase in cash and cash equivalents		90 334	13 990	57 285
Cash and cash equivalents at beginning of the year		70 897	63 782	7 640
Effect of exchange rate changes on cash and cash equivalents		(10 109)	(6 875)	(1 143)
Cash and cash equivalents at end of the year	32	151 122	70 897	63 782

Notes to the financial statements

1. Corporate information

Investec Bank (Mauritius) Limited ("the bank") is a public company incorporated and domiciled in the Republic of Mauritius on 20th April 1990. The bank's principal activity is the provision of banking facilities. Its registered office is at 7th Floor, Harbour Front Building, President John Kennedy Street, Port Louis.

The financial statements for the year ended 31 March 2009 were authorised for issue in accordance with a resolution of the directors on 29 June 2009.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for available for sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. The financial statements are presented in United States Dollars (USD), and all values are rounded to the nearest USD thousand except where otherwise indicated.

Statement of compliance

The financial statements of the bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

The bank does not prepare consolidated financial statements since it satisfies the criteria for exemption under IAS 27 paragraph 10. The bank is wholly owned by Investec Bank Limited which prepares consolidated financial statements that comply with International Financial Reporting Standards. Investec Bank Limited is incorporated in South Africa and its registered office, where consolidated financial statements are obtainable, is in Sandton.

Presentation of information

Disclosures under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures, relating to the nature and extent of risks, have been included in sections marked as audited in the Risk Management Report on pages 12 to 47.

2.2 Significant accounting judgements and estimates

In the process of applying the bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgements is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Further details in respect of the fair valuation of financial instruments are included in note 31 to the financial statements.

Impairment losses on loans and advances

The bank reviews its individually significant loans and advances at each balance sheet date to assess whether an impairment loss 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 impairment loss. In estimating these cash flows, the bank makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio, concentrations of risks and economic data.

Impairment of financial assets – Held-to-maturity

The bank reviews its debt securities classified as held-to-maturity assets at each balance sheet date to assess whether they are impaired. They require similar judgement as applied to the individual assessment of loans and advances.

In performing the annual impairment, management has considered it necessary to impair a financial asset: – held-to-maturity by 50% of the outstanding balance at year end. The impairment loss on financial assets – held-to-maturity is disclosed in more detail in note 18.

Impairment of investment in associate

The bank reviews its investment in associates at each balance sheet date to assess whether they are impaired. They require similar judgement as applied to the individual assessment of loans and advances.

In performing the annual impairment, management has considered it necessary to impair an investment in associate based on its financial performance. The impairment of investment in associate is detailed in note 20.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Going concern

The bank's management has made an assessment of the bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except that the bank has adopted the following standards and interpretations. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the bank.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures - Reclassification of Financial Assets

The amendments allow entities to reclassify certain financial assets out of held-for-trading if they are no longer held for the purpose of being sold or repurchased in the near term.

- Financial assets that would be eligible for classification as loans and receivables (i.e. those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from 'held-for-trading' to 'loans and receivables', if the entity has the intention and the ability to hold them for the foreseeable future.

- Financial assets that are not eligible for classification as loans and receivables may be transferred from 'held-for-trading' to 'available for sale' or to 'held-to-maturity', only in rare circumstances.

The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted.

The following standards, amendments and interpretations are not yet effective.

IFRS 3 - (revised 2008) Business Combinations and IAS 27 - (revised 2008) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (revised 2008) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, for future business combinations, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (revised 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Application of the revised standards will become mandatory for the bank's 2010 financial statements.

Amendment to IAS 23 - Borrowing Costs

IAS 23 issued in March 2007 will supersede IAS 23 (revised in 2003). IAS 23 (revised) is effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The amendment to IAS 23 is not expected to have any impact on the financial performance or position of the bank.

IAS 1 - (revised 2007) Presentation of Financial Statements

The standard replaces IAS 1, Presentation of Financial Statements (revised in 2003) as amended in 2005. The revised IAS 1 was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009 with early application permitted.

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

The changes introduced by the revision are presentational in nature, and will not have an impact on the results of the bank. The bank intends to present one single statement of comprehensive income.

Amendments to IAS 32 - Financial Instruments: Presentation and IAS 1 - Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to IAS 32 and IAS 1 were issued by the International Accounting Standards Board (IASB) in February 2008 and become effective for annual periods beginning on or after 1 January 2009 with early application permitted. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity.

The amendments to IAS 32 and IAS 1 are not expected to have any impact on the financial performance or position of the bank as the bank has not issued such instruments.

IFRS 8 - Operating Segments

The IASB issued IFRS 8 in November 2006 which replaces IAS 14, Segment Reporting and is applicable for periods beginning on or after 1 January 2009. This standard requires disclosure of information about the bank's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank.

Application of IFRS 8 is not expected to have any impact on the financial performance or position of the bank, as the bank is not required to comply with IFRS Segmental reporting.

Improvement to IFRSs
In May 2008 the IASB issued its first annual set of non-urgent amendments to standards, primarily with a view to removing inconsistencies and clarifying wording. The bank has decided not to early adopt the amendments and does not expect that their application to have significant effect.

2.4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Foreign currency translation

The bank's functional currency is considered to be the South African Rand. However, in accordance with the requirements of the Bank of Mauritius, the bank presented its financial statements in United States Dollar (USD).

(i) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 'net trading income or loss' in the income statement.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(ii) Translation to presentation currency
As at the reporting date, the assets and liabilities of the bank are translated into its presentation currency (the United States Dollar) at the rate of exchange ruling at the balance sheet date, and the income statement is translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

(b) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition
All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the bank becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The bank uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps, total return swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held-for-trading are included in 'net trading income or loss'.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(iv) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the balance sheet at fair value. Changes in fair value are recognised in 'net trading income or loss'. Interest and dividend income or expense is recorded in 'net trading income or loss' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in 'net loss or gain on financial instruments designated at fair value through profit or loss'. Interest earned or incurred is accrued in 'interest income' or 'interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'other income' when the right to the payment has been established.

Included in this classification are loans and advances to customers which are economically hedged by credit derivatives and do not qualify for hedge accounting, as well as notes issued which are managed on a fair value basis.

(vi) 'Day 1'profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the bank immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the income statement in 'net trading income or loss'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(vii) Available-for-sale financial assets

Available-for-sale financial assets include debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the 'available for sale reserve'. Interest earned whilst holding available for sale financial assets is reported as interest income using the EIR. The losses arising from impairment of such assets are recognised in the income statement and removed from the 'available for sale reserve'.

(viii)Held-to-maturity financial assets

Held-to-maturity financial assets are those which carry fixed or determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The losses arising from impairment of such assets are recognised in the income statement line 'impairment losses on financial assets- held-to-maturity'.

If the bank were to sell or reclassify more than an insignificant amount of held-to-maturity financial assets before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

(ix) Due from banks and loans and advances to customers

'Due from banks' and 'loans and advances to customers', include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the near term and those that the bank upon initial recognition designates as at fair value through profit or loss; or
- Those that the bank, upon initial recognition, designates as available-for-sale; or
- Those for which the bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'due from banks' and 'loans and advances to customers' are subsequently measured at amortised cost using the EIR, 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 EIR. The amortisation is included in 'Interest and similar income' in the income statement. The losses arising from impairment are recognised in the income statement in 'impairment losses on loans and advances'.

The bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

(x) Debt securities in issue

Financial instruments or their components issued by the bank, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt securities in issue' where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

An analysis of the banks issued debt is disclosed in Note 26 to the financial statements.

(xi) Reclassification of financial assets

Effective from 1 July 2008, the bank may reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it may also reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

The bank may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

(c) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the bank has transferred substantially all the risks and rewards of the asset, or (b) the bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

When the bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the bank's continuing involvement in the asset. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the bank's continuing involvement is the amount of the transferred asset that the bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(d) Repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognised from the balance sheet. The corresponding cash received, including accrued interest, is recognised on the balance sheet as a 'securities sold under repurchase agreement', reflecting its economic substance as a loan to the bank.

(e) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the balance sheet, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'net trading income or loss'.

