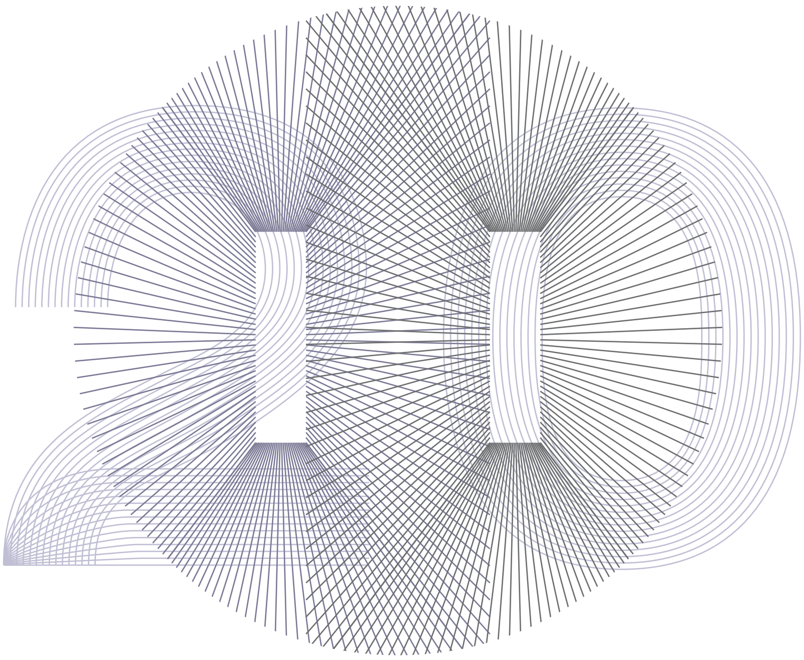
Investec Bank (Mauritius) Limited
annual financial statements **2011**



Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Corporate information

Investec Bank (Mauritius) Limited

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Directorate

David M Lawrence (59)
BA(Econ) (Hons) Mcom
Chairman

Peter RS Thomas (66)
CA(SA)

Craig C McKenzie (50)
Bsc Msc CFA
Chief executive officer (CEO)

Pierre de Chasteigner du Mée (57)
ACEA FBIM FMAAT

Angelique Anne Desvaux De Marigny (35)
LLB, Barrister-at-Law
Maitrise en Droit (Université de Paris I-Panthéon-Sorbonne)

Board committees

Board sub-committee

David M Lawrence (chairman)
Pierre de Chasteigner du Mée
Craig C McKenzie

Audit committee

Peter RS Thomas (chairman)
Angelique Anne Desvaux De Marigny
Pierre de Chasteigner du Mée

In attendance
Mark Trollip (global head of Market Risk)
Craig C McKenzie (CEO)
Lara Ann Vaudin (COO)
Internal Audit and Compliance officer
Group head of Internal Audit
Group Compliance officer
External auditors

Compensation and nomination committee

David M Lawrence (chairman)
Peter RS Thomas

In attendance
Craig C McKenzie (CEO)
Lara Ann Vaudin (COO)
Tracey Rowe (head of group HR)

Conduct review and risk policy committee

David M Lawrence (chairman)
Pierre de Chasteigner du Mée
Peter RS Thomas

In attendance
Craig C McKenzie (CEO)

Governance committee

David M Lawrence (chairman)
Peter RS Thomas

Investment committee

David M Lawrence (chairman)
Pierre de Chasteigner du Mée
Craig C McKenzie

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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 then broadened its focus 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 52 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 and asset manager. 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 complimented 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

The bank 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, and 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 it is actively involved in financing commercial property developments as well as integrated resort schemes, real estate schemes 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.

The bank offers a secure online banking facility that allows deposit account holders to view account balances, transaction history and monthly statements. This offering is currently being extended to provide transactional online banking services.

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

Trust and fiduciary

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

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

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

In July 2002, the Investec 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, the Investec group has expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, it has an efficient integrated international business platform, offering all its core activities in the UK and Southern Africa and select activities in Australia.

What we do

The Investec group is organised as a network comprising six business divisions: Asset Management, Wealth and Investment, Property Activities, Private Banking, Investment Banking and Capital Markets. Its head office provides certain group-wide integrating functions and is also responsible for its Central Funding and Trade Finance business.

Mission statement

We strive to be a specialist bank and asset manager, driven by commitment to our core philosophies and values.