(f) Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

(g) Impairment of financial assets

The bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) **Financial assets carried at amortised cost**

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers as well as held-to-maturity investments), the bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) **Available for sale financial assets**

For available for sale financial assets, the bank assess at each balance sheet date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available for sale, the bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(iii) **Renegotiated loans**

Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(h) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

(i) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expenses

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available for sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The bank earns fee and commission income from a diverse range of services it provides to its customers.

Fee income earned from services that are provided over a certain period of time.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and raising fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

(iii) Dividend income

Revenue is recognised when the bank's right to receive the payment is established.

(iv) Net trading income or loss

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities 'held-for-trading'. This includes any ineffectiveness recorded in hedging transactions.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents are shown net of overdrafts.

(k) Investment in associates

An associate is an entity in which the bank has significant influence and which is neither a subsidiary nor a joint venture. Investment in associates is accounted for at cost. The bank determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the bank calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in the income statement.

(l) Equipment

Equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Rate
Furniture and fittings	10%
Office equipment	20%
Computer equipment	33%
Motor vehicles	20%

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'other income' in the income statement in the year the asset is derecognised. Residual values and useful lives are reviewed at least at each financial year end.

(m) Impairment of non-financial assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

(n) 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 liability relating to financial guarantees is taken to the income statement in 'Impairment loss'. The premium received is recognised in the income statement in 'fee and commission income' on a straight line basis over the life of the guarantee.

(o) Pension benefits

Defined contribution pension plan
The bank operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the bank by the employees and is recorded as an expense under 'personnel expenses'. Unpaid contributions are recorded as a liability.

(p) Provisions

Provisions are recognised when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(q) Taxes

(i) Current tax
Current 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.

(ii) Deferred tax
Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(r) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank.

Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

(s) Equity reserves

The reserves recorded in equity on the bank's balance sheet include:

- 'Available for sale reserve' which comprises changes in fair value of available for sale assets;
- 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004; and
- 'General banking reserve' which comprises amounts set aside for general banking risks.

(t) Segment reporting

The bank's segmental reporting is based on the requirements of the Bank of Mauritius Guideline on Public Disclosure of Information, which requires that segment information should be provided by segment A and segment B banking businesses.

Segment B

Segment B activity essentially relates to the provision of international financial services that give rise to "foreign source income". Such services may be fund based and/or non-fund based. Segment B assets will generally consist of placements with and advances to foreign resident companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or GBLs. Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs and capital.

Segment A

Segment A activity relates to all banking business other than segment B activity. The financial services provided under segment A may be funded and/or non-fund based. Segment A business will essentially consist of transactions with residents of Mauritius, both on the liability side and asset side.

Notes to the financial statements

For the year to 31 March USD'000	2009	2008	2007
3. Interest income			
Due from banks	999	6 281	2 295
Loan and advances to customers	49 916	51 090	50 422
Financial assets - Held-to-maturity	2 360	2 926	-
Financial assets - Available for sale	-	-	3 702
Interest income accrued on impaired loan and advances to customers	-	-	210
Interest income from group companies	13 515	13 804	10 401
	66 790	74 101	67 030
Financial assets designated at fair value through profit or loss	8 280	10 196	9 377
	75 070	84 297	76 407
4. Interest expense			
Deposits by banks	3 082	5 492	5 227
Repurchase agreements	30	139	112
Due to customers	10 777	17 125	11 700
Debt securities in issue	1 269	1 371	4 308
Interest expense to group companies	14 352	16 196	19 484
	29 510	40 323	40 831
5. Net fee and commission income			
Fee and commission income			
Portfolio and other management fees	-	307	126
Credit related fees and commissions	2 285	824	1 191
Brokerage fees received	55	766	970
Other fees received	2	721	59
Total fee and commission income	2 342	2 618	2 346
Fee and commission expense			
Brokerage fees paid	(14)	(389)	(529)
Portfolio and other management fees	(1 910)	-	-
Other fees paid	(414)	(27)	(99)
Total fee and commission expense	(2 338)	(416)	(628)
Net fee and commission income	4	2 202	1 718
6. Net trading income/(loss)			
Changes in fair value of financial instruments	15 417	(6 584)	11 505
Foreign exchange gain/(loss)	1 160	(5 953)	(1 127)
Other	-	2	-
	16 577	(12 535)	10 378
Included in "foreign exchange" are gains and losses from spot and forward contracts and other currency derivatives.			
7. Net (loss)/gain on financial instruments designated at fair value through profit or loss			
Debt securities	(23 233)	(715)	(2 128)
Equities	(17 740)	7 430	(1 742)
	(40 974)	6 715	(3 870)
8. Other income			
Profit on disposal of a loan	3 136	-	-
9. Impairment losses on loans and advances			
Movement in allowance for credit impairment (loss)/income			
Loans and advances - entities outside Mauritius	(415)	(353)	388
Debts written off			
Loans and advances - entities outside Mauritius	(865)	(12 923)	(33)
	(1 280)	(13 276)	355

Notes to the financial statements

For the year to 31 March USD'000	2009	2008	2007
10. Personnel expenses			
Wages and salaries	3 746	3 515	2 137
Pension costs - Defined contribution plan (note 28)	48	42	25
Other benefits	71	172	82
	3 865	3 729	2 244
11. Other operating expenses			
Advertising and marketing	22	45	36
Administrative expenses	2 407	3 315	1 710
Professional fees	44	35	32
Other	-	202	248
	2 473	3 597	2 026
12. Taxation			
Balance sheet			
Income tax liability:			
Current	560	836	1 297
Prior year	675	-	-
	1 235	836	1 297
Income statement			
The components of income tax expense for the years ended 31 March 2009, 2008 and 2007 are:			
Current income tax	560	836	1 297
Tax paid under advance payment scheme	100	-	-
Adjustment in respect of current income tax of prior years	-	65	545
Deferred tax			
Relating to origination and reversal of temporary differences	(124)	14	151
Exchange difference	6	93	(55)
Income tax expense reported in the income statement	542	1 008	1 938
Reconciliation of the total tax charge			
A reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 March 2009, 2008 and 2007 is as follows:			
Accounting profit before tax	4 402	19 652	39 796
At statutory income tax rate of 3% (2008: 3% and 2007: 4.5%)	132	590	1 738
Adjustment in respect of current income tax of prior years	-	-	547
Effect of different tax rates	-	-	(24)
Special Levy	55	117	-
Income not subject to tax	(472)	(26)	(449)
Non deductible expenses	827	327	126
Income tax expense reported in the income statement	542	1 008	1 938
Effective income tax rate	12%	5%	5%

Following amendments brought by the Finance Act 2006 to the Income Tax Act 1995, the corporate tax rate of the bank has decreased from 22.5% in 2007 to 15% in 2008 and remained 15% in 2009. The bank benefits from a presumed foreign tax credit of 80% on its local tax payable in so far as it relates to income earned from non residents.

Tax paid under advance payment scheme

The Finance Act 2007 introduced an Advance Payment System ("APS") whereby companies having a turnover of 100 million Mauritian Rupee or more are required to file a quarterly corporate tax return as from 1 July 2008. With the introduction of APS, a transitional rule was introduced to alleviate the cash flow impact so that the total tax liability for the income year ended 30 June 2008 could be settled in three equal installments.

12. Taxation (continued)

Deferred tax

The deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

For the year to 31 March USD'000	2009 Deferred tax asset	2009 Deferred tax liability	2009 Income state-ment	2008 Deferred tax asset	2008 Deferred tax liability	2008 Income state-ment	2007 Deferred tax asset	2007 Deferred tax liability	2007 Income state-ment
The movement on deferred income tax account is as follows:									
Provisions for credit impairment	315	-	125	190	-	(7)	197	-	(202)
Pensions	-	-	-	-	-	-	-	-	(1)
Other temporary differences:									
- Accelerated tax depreciation	-	-	1	-	(1)	-	-	(1)	3
- Irrevocable loan due by tax incentive company	-	-	-	-	-	-	-	-	78
- Deferred fees income	11	-	(2)	13	-	(7)	20	-	(29)
	326	-	124	203	(1)	(14)	217	(1)	(151)

13. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary equity holder of the bank by the weighted average number of ordinary shares outstanding during the year.

The following table shows the income and share data used in the basic earnings per share calculation:

For the year to 31 March USD'000	2009	2008	2007
Profit attributable to ordinary equity holder of the bank	3 860	18 644	37 858
Weighted average number of ordinary shares for basic earnings per share ('000)	359 570	281 630	281 630

14. Dividend paid and proposed

Declared and paid during the year			
Equity dividends on ordinary shares:			
Final dividend for 2009: nil (2008: nil and 2007: USD 0.01)	-	-	4 000

15. Cash and balances with central bank

Cash in hand (note 32)	-	1	1
Current account with the central bank (note 32)	2 492	1 220	870
	2 492	1 221	871

16. Due from banks

Placements with other banks	142 569	48 350	39 922
Loans and advances	6 061	21 326	22 989
	148 630	69 676	62 911

17. Derivative financial instruments

The table shows the fair values of derivatives financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

As at 31 March USD'000	2009 Assets	2009 Liabilities	2009 Notional amount	2008 Assets	2008 Liabilities	2008 Notional amount	2007 Assets	2007 Liabilities	2007 Notional amount
Derivatives held for trading									
Interest rate swaps	3 703	(4 608)	105 495	914	(2 556)	127 989	1 145	(1 791)	122 124
Currency swaps	5 629	(13 183)	71 097	1 416	(17 907)	82 666	3 179	(13 686)	85 852
Forward foreign exchange contracts	7	(2 255)	58 028	1 780	(12 358)	227 779	1 699	(24 054)	150 236
Equity derivative - Options	8 927	(1 757)	9 458	-	(6 927)	11 031	-	(20 390)	12 557
Commodity swaps and forwards	-	-	-	-	-	-	15 730	(22 622)	73 704
Embedded derivative - Equity kickers	8022	-	-	6 445	-	-	26 344	-	-
Credit default swaps	37	-	46 898	8	(4)	289 303	108	-	23 070
Total return swap	-	(379)	-	-	-	-	-	-	-
Credit link note	3	-	5 007	5 013	-	5 000	-	-	-
	26 328	(22 182)	295 983	15 576	(39 752)	743 768	48 205	(82 543)	467 543

As of 31 March 2009, the bank has positions in the following types of derivatives:

Forwards

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The bank has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are therefore considered to bear a high liquidity risk. Such contracts also result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts. Collateral given in respect of total return swap amounted to USD 15.3 million (2008 and 2007: nil) and credit default swap amounted to USD 46.9 million (2008: USD 289.3 million and 2007: USD 23.1 million)

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Derivative financial instruments held or issued for trading purposes

Most of the bank's derivative trading activities relate to deals with customers which are normally laid off with counterparties. The bank may also take positions with the expectation of profiting from favourable movements in prices, rates and indices.

As part of its asset and liability management, the bank uses derivatives for hedging purposes in order to reduce its exposure to credit and market risks. This is achieved by hedging specific financial instruments, portfolios of fixed rate financial instruments and forecast transactions.

Notes to the financial statements

As at 31 March USD'000	2009	2008	2007
18. Investment securities			
Financial assets designated at fair value through profit or loss (note (a))	41 635	87 038	77 716
Financial assets - Held-to-maturity (note (b))	22 670	35 274	-
Financial assets - Available for sale	-	-	57 131
Promissory notes	-	674	1 649
	64 305	122 986	136 496
(a) Financial assets designated at fair value through profit or loss			
Government debt securities	1 189	3 034	4 534
Other debt securities	25 380	51 543	54 110
Quoted equities	6 408	10 943	13 538
Unquoted equities	8 658	21 518	5 534
	41 635	87 038	77 716
(b) Financial assets - Held-to-maturity			
Gross amount	27 410	35 274	-
Less: allowance for impairment losses	(4 740)	-	-
	22 670	35 274	-

(i) Allowance for impairment losses

A reconciliation of the allowance for impairment losses for held-to-maturity assets is as follows:

	2009	2008	2007
At 1 April	-	-	-
Charge for the year	(5 204)	-	-
Exchange difference	464		
At 31 March	(4 740)	-	-

Following an assessment of the recoverable amount of a held-to-maturity asset, management estimated that an allowance for impairment of USD5.2 million was required. This resulted as the counterparty, located in the UK and engaged in the construction sector, is experiencing cash flow pressures. The impairment was determined based on expected cash flows and represented 50% of the credit exposure at the current financial year end.

(ii) Reclassification of financial assets from available for sale to held-to-maturity

In the last financial year as a result of the contradiction in the market for many classes of assets, the bank has undertaken a review of assets that are classified as available for sale, in order to determine whether this classification remains appropriate. Where it was determined that the market for an asset is no longer active, and that the bank no longer intends to trade, management have reviewed the instrument to determine whether it is appropriate to reclassify it to 'held-to-maturity'. This reclassification has only been performed where the bank, at the reclassification date, has the clear intention and ability to hold the financial asset for the foreseeable future or until maturity.

The transfer occurred on 30 September 2007 and the value of the assets at the date of reclassification was USD 35million. There were no further reclassifications in the current financial year.

19. Loans and advances to customers

	2009	2008	2007
Personal	1 730	1 855	321
Business	102 909	85 034	92 299
Entities outside Mauritius	361 072	742 833	414 663
Gross loans and advances	465 711	829 722	507 283
Less: allowance for impairment losses	(4 574)	(4 940)	(5 833)
	461 137	824 782	501 450

Notes to the financial statements

19. Loans and advances to customers (continued)

Impairment allowance for loans and advances to customers

(a) A reconciliation of the allowance for impairment losses for loans and advances by class is as follows:

USD'000	Personal	Business	Entities outside Mauritius	Total
At 1 April 2008	15	643	4 282	4 940
Charge for the year	1	249	165	415
Amount written off	-	-	(49)	(49)
Exchange difference	(2)	(109)	(621)	(732)
At 31 March 2009	14	783	3 777	4 574
Individual impairment	-	-	87	87
Collective impairment	14	783	3 690	4 487
	14	783	3 777	4 574
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	-	-	1 143	1 143
At 1 April 2007	3	896	4 934	5 833
Charge for the year	14	(179)	518	353
Amount written off	-	-	(574)	(574)
Exchange difference	(2)	(74)	(596)	(672)
At 31 March 2008	15	643	4 282	4 940
Individual impairment	-	-	55	55
Collective impairment	15	643	4 227	4 885
	15	643	4 282	4 940
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	-	-	55	55
At 1 April 2006	4	1,220	6 716	7 940
Charge for the year	13	(491)	90	(388)
Amount written off	-	-	(1 054)	(1 054)
Exchange difference	(1)	(74)	(590)	(665)
At 31 March 2007	16	655	5 162	5 833
Individual impairment	-	-	856	856
Collective impairment	16	655	4 306	4 977
	16	655	5 162	5 833
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	-	-	3 604	3 604

(b) The following is a reconciliation of the individual and collective allowances for impairment losses on loans and advances:

USD'000	Individual impairment	Collective impairment	Total
At 1 April 2008	55	4 885	4 940
Charge for the year	96	319	415
Amount written off	(49)	-	(49)
Exchange difference	(15)	(717)	(732)
At 31 March 2009	87	4 487	4 574
At 1 April 2007	856	4 977	5 833
Charge for the year	(154)	507	353
Amount written off	(574)	-	(574)
Exchange difference	(73)	(599)	(672)
At 31 March 2008	55	4 885	4 940
At 1 April 2006	2 046	5 894	7 940
Charge for the year	(352)	(36)	(388)
Amount written off	(1 054)	-	(1 054)
Exchange difference	216	(881)	(665)
At 31 March 2007	856	4 977	5 833

The fair value of collaterals that the bank holds relating to loans individually determined to be impaired at 31 March 2009 is USD 1.7 million (2008: nil and 2007: USD 4.4 million).