Philosophies

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

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 partnership

Client focus

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

Cast-iron integrity

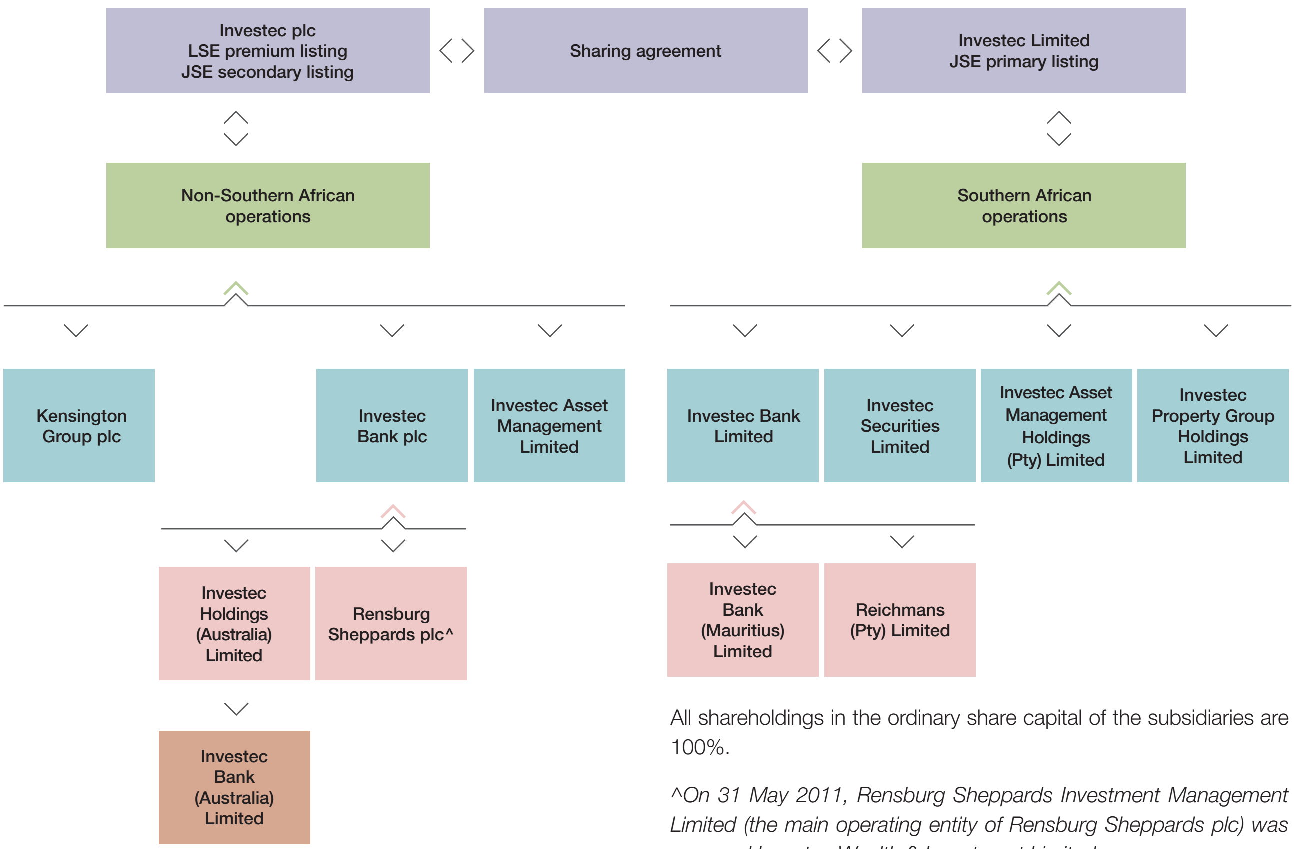
- Moral strength
- Risk consciousness
- Highest ethical standards

Overview of Investec's and Investec Bank (Mauritius) Limited's organisational 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 and is available on our website.

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius and Investec plc is the controlling company of our non-Southern African businesses. Investec Bank (Mauritius) Limited (referred to in this report as the bank) is a subsidiary of Investec Bank Limited.

Our DLC structure and main operating subsidiaries as at 31 March 2011



All shareholdings in the ordinary share capital of the subsidiaries are 100%.

^On 31 May 2011, Rensburg Sheppards Investment Management Limited (the main operating entity of Rensburg Sheppards plc) was renamed Investec Wealth & Investment Limited.

Salient features of the DLC structure

- 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.

Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

2 Management discussion and analysis

Management discussion and analysis

Business and strategic overview

The financial year under review has been marked by uncertainty following the sovereign debt crisis which resulted in the adoption of austerity measures by several European countries and a slow recovery in the US economy. The global economic and financial environment will remain challenging despite forecast good performance of emerging economies in Asia and sub-Saharan Africa.