Notes to the financial statements

As at 31 March USD'000	2009	2008	2007
20. Investment in associates			
Cost			
At 1 April	10 155	11 382	-
Additions	-	1	12 500
Impairment loss (note (c))	(6 985)	-	-
Exchange difference	(986)	(1 228)	(1 118)
At 31 March	2 184	10 155	11 382

(a) The principal associates are as follows:

	Country of incorp-oration		% holding	
Global Ethanol Holdings Limited	Australia	24.7%	25.0%	25.0%
Dolphin Coast Marina Estate Limited	Mauritius	40.0%	40.0%	-

(b) The bank does not prepare consolidated financial statements and hence does not account for the results of the above associates under the equity method since it satisfies the criteria for exemptions under IAS 27 paragraph 10. The bank is wholly owned by Investec Bank Limited which prepares consolidated financial statements that comply with International Financial Reporting Standards. Investec Bank Limited is incorporated in South Africa and its registered office, where consolidated financial statements are obtainable, is in Sandton. Investment in associates are accounted for at cost net of any impairment.

The following table illustrates the summarised financial information of the bank's investment in the above associates.

	2009	2008	2007
Share of associates' balance sheet			
Assets	65 480	86 428	111 367
Liabilities	(47 957)	(57 479)	(41 215)
Net assets	17 523	28 949	70 152
Share of associates' revenue and profit/(loss):			
Revenue	60 452	58 742	41 105
Profit/(loss)	(3 889)	4 945	(1 086)

(c) Following adverse movement in commodities prices, Global Ethanol Holding Limited, in which the group has 44.4% interest, impaired all of its goodwill mainly relating to its 60% owned subsidiary Global Ethanol LLC. Accordingly, the investment held by the bank in the associate was therefore impaired by an amount of USD7.0 million. The recoverable amount, determined at group level, was based on expected cash flows and key assumptions within the calculation included discount rates, growth rates in revenue and related expenditure.

As at 31 March USD'000	2009	2008	2007
21. Investment in subsidiaries			
Cost			
At 1 April	44	49	58
Foreign exchange	(6)	(5)	(9)
At 31 March	38	44	49

The subsidiaries companies are as follows:

	Class of shares	Country of incorp-oration	Nominal value 2009	2008	2007	% Holdings 2009	2008	2007
Investec Management Services (Mauritius) Limited	Ordinary	Mauritius	38	38	38	100%	100%	100%
Investec Trust (Mauritius) Limited	Ordinary	Mauritius	16	16	16	100%	100%	100%

The bank does not prepare consolidated financial statements since it satisfies the criteria for exemptions under IAS 27 paragraph 10. The bank is wholly owned by Investec Bank Limited which prepares consolidated financial statements that comply with International Financial Reporting Standards. Investec Bank Limited is incorporated in South Africa and its registered office, where consolidated financial statements are obtainable, is in Sandton. Investment in subsidiaries are accounted for at cost.

As at 31 March USD'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
22. Equipment					
Cost					
At 1 April 2008	164	78	113	304	659
Additions	19	-	17	89	125
Disposal	(23)	-	(3)	(75)	(101)
Exchange difference	(16)	(11)	(16)	(44)	(87)
At 31 March 2009	144	67	111	274	596
Depreciation					
At 1 April 2008	95	31	79	212	417
Charge for the year (note 32)	37	6	12	39	94
Disposal adjustment	(20)	-	(2)	(71)	(93)
Exchange difference	(7)	(5)	(12)	(28)	(52)
At 31 March 2009	105	32	77	152	366
Net book values					
At 31 March 2009	39	35	34	122	230
Cost					
At 1 April 2007	178	67	115	227	587
Additions	41	19	17	101	178
Disposal	(27)	-	(6)	-	(33)
Exchange difference	(28)	(8)	(13)	(24)	(73)
At 31 March 2008	164	78	113	304	659
Depreciation					
At 1 April 2007	106	28	85	197	416
Charge for the year (note 32)	42	8	11	41	102
Disposal adjustment	(27)	-	(6)	-	(33)
Exchange difference	(26)	(5)	(11)	(26)	(68)
At 31 March 2008	95	31	79	212	417
Net book values					
At 31 March 2008	69	47	34	92	242
Cost					
At 1 April 2006	168	67	122	290	647
Additions	70	9	12	-	91
Disposal	(35)	-	-	(20)	(55)
Exchange difference	(25)	(9)	(19)	(43)	(96)
At 31 March 2007	178	67	115	227	587
Depreciation					
At 1 April 2006	139	25	85	190	439
Charge for the year (note 32)	23	6	13	49	91
Disposal adjustment	(35)	-	-	(12)	(47)
Exchange difference	(21)	(3)	(13)	(30)	(67)
At 31 March 2007	106	28	85	197	416
Net book values					
At 31 March 2007	72	39	30	30	171

Notes to the financial statements

As at 31 March USD'000	2009	2008	2007
23. Other assets			
Accrued income	1 016	871	398
Prepayments	-	23	7
Other receivables	174	239	3 921
	1 190	1 133	4 326
24. Deposits by banks			
Term deposits from other banks			
- Bank in Mauritius	15 851	19 563	1 001
- Banks abroad	89 896	81 093	106 970
	105 747	100 656	107 971
25. Due to customers			
Personal			
- Current accounts	24 694	21 198	6 890
- Term deposits	16 538	29 140	11 870
Business			
- Current accounts	109 958	237 926	99 618
- Term deposits	288 549	108 180	177 090
	439 739	396 444	295 468

As at 31 March USD'000	Effective interest rate	Carrying value 2009	Carrying value 2008	Carrying value 2007
26. Debt securites in issue				
Subordinated notes 2 076 621 (2008 and 2007: 2 076 621) compulsorily redeemable cumulative non-participating preference shares with par value preference shares of ZAR 0.01 each due in 2009	14.86%	3	3	3
Share premium 2 076 621 (2008 and 2007: 2 076 621) compulsorily redeemable cumulative non-participating preference shares with par value preference shares of ZAR 9.99 each due in 2009		2 187	2 551	2 859
		2 190	2 554	2 862
27. Other liabilities				
Interest payable		6 688	6 418	5 847
Accounts payable and sundry creditors		2 546	9 520	2 501
Financial guarantees		-	824	-
		9 234	16 762	8 348

28. Retirement benefit costs

(a) Defined contribution plan

A defined contribution plan is a pension plan under which the bank pays fixed contributions; where there is no legal or constructive obligation to pay further contributions.

The assets of the plan are held separately from those of the bank in a fund under the control of trustees.

Where employees leave the plan prior to vesting fully in the contributions, the contributions payable by the bank are reduced by the amount of forfeited contributions.

The total cost charged to income of USD 47 673 (2008: USD 41 305) represents contributions payable to these plans by the bank at rates specified in the rules of the plan.

Notes to the financial statements

As at 31 March USD'000	2009	2008	2007
28. Retirement benefit costs (continued)			
(b) Severance allowances			
Movement in severance allowances:			
At 1 April	-	-	19
Total (release)/expense	-	-	(16)
Exchange difference	-	-	(3)
At 31 March	-	-	-
Since the Bank has set up a defined contribution plan to which all employees of the bank are members, no provision for severance allowance under the Labour Act is considered necessary.			
The principal assumptions used for accounting purposes were:			
Discount rate	-	-	10%
Salary increases	-	-	5%

29. Issued capital

Authorised

1 250 000 000 ordinary shares of ZAR 1 each
300 000 000 ordinary shares of USD 1 each
200 000 000 ordinary shares of GBP 1 each
200 000 000 ordinary shares of EUR 1 each

Issued and fully paid

Ordinary shares of ZAR 1 each	2009 Number of shares	2009 Amount USD'000	2008 Number of shares	2008 Amount USD'000	2007 Number of shares	2007 Amount USD'000
At 1 April	281 630 446	34 634	281 630 446	38 819	281 630 446	45 650
Issue of shares	254 000 000	25 000	-	-	-	-
Exchange difference	-	(3 156)	-	(4 185)	-	(6 831)
At 31 March	535 630 446	56 478	281 630 446	34 634	281 630 446	38 819

On 11 December 2008, the bank issued 254 000 000 new ordinary shares of ZAR 1 each to Investec Bank Limited.

As at 31 March USD'000	Available for sale reserve	Foreign currency translation reserve	General banking reserve	Statutory reserve	Total
30. Reserves					
At 1 April 2006	156	873	1 720	7 039	9 788
Foreign currency translation	(24)	(2 051)	(257)	-	(2 332)
Fair value movement on available for sale assets	6	-	-	-	6
Appropriations to other reserves	-	-	(702)	5 679	4 977
At 31 March 2007	138	(1 178)	761	12 718	12 439
At 1 April 2007	138	(1 178)	761	12 718	12 439
Foreign currency translation	(14)	(1 127)	(82)	-	(1 223)
Fair value movement on available for sale assets	(1 312)	-	-	-	(1 312)
Appropriations to other reserves	-	-	138	2 796	2 934
At 31 March 2008	(1 188)	(2 305)	817	15 514	12 838
At 1 April 2008	(1 188)	(2 305)	817	15 514	12 838
Foreign currency translation	169	2 050	(113)	-	2 106
Fair value movement on available for sale assets	677	-	-	-	677
Appropriations to other reserves	-	-	(532)	579	47
At 31 March 2009	(342)	(255)	172	16 093	15 668

Notes to the financial statements

30. Reserves (continued)

Available for sale reserve
This reserve comprises of fair value losses recognised on available for sale assets reclassified as held-to-maturity investment in the prior year. The movement for the current financial year relates to the reversal of fair value losses in accordance with the decrease in nominal amount of held-to-maturity investments.

Foreign currency translation reserve
This reserve comprises all foreign exchange differences arising from the translation of the Income Statement from its functional currency to its reporting currency.

General banking reserve
This reserve comprises amounts set aside for general banking risks, including future losses and other unforseeable risks. It also includes provision made to meet other regulatory provision requirements

Statutory reserve
This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the net profit is transferred each year until the balance is equal to the amount paid as stated capital.

31. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 March USD'000	Fair value classification	Carrying value 2009	Fair value 2009	Carrying value 2008	Fair value 2008	Carrying value 2007	Fair value 2007
Cash and balances with central bank	Loans and receivables	2 492	2 492	1 221	1 221	871	871
Due from banks	Loans and receivables	148 630	148 630	69 676	69 676	62 911	62 911
Derivative financial instruments	Held for trading	26 328	26 328	15 576	15 576	48 205	48 205
Financial assets - Available for sale	Available for sale	-	-	-	-	57 131	57 131
Financial assets - Held-to-maturity	Held to maturity	22 670	22 670	35 274	35 274	-	-
Financial assets designated at fair value through profit or loss	Assets at fair value through profit or loss	41 635	41 635	87 038	87 038	77 716	77 716
Promissory notes	Loans and receivables	-	-	674	674	1 649	1 649
Amount due from holding bank	Loans and receivables	92 000	92 000	83 116	83 116	85 402	85 402
Amount due from group companies	Loans and receivables	116 259	116 259	65 181	65 181	64 666	64 666
Loans and advances to customers	Loans and receivables	461 137	461 258	824 782	826 088	501 450	500 634
		911 151	911 272	1 182 538	1 183 844	900 001	899 185
Financial liabilities							
Deposits by banks	Liabilities at amortised cost	105 747	105 747	100 656	100 656	107 971	107 971
Securities sold under repurchase agreement with bank	Liabilities at amortised cost	898	898	1 497	1 497	2 360	2 360
Derivative financial instruments	Held for trading	22 182	22 182	39 752	39 752	82 543	82 543
Amount due to holding bank	Loans and receivables	134 394	134 394	410 184	410 184	160 146	160 146
Amount due to group companies	Loans and receivables	49 069	49 069	86 611	86 611	116 223	116 223
Due to customers	Liabilities at amortised cost	439 739	438 979	396 444	396 057	295 468	293 677
Debt securities in issue	Liabilities at amortised cost	2 190	2 016	2 554	1 297	2 862	2 636
		754 219	753 285	1 037 698	1 036 054	767 573	765 556

Financial instruments recorded at fair value
The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation technique involves the use of non-market observable inputs.

Notes to the financial statements

As at 31 March USD'000	2009			
	Quoted market price	Valuation techniques - market observable inputs	Valuation techniques - non-market observable inputs	Total
31. Fair value of financial instruments (continued)				
Financial assets				
Derivative financial instruments	-	-	26 328	26 328
Financial assets designated at fair value through profit or loss	6 408	26 569	8 658	41 635
Financial assets - Available-for-sale	-	-	-	-
Total unrecognised change in unrealised fair value	6 408	26 569	34 986	67 963
Financial liabilities				
Derivative financial instruments	-	-	22 182	22 182
Total unrecognised change in unrealised fair value	-	-	22 182	22 182

Certain financial instruments are recorded at fair value using valuation techniques as current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against the prices of actual market transactions and using the bank's best estimate of the most appropriate model inputs.

As at 31 March USD'000	2009	2008	2007
32. Additional cash flow information			
Cash and cash equivalents			
Cash in hand (note 15)	-	1	1
Current account with the central bank (note 15)	2 492	1 220	870
Due from banks (note 16)	148 630	69 676	62 911
	151 122	70 897	63 782
Change in operating assets			
Investment securities	(2 910)	(12 851)	(6 082)
Derivatives	(8 298)	(5 633)	(15 359)
Loans and advances to customers	247 894	(382 441)	6 486
Movements in amount due from holding bank	(20 736)	(6 919)	(34 900)
Movements in amount due from subsidiaries and other group companies	(60 201)	(5 485)	(36 000)
Other assets	(219)	527	(628)
	155 530	(412 802)	(86 483)
Change in operating liabilities			
Deposits from customers	99 824	132 825	146 908
Securities sold under repurchase agreement	(386)	(608)	(435)
Deposits from banks	19 444	4 324	18 554
Movements in amount due to holding bank	(217 302)	267 301	4 655
Movements in amount due to subsidiaries and other group companies	(25 192)	(28 784)	(20 461)
Other operating liabilities	(4 632)	22 117	(15 655)
	(128 244)	397 175	133 566
Non-cash items included in profit before tax			
Depreciation of equipment (note 22)	94	102	91
Unrealised losses/(gains) on investment securities & derivatives	24 397	(6 747)	(7 634)
Retirement benefit obligations	-	-	(16)
Translation difference	1 204	(4 398)	(65)
Profit on disposal of equipment	(11)	-	-
Profit on disposal of a loan	(3 136)	-	-
Impairment losses on loans and advances	1 280	20 755	(355)
Impairment losses on financial assets - Held-to-maturity	5 204	-	-
Impairment loss on investment in an associate	6 985	-	-
	36 017	9 712	(7 979)

	2008				2007			
	Quoted market price	Valuation techniques - market observable inputs	Valuation techniques - non-market observable inputs	Total	Quoted market price	Valuation techniques - market observable inputs	Valuation techniques - non-market observable inputs	Total
	-	-	15 576	15 576	-	-	48 205	48 205
	10 943	54 577	21 518	87 038	13 538	58 644	5 534	77 716
	-	-	-	-	-	57 131	-	57 131
	10 943	54 577	37 094	102 614	13 538	115 775	53 739	183 052
	-	-	39 752	39 752	-	-	82 543	82 543
	-	-	39 752	39 752	-	-	82 543	82 543

33. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 March USD'000	Less than 12 months	Over 12 months	Total
2009			
Assets			
Current account with central bank	2 492	-	2 492
Due from banks	148 630	-	148 630
Derivative financial instruments	12 877	13 451	26 328
Financial assets designated at fair value through profit or loss	-	41 635	41 635
Financial assets- Held-to-maturity	-	22 670	22 670
Amount due from holding bank	91 928	72	92 000
Amount due from group companies	116 259	-	116 259
Loans and advances to customers	194 949	266 188	461 137
Investment in associates	-	2 184	2 184
Investment in subsidiaries	-	38	38
Equipment	-	230	230
Deferred tax assets	-	326	326
Other assets	1 092	98	1 190
Total	568 227	346 892	915 119
Liabilities			
Deposits by banks	25 896	79 851	105 747
Securities sold under repurchase agreement with bank	898	-	898
Derivative financial instruments	16 373	5 809	22 182
Amount due to holding bank	85 218	49 176	134 394
Amount due to group companies	24 485	24 584	49 069
Due to customers	418 225	21 514	439 739
Debt securities in issue	2 190	-	2 190
Current tax liabilities	1 235	-	1 235
Other liabilities	9 234	-	9 234
Total	583 754	180 934	764 688
Net	(15 527)	165 958	150 431
2008			
Assets			
Current account with central bank	1 221	-	1 221
Due from banks	69 676	-	69 676
Derivative financial instruments	2 160	13 416	15 576
Financial assets designated at fair value through profit or loss	-	87 038	87 038
Promissory notes	674	-	674
Financial assets- Held-to-maturity	-	35 274	35 274
Amount due from holding bank	74 101	9 015	83 116
Amount due from group companies	56 228	9 153	65 381
Loans and advances to customers	426 848	397 934	824 782
Investment in associates	-	10 155	10 155
Investment in subsidiaries	-	44	44
Equipment	-	242	242
Deferred tax assets	-	202	202
Other assets	168	965	1 133
Total	631 076	563 438	1 194 514
Liabilities			
Deposits by banks	20 616	80 040	100 656
Securities sold under repurchase agreement with bank	-	1 497	1 497
Derivative financial instruments	6 792	32 960	39 752
Amount due to holding bank	345 654	64 530	410 184
Amount due to group companies	30 219	56 392	86 611
Due to customers	387 113	9 331	396 444
Debt securities in issue	-	2 554	2 554
Current tax liabilities	836	-	836
Other liabilities	15 939	823	16 762
Total	807 169	248 127	1 055 296
Net	(176 093)	315 311	139 218

33. Maturity analysis of assets and liabilities (continued)

As at 31 March USD'000	Less than 12 months	Over 12 months	Total
2007			
Assets			
Current account with central bank	871	-	871
Due from banks	62 911	-	62 911
Derivative financial instruments	14 097	34 108	48 205
Financial assets designated at fair value through profit or loss	-	77 716	77 716
Promissory notes	-	1 649	1 649
Financial assets - Held-to-maturity	-	57 131	57 131
Amount due from holding bank	59 758	25 644	85 402
Amount due from group companies	33 963	30 703	64 666
Loans and advances to customers	82 200	419 250	501 450
Investment in associate	-	11 382	11 382
Investment in subsidiaries	-	49	49
Equipment	-	171	171
Deferred tax assets	-	216	216
Other assets	3 367	959	4 326
Total	257 167	658 978	916 145
Liabilities			
Deposits by banks	37 727	70 244	107 971
Securities sold under repurchase agreement with bank	-	2 360	2 360
Derivative financial instruments	22 717	59 826	82 543
Amount due to holding bank	47 340	112 806	160 146
Amount due to group companies	8 599	107 624	116 223
Due to customers	287 650	7 818	295 468
Debt securities in issue	-	2 862	2 862
Current tax liabilities	1 297	-	1 297
Other liabilities	2 501	5 847	8 348
Total	407 831	369 387	777 218
Net	(150 664)	289 591	138 927

34. Contingent liabilities and commitments

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though the obligations may not be recognised on the balance sheet they do contain credit risk and are therefore part of the overall risk of the bank.

As at 31 March USD'000	2009	2008	2007
Contingent liabilities			
Financial guarantees	40 650	58 711	34 873
Commitments			
Undrawn commitments to lend	40 663	64 828	60 778
Total contingent liabilities	81 313	123 539	95 651

Financial guarantees
Guarantees commit the bank to make payments on behalf of customers in the event of a specific act, generally related to default of loans.

Undrawn commitments to lend
Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business. The bank has an establised protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the year end, the bank had no legal claims remaining oustanding.

As at 31 March USD'000	2009	2008	2007
35. Related party disclosures			
Compensation of key management personnel of the bank			
Short-term employee benefits	1 632	2 300	1 051
Other benefits	71	172	82
	1 703	2 472	1 133
Transactions with key management personnel of the bank			
The bank enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.			
The following table provides the total amount of transactions, which have been entered into with the related parties for the relevant financial year:			
Loans and advances to key management personnel	5	2 663	2 922
Deposits from key management personnel	802	48	274

Transactions with other related parties

In addition to transactions with key management, the bank enters into transactions with its holding company, associates and fellow subsidiaries of the group as follows:

As at 31 March USD'000	Holding company	Associates	Fellow subsidiaries	Total
2009				
Interest income	8 312	-	5 203	13 515
Interest expense	12 450	-	1 902	14 352
Amount due from	92 000	21 000	95 259	208 259
Amount due to	134 394	-	49 069	183 463
Financial guarantees received from	8 435	-	-	8 435
Financial guarantees issued to	7 533	-	-	7 533
Other income	-	-	3 136	3 136
Fees expense	-	-	2 321	2 321
2008				
Interest income	9 394	-	4 410	13 804
Interest expense	10 596	-	5 600	16 196
Amount due from	83 116	24 996	40 385	148 497
Amount due to	410 184	-	86 611	496 795
Financial guarantees received from	3 587	-	-	3 587
Financial guarantees issued to	10 727	-	21 895	32 622
Fees expense	880	-	193	1 073
2007				
Interest income	6 831	-	3 570	10 401
Interest expense	11 653	-	7 831	19 484
Amount due from	85 402	23 618	41 048	150 068
Amount due to	160 146	-	116 223	276 369
Financial guarantees issued to	13 511	-	18 131	31 642
Fees expense	265	-	277	542

As at 31 March USD'000	2009	2008	2007
This is disclosed on the balance sheet as follows:			
Amount due from holding bank	92 000	83 116	85 402
Amount due from subsidiaries and other group companies	116 259	65 381	64 666
	208 259	148 497	150 068
Amounts due to holding bank	134 394	410 184	160 146
Amounts due to subsidiaries and other group companies	49 069	86 611	116 223
	183 463	496 795	276 369

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates. Outstanding balances at the year end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2009, the bank has not made any provision for doubtful debts relating to amounts owed by related parties (2008 and 2007: nil).

Notes to the financial statements

36. Holding company

The immediate holding company is Investec Bank Limited, and ultimate holding is Investec Limited, both incorporated in South Africa.

As at 31 March USD'000	Notes	Segment A 2009	 2008	 2007
37. Segmental reporting				
Balance sheets				
Assets				
Cash and balances with central bank		2 492	1 221	871
Due from banks		82	903	334
Derivative financial instruments		-	-	-
Investment securities	I	-	597	-
Amount due from holding bank	II (a)	-	-	-
Amount due from group companies	III (a)	3 640	2 200	394
Loans and advances to customers	IV (a)	38 029	27 287	28 781
Investment in associates		-	-	-
Investment in subsidiaries		38	44	49
Equipment		230	242	171
Deferred tax assets		326	202	216
Other assets	V	82	127	111
		44 919	32 823	30 927
Liabilities and equity				
Deposits by banks	VI	-	19 564	1 001
Securities sold under repurchase agreement with bank		-	-	-
Derivative financial instruments		-	-	-
Amount due to holding bank	II (b)	-	-	-
Amount due to group companies	III (b)	160	132	124
Due to customers	VII	18 000	6 212	4 852
Debt securities in issue		-	-	-
Current tax liabilities		1 235	836	1 297
Other liabilities	VIII	1 668	1 783	993
		21 063	28 527	8 267
Equity				
Issued share capital				
Available-for-sale reserve				
Foreign currency translation reserve				
Other reserves				
Retained earnings				
Total equity				
Total liabilities and equity				