The bank is focused on capturing opportunities and remains well capitalised with a stable capital adequacy ratio of 40.2% (2010: 35.4%).

An overview of the bank's performance

Salient financial features

For the year to 31 March USD'000	2011	2010	2009
Income statement			
Net interest income	34 708	37 152	45 560
Net fee and commission income	1 925	2 868	4
Net mark to market movements	16 402	(12 131)	(40 974)
Total operating income	44 848	92 950	24 303
Impairment losses	(12 979)	(2 308)	(13 469)
Net operating income	31 869	90 642	10 834
Total operating expenses	(9 206)	(7 652)	(6 432)
Profit for the year	21 187	81 745	3 860
Balance sheet			
Total assets	830 748	1 087 428	915 119
Total shareholders' equity	250 113	228 926	150 431

Net interest income decreased by 6.6% to USD34.7 million in 2011 from USD37.2 million in 2010 due to a lower yield environment and high levels of liquidity retained by the bank.

Net fee and commission income decreased from USD2.9 million in 2010 to USD1.9 million in 2011 as a result of a lower level of deal activity.

A net mark to market gain of USD16.4 million (2010: loss of USD12.1 million) on the bank's investment portfolio comprised:

- USD11.0 million gain on structured credit investments; and
- USD5.4 million gain on the unlisted equity investment portfolio.

Impairment losses amounted to USD13.0 million (2010: USD2.3 million) and were primarily due to an impairment loss of USD12.6 million on a loan to an associate company.

Net operating income decreased to USD31.9 million (2010: USD90.6 million which included a foreign exchange gain of USD47.0 million as a result of the change in the bank's functional currency).

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	2011	2010*	2010	2009
Net interest margin**	3.6	4.0	4.0	4.8
Productivity ratio	20.5	16.6	8.2	26.5
Return on average equity	8.8	18.3	43.1	2.7
Return on average assets**	2.2	3.7	8.7	0.4
Cash to customer deposits	36.5	76.2	76.2	34.4
Capital adequacy ratio	40.2	35.4	35.4	23.7
Tier 1 ratio	39.2	34.6	34.6	22.9

* *Figures excluding gain on functional currency.*

** *Figures based on average earning assets.*

Net interest margin decreased to 3.6% from 4.0% in 2010.

The productivity ratio, which is the ratio of non-interest expense to net interest income and other income, increased from 16.6% (after stripping out the USD47.0 million gain on the change in functional currency) to 20.5% in 2011 due to a combination of an increase in operating expenses and a decrease in total operating income.

Return on average equity decreased to 8.8% (2010: 18.3%) due to a decrease in net profit reported for the year and an increase in equity from USD229 million in 2010 to USD250 million in 2011.

Return on average assets decreased to 2.2% in 2011 (2010: 3.7%) as a result of a decrease in net profit for the year.

Cash to customer deposits ratio decreased to 36.5% from 76.2% in 2010 mainly due to a decrease in cash holdings which were used to repay part of an amount due to the bank's holding company.

The capital adequacy ratio increased to 40.2% (2010: 35.4%) due to an increase in the capital base. The capital base is mainly made up of tier 1 capital representing 97.4% of the total capital base.

Interest income and related assets

For the year to 31 March USD'000	2011 Interest income	2011 Related assets	2010 Interest income	2010 Related assets	2009 Interest income	2009 Related assets
Due from banks	1 347	129 458	407	366 057	999	148 630
Loans and advances to customers	35 230	558 736	35 810	511 458	49 916	461 137
Held-to-maturity financial assets	421	–	777	16 097	2 360	22 670
Amount due from group companies	1 263	49 840	9 140	95 250	13 515	208 259
Financial assets designated at fair value through profit or loss	8 921	18 980	5 472	18 923	8 280	26 569
Total	47 182	757 014	51 606	1 007 785	75 070	867 266

Interest expense and related liabilities

For the year to 31 March USD'000	2011 Interest expense	2011 Related liabilities	2010 Interest expense	2010 Related liabilities	2009 Interest expense	2009 Related liabilities
Deposits by banks	639	80 058	736	79 906	3 082	105 747
Repurchase agreements	–	–	–	–	30	898
Due to customers	4 094	372 685	4 924	488 145	10 777	439 739
Debt securities in issue	–	–	497	–	1 269	2 190
Amount due to group companies	7 741	106 601	8 297	253 989	14 352	183 463
Total	12 474	559 344	14 454	822 040	29 510	732 037

The bank's risk management objectives are to:

- Be the custodian of its risk management culture
- Ensure the business operates within the board stated appetite
- Support the long-term sustainabilty of the bank by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk
- Set, approve and monitor adherence to risk parameters and limits across the bank and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Co-ordinate risk management activities across the organisation
- Give the board reasonable assurance that the risks the bank is exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees, as mandated by the board.