Financial statements

Segment B 2009	Segment B 2008	Segment B 2007	Total 2009	Total 2008	Total 2007
-	-	-	2 492	1 221	871
148 548	68 773	62 577	148 630	69 676	62 911
26 328	15 576	48 205	26 328	15 576	48 205
64 305	122 389	136 496	64 305	122 986	136 496
92 000	83 116	85 402	92 000	83 116	85 402
112 619	63 181	64 272	116 259	65 381	64 666
423 108	797 495	472 669	461 137	824 782	501 450
2 184	10 155	11 382	2 184	10 155	11 382
-	-	-	38	44	49
-	-	-	230	242	171
-	-	-	326	202	216
1 108	1 006	4 215	1 190	1 133	4 326
870 200	1 161 691	885 218	915 119	1 194 514	916 145
105 747	81 092	106 970	105 747	100 656	107 971
898	1 497	2 360	898	1 497	2 360
22 182	39 752	82 543	22 182	39 752	82 543
134 394	410 184	160 146	134 394	410 184	160 146
48 909	86 479	116 099	49 069	86 611	116 223
421 739	390 232	290 616	439 739	396 444	295 468
2 190	2 554	2 862	2 190	2 554	2 862
-	-	-	1 235	836	1 297
7 566	14 979	7 355	9 234	16 762	8 348
743 625	1 026 769	768 951	764 688	1 055 296	777 218
			56 478	34 634	38 819
			(342)	(1 188)	138
			(255)	(2 305)	(1 178)
			16 265	16 331	13 479
			78 285	91 746	87 669
			150 431	139 218	138 927
			915 119	1 194 514	916 145

As at 31 March USD'000	Segment A 2009	2008	2007
37. Segmental reporting (continued)			
Income statements			
Interest income	6 835	2 789	1 940
Interest expense	(3 428)	(632)	(146)
Net interest income	3 407	2 157	1 794
Fee and commission income	125	21	16
Fee and commission expense	-	-	-
Net fee and commission income	125	21	16
Net trading income/(loss)	-	-	-
Net (loss)/gain on financial instruments designated at fair value through profit or loss	-	-	-
Other income	-	-	-
Total operating income	3 532	2 178	1 810
Impairment losses on financial assets - Held-to-maturity	-	-	-
Impairment losses on loans and advances	-	(208)	(114)
Impairment loss on investment in an associate	-	-	-
Net operating income	3 532	1 970	1 696
Personnel expenses	-	-	-
Depreciation of equipment	(94)	(102)	(91)
Other operating expenses	-	-	-
Total operating expenses	(94)	(102)	(91)
Profit before income tax	3 438	1 868	1 605
Income tax expense	(542)	(1 008)	(1 938)
Profit for the year	2 896	860	(333)

Segment B			Total		
2009	2008	2007	2009	2008	2007
68 235	81 508	74 467	75 070	84 297	76 407
(26 082)	(39 691)	(40 685)	(29 510)	(40 323)	(40 831)
42 153	41 817	33 782	45 560	43 974	35 576
2 217	2 597	2 330	2 342	2 618	2 346
(2 338)	(416)	(628)	(2 338)	(416)	(628)
(121)	2 181	1 702	4	2 202	1 718
16 577	(12 535)	10 378	16 577	(12 535)	10 378
(40 974)	6 715	(3 870)	(40 974)	6 715	(3 870)
3 136	-	-	3 136	-	-
20 771	38 178	41 992	24 303	40 356	43 802
(5 204)	-	-	(5 204)	-	-
(1 280)	(13 068)	469	(1 280)	(13 276)	355
(6 985)	-	-	(6 985)	-	-
7 302	25 110	42 461	10 834	27 080	44 157
(3 865)	(3 729)	(2 244)	(3 865)	(3 729)	(2 244)
-	-	-	(94)	(102)	(91)
(2 473)	(3 597)	(2 026)	(2 473)	(3 597)	(2 026)
(6 338)	(7 326)	(4 270)	(6 432)	(7 428)	(4 361)
964	17 784	38 191	4 402	19 652	39 796
-	-	-	(542)	(1 008)	(1 938)
964	17 784	38 191	3 860	18 644	37 858

Financial statements

As at 31 March USD'000	Segment A 2009	 2008	 2007
37. Segmental reporting (continued)			
I. Investment securities			
Financial assets designated at fair value through profit or loss			
- Government and government guaranteed debt securities	-	-	-
- Other debt securities	-	-	-
- Quoted equities	-	-	-
- Unquoted equities	-	597	-
Financial assets - Held-to-maturity	-	-	-
Financial assets - Available for sale	-	-	-
Promissory notes	-	-	-
	-	597	-
II. Amounts due from/to holding bank			
Remaining term to maturity			
(a) Amount due from holding bank			
Within 3 months	-	-	-
Over 3 to 6 months	-	-	-
Over 6 to 12 months	-	-	-
Over 1 to 5 years	-	-	-
	-	-	-
(b) Amount due to holding bank			
Within 3 months	-	-	-
Over 6 to 12 months	-	-	-
Over 1 to 5 years	-	-	-
Over 5 years	-	-	-
	-	-	-
III. Amount due from/to subsidiaries and other group companies			
Remaining term to maturity			
(a) Amount due from subsidiaries and other group companies			
Within 3 months	-	-	394
Over 3 to 6 months	-	-	-
Over 6 to 12 months	-	-	-
Over 1 to 5 years	3 640	2 200	-
	3 640	2 200	394
(b) Amount due to subsidiaries and other group companies			
Within 3 months	160	132	124
Over 6 to 12 months	-	-	-
Over 1 to 5 years	-	-	-
Over 5 years	-	-	-
	160	132	124
IV. Loans and advances to customers			
(a) Remaining term to maturity			
Within 3 months	20	96	-
Over 3 to 6 months	-	-	-
Over 6 to 12 months	3	49	52
Over 1 to 5 years	4 677	11 728	12 414
Over 5 years	2 753	15 414	16 315
	7 453	27 287	28 781
(b) Credit concentration of risk by industry sectors Credit exposures to any one customer exceeding 15% of capital base, classified by industry sectors:			
- Construction	-	-	-
- Financial and business services	-	-	-
- Transport	-	-	-
- Information communication and technology	-	-	-
- Media, entertainment and recreational activities	-	-	-
- Global Business License Holders (GBL)	-	-	-
	-	-	-

Segment B			Total		
2009	2008	2007	2009	2008	2007
1 189	3 034	4 534	1 189	3 034	4 534
25 380	51 543	54 110	25 380	51 543	54 110
6 408	10 943	13 538	6 408	10 943	13 538
8 658	20 921	5 534	8 658	21 518	5 534
22 670	35 274	-	22 670	35 274	-
-	-	57 131	-	-	57 131
-	674	1 649	-	674	1 649
64 305	122 389	136 496	64 305	122 986	136 496
91 929	74 101	59 596	91 929	74 101	59 596
-	-	-	-	-	-
-	9 015	162	-	9 015	162
71	-	25 644	71	-	25 644
92 000	83 116	85 402	92 000	83 116	85 402
79 089	307 811	47 340	79 089	307 811	47 340
-	37 843	-	-	37 843	-
-	29 046	77 272	-	29 046	77 272
55 305	35 484	35 534	55 305	35 484	35 534
134 394	410 184	160 146	134 394	410 184	160 146
79 683	50 222	23 165	79 683	50 222	23 559
15 575	-	-	15 575	-	-
-	3 806	10 404	-	3 806	10 404
17 361	9 153	30 703	21 001	11 353	30 703
112 619	63 181	64 272	116 259	65 381	64 666
8 481	12 656	8 475	8 641	12 788	8 599
-	5 731	-	-	5 731	-
40 428	56 156	86 425	40 428	56 156	86 425
-	236	21 199	-	236	21 199
48 909	74 779	116 099	49 069	74 911	116 223
98 386	306 672	22 359	98 406	306 768	22 359
64 438	6 339	25 876	64 438	6 339	25 876
32 101	113 708	33 912	32 104	113 757	33 964
179 149	263 088	268 637	183 826	274 816	281 051
79 610	107 689	121 885	82 363	123 103	138 200
453 684	797 496	472 669	461 137	824 783	501 450
43 356	78 867	29 766	43 356	78 867	29 766
135 391	35 736	35 499	135 391	35 736	35 499
26 217	24 391	-	26 217	24 391	-
-	18 981	-	-	18 981	-
24 921	-	-	24 921	-	-
-	-	-	-	-	-
229 885	157 975	65 265	229 885	157 975	65 265