Operating expenses

For the year to 31 March USD'000	2011	2010	2009
Personnel expenses	(4 554)	(4 038)	(3 865)
Depreciation of equipment	(133)	(144)	(94)
Other operating expenses	(4 519)	(3 470)	(2 473)
Total	(9 206)	(7 652)	(6 432)

Total operating expenses increased to USD9.2 million (2010: USD7.7 million) mainly due to the strengthening of the Rupee against the US Dollar and higher IT projects costs incurred in 2011 for the development of the bank's transactional online banking system.

Risk management

Risk disclosures are 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 8 to 52) with further disclosures provided within the financial statements section (pages 61 to 121). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

The bank 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, quantifying, managing and mitigating the risks associated with its business.

Executive summary of the year in review from a risk perspective

The bank has continued to maintain a sound balance sheet with low leverage. This has been supported by the following key operating fundamentals:

- Intimate involvement by senior management ensuring stringent management of risk, liquidity and capital
- A 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 credit loss ratio has decreased to 0.07% of core loans and advances
- Limited exposure to rated and unrated structured credit investments; representing 2.3% of total assets
- A low leverage ratio of approximately 3.3 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
- Healthy capital ratios; the bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy. The bank continued to strengthen its capital base during the period
- A high level of recurring income which continues to support sustainability of operating profit.

An overview of key risks

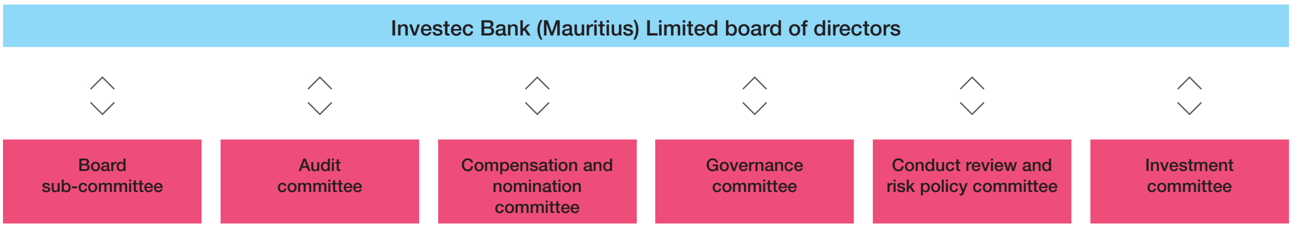
In the ordinary course of business the bank faces a number of risks that could affect its business operations. These risks are summarised briefly in the table below. The sections that follow provide information on a number of these risk areas.

Key risks	Reference
Credit and counterparty risk expose the bank to losses caused by financial or other problems experienced by its clients	See pages 11 to 34
Liquidity risk may impair the bank's ability to fund its operations	See pages 40 to 42
Net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 37 to 39
Market, business and general economic conditions and fluctuations could adversely affect its businesses in a number of ways	See pages 35 to 36
The bank may be unable to recruit, retain and motivate key personnel	See the Investec group's 2011 annual report
Employee misconduct could cause harm that is difficult to detect	See pages 44 to 47
Operational risk may disrupt its business or result in regulatory action	See pages 44 to 47
The bank is exposed to non-traded currency risk, where fluctuations in exchange rates against United States Dollars could have an impact on its financial results	See page 43
The bank may be vulnerable to the failure of its systems and breaches of its security systems	See pages 44 to 47
The bank may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 48 to 52
The financial services industry in which the bank operates is intensely competitive	See pages 2 to 4
Legal and regulatory risks are substantial in its businesses	See page 48
Reputational, strategic and business risk	See page 47

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

Risk and governance framework

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



Board committees

In accordance with the Code of Corporate Governance for Mauritius issued by the National Committee on Corporate Governance established under the Financial Reporting Act 2004 (the 'Code'), the board of directors of the bank has established six sub-committees of the board as well as various management committees/forums to assist it in discharging its duties and responsibilities. The current sub-committees of the board are as follows:

Board sub-committee

This committee comprises three members, including the chief executive officer. The committee meets as and when required to take decisions as per its specific mandate.