As at 31 March USD'000	Specific provision 2009	2008	2007
37. Segmental reporting (continued)			
(c) Allowance for credit impairment losses			
At 1 April	55	856	2 046
Loans written off out of allowance	(49)	(574)	(1 054)
(Release of)/provision for credit losses for the year	96	(154)	(352)
Differences due to foreign currency translation	(15)	(73)	216
At 31 March	87	55	856

As at 31 March USD'000	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	Total provisions 2009	2008	2007
(d) Allowance for credit losses by sector							
Agriculture	25 911	-	-	308	308	116	57
Manufacturing	8 578	-	-	166	166	160	88
Tourism	-	-	-	-	-	-	-
Transport	87 001	-	-	792	792	994	851
Construction	81 982	-	-	746	746	1 279	610
Financial and business services	96 205	52	-	875	875	1 111	1 747
Traders	1 113	-	-	10	10	11	16
Personal	123	-	-	1	1	24	57
Professional	56 312	-	87	512	599	306	1 016
Global Business License Holders (GBL)	66 409	-	-	604	604	483	533
Other entities	42 077	-	-	473	473	456	858
	465 711	52	87	4 487	4 574	4 940	5 833
IV. Loans and advances to customers							
Analysed by segments							
Segment A							
Agriculture & Fishing	25 338			301	301	98	48
Transport	337	-	-	3	3	4	33
Construction	1 232	-	-	11	11	16	-
Financial and Business Services	2 283	-	-	21	21	137	203
Personal	123	-	-	1	1	5	2
Professional	1 607	-	-	15	15	11	1
Other entities	7 110			80	80	-	-
	38 030	-	-	432	432	271	287
Segment B							
Agriculture	573	-	-	7	7	18	9
Manufacturing	8 578	-	-	166	166	160	88
Tourism	-	-	-	-	-	-	-
Transport	86 664	-	-	789	789	989	818
Construction	80 750	-	-	735	735	1 263	610
Financial and business services	93 922	52	-	854	854	974	1 544
Traders	1 113	-	-	10	10	11	16
Personal	-	-	-	-	-	20	55
Professional	54 705	-	87	497	584	294	1 015
Global Business License holders (GBL)	66 409	-	-	604	604	483	533
Other entities	34 967	-	-	393	393	457	858
	427 681	52	87	4 055	4 142	4 669	5 546
	465 711	52	87	4 487	4 574	4 940	5 833

Segment A Portfolio provision			Segment B Portfolio provision			Total		
2009	2008	2007	2009	2008	2007	2009	2008	2007
271	287	173	4 614	4 690	5 721	4 940	5 833	7 940
-	-	-	-	-	-	(49)	(574)	(1 054)
-	(17)	115	319	524	(151)	415	353	(388)
(39)	-	(1)	(678)	(599)	(880)	(732)	(672)	(665)
232	270	287	4 255	4 615	4 690	4 574	4 940	5 833

Financial statements

Notes to the financial statements

As at 31 March USD'000	Segment A 2009	2008	2007
37. Segmental reporting (continued)			
V. Other assets			
Accrued fee income	-	-	-
Prepayments	-	23	7
Other receivables	59	104	104
	59	127	111
VI. Due to banks			
Bank in Mauritius and banks abroad			
Remaining term to maturity			
Within 3 months	-	19 564	1 001
Over 6 to 12 months	-	-	-
Over 1 to 5 years	-	-	-
	-	19 564	1 001
VII. Due to customers			
Demand	3 575	3 541	3 551
Term deposits with remaining term to maturity			
Within 3 months	776	-	159
Over 3 to 6 months	63	-	-
Over 6 to 12 months	299	-	-
Over 1 to 5 years	13 287	2 345	1 142
Over 5 years	-	326	-
	18 000	6 212	4 852
VIII. Other liabilities			
Interests payable	-	-	-
Amounts payable and sundry creditors	1 920	1 783	993
Financial guarantees	-	-	-
	1 920	1 783	993
IX. Contingent liabilities			
To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though the obligations may not be recognised on the balance sheet they do contain credit risk and are therefore part of the overall risk of the bank.			
Financial guarantees	3 453	-	337
Commitments			
- Irrevocable unutilised facilities	127	-	-
	3 580	-	337

Guarantees commit the bank to make payments on behalf of customers in the event of a specific act.

Commitments to extend credit represent contractual commitments to make loans and revolving credits.

Financial statements

Segment B 2009	Segment B 2008	Segment B 2007	Total 2009	Total 2008	Total 2007
1 016	871	398	1 016	871	398
-	-	-	-	23	7
115	135	3 817	174	239	3 921
1 131	1 006	4 215	1 190	1 133	4 326
15 145	1 052	10 092	15 145	20 616	11 093
10 564	-	26 634	10 564	-	26 634
80 038	80 040	70 244	80 038	80 040	70 244
105 747	81 092	106 970	105 747	100 656	107 971
131 077	255 553	102 957	134 652	259 094	106 508
164 501	105 796	159 545	165 277	105 796	159 704
87 821	2 223	2 846	87 884	2 223	2 846
18 669	19 970	18 593	18 968	19 970	18 593
14 592	1 906	1 596	27 879	4 251	2 738
5 079	4 784	5 079	5 079	5 110	5 079
421 739	390 232	290 616	439 739	396 444	295 468
6 688	6 418	5 847	6 688	6 418	5 847
626	7 737	1 508	2 546	9 520	2 501
-	824	-	-	824	-
7 314	14 979	7 355	9 234	16 762	8 348
37 197	58 711	34 536	40 650	58 711	34 873
40 536	64 828	60 778	40 663	64 828	60 778
77 733	123 539	95 314	81 313	123 539	95 651

Financial statements

Cash flow statement for the year to 31 March USD'000	Segment A 2009	2008	2007
37. Segmental reporting (continued)			
Operating activities			
Profit before tax	3 438	1 868	1 605
Adjustments for:			
Change in operating assets	10 809	753	(2 362)
Change in operating liabilities	(7 464)	1 732	2 452
Non-cash item included in profit before tax	83	102	75
Income tax paid	(141)	(1 435)	(2 184)
Net cash flows from operating activities	6 725	3 020	(414)
Investing activities			
Purchase of investment securities	-	(610)	-
Proceeds on disposal of securities	-	-	-
Purchase of equipment	(125)	(178)	(91)
Proceeds on disposal of equipment	18	-	-
Investment in associate	-	-	-
Net cash flows (used in)/from investing activities	(107)	(788)	(91)
Financing activities			
Issue of ordinary shares	-	-	-
Redemption of preference shares	-	-	-
Dividend paid	-	-	-
Net cash flows from/(used in) financing activities	-	-	-
Net increase/(decrease) in cash and cash equivalents	6 618	2 232	(505)
Cash and cash equivalents at beginning of the year	2 124	1 205	571
Effect of exchange rate changes on cash and cash equivalents	(6 152)	(1 313)	1 139
Cash and cash equivalents at end of the year	2 590	2 124	1 205

Segment B			Total		
2009	2008	2007	2009	2008	2007
964	17 784	38 191	4 402	19 652	39 796
144 721	(413 555)	(84 121)	155 530	(412 802)	(86 483)
(120 780)	395 443	131 114	(128 244)	397 175	133 566
35 934	9 610	(8 054)	36 017	9 712	(7 979)
-	-	-	(141)	(1 435)	(2 184)
60 839	9 282	77 130	67 564	12 302	76 716
(2 245)	(2 405)	(5 502)	(2 245)	(3 015)	(5 502)
122	4 881	14 939	122	4 881	14 939
-	-	-	(125)	(178)	(91)
-	-	-	18	-	-
-	-	(12 500)	-	-	(12 500)
(2 123)	2 476	(3 063)	(2 230)	1 688	(3 154)
25 000	-	-	25 000	-	-
-	-	(12 277)	-	-	(12 277)
-	-	(4 000)	-	-	(4 000)
25 000	-	(16 277)	25 000	-	(16 277)
83 716	11 758	57 790	90 334	13 990	57 285
68 773	62 577	7 069	70 897	63 782	7 640
(3 957)	(5 562)	(2 282)	(10 109)	(6 875)	(1 143)
148 532	68 773	62 577	151 122	70 897	63 782

Financial statements