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 external auditors and the group internal auditors respectively, in order to ensure that there are adequate internal controls to safeguard its assets and integrity. The committee comprises three members who are independent external directors. In addition to the chief executive officer, the global head of Market Risk, the chief operating officer, the compliance officer, the group head of Internal Audit, the group compliance officer and the external auditors are invitees. Two audit committee meetings were held during the year under review.

Compensation and nomination committee

This committee comprises of two members, with the chief executive officer, chief operating officer and the head of group HR being invitees. The committee reviews the salaries and bonuses of employees and senior management based on key performance indicators. The committee is also responsible for identifying and nominating candidates for the approval of the board to fill board vacancies, as and when required. The committee met three times during the year under review.

Governance committee

This committee comprises 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 and may be asked to appraise the performance of the board as a whole as well as its committees.

Conduct review and risk policy committee

This committee comprises three members, two of which are independent external directors. The committee monitors and reviews all related party transactions and ensures that market based terms and conditions are applied to all related party transactions. The committee met four times during the year under review and noted no breaches of the guideline on related party transactions issued by the Bank of Mauritius.

Investment committee

This committee comprises the chairman of the board, the chief executive officer and one independent external director. The committee is responsible for the review and management of the bank's investment portfolio and the review of new investment proposals. It makes its determination known to the credit committee. The investment committee meets on a monthly basis in order to conduct its affairs.

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 various management committees and forums.

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, where 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
- 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 can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

In April 2010, the Bank of Mauritius issued a guideline on country risk management which became effective in October 2010. The bank's board has approved and adopted a country and sovereign risk policy in order to ensure the bank's compliance with the guideline.

In terms of the policy, for the purpose of country and sovereign risk classification and the setting of corresponding limits, the bank's credit committee shall choose the country from which the cash flow shall emanate in order to service the bank's debt. For country and sovereign risk provisioning purposes, the bank's credit committee shall choose the stronger rated country between the country from which the cash flow shall emanate in order to service the debt and the country where the bank will look to perfect its security in the first instance.

As at 31 March 2011, the bank has provided an amount of USD1.0 million in respect of country risk and this is included in tier 2 capital as part of 'general banking reserves and portfolio provisions'.

Credit and counterparty risk governance structure Audited

The bank's credit committee manages, measures and mitigates credit and counterparty risk. This committee operates under board approved delegated limits, policies and procedures. There is a high level of executive involvement and non-executive review and oversight in the credit decision making forums. It is policy that the credit committee has 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 credit committee, the following processes 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
- The bank's management committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- The bank's investment committee, which reviews and manages investment 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.

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.

The bank's assessment of its 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 pages 32 to 34 for further information).

Target clients include high net worth individuals, certain professionally qualified individuals, high income earning individuals, corporates, parastatals, government institutions and banks. Corporates must have scale, relevance, experienced management, able board members and strong earnings/cash flow. Direct exposures to cyclical industries and start-up ventures tend to be avoided.

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

Pricing is motivated on a transaction by transaction basis, with consideration given to the manner of origination of the asset, capital usage and liquidity. Pricing recommendations are discussed and agreed at the 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
- 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 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.

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

The bank 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 the bank mainly places reliance upon internal considerations of counterparties and borrowers, and use 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.

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 sovereigns and securitisations, Fitch, Moody's and Standard and Poors has been selected by Investec as eligible ECAI's
- In relation to banks, corporates and debt securities, Fitch, Moody's and Standard and Poors are recognised as eligible ECAI's

- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

Concentration of risk policies

The bank has adopted and complies with the Bank of Mauritius guideline on credit concentration limits. The bank ensures that it does not grant credit to a single customer and its related parties which exceeds the regulatory limit stipulated in the guideline, i.e. the bank which is a subsidiary of a foreign bank must have no credit exposure to any single customer which exceeds 50% of the bank's capital base or credit exposure to any group of closely related customers which exceeds 75% of the bank's capital base.

As at 31 March 2011, there were only four customers or group's of closely related customers to whom the bank granted facilities for an amount aggregating more than 15% of its capital base. These large exposures which in total amount to USD210.3 million (2010: USD279.7 million, 2009: USD205 million) were 82% (2010: 120%, 2009: 132%) of the total capital base and were below the regulatory limit of 1200%.

Related party transactions, policies and practices

The bank adheres to the Bank of Mauritius 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 related party 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.

For the year to 31 March	2011	2010	2009
On and off-balance sheet credit exposure (USD'million)	62.4	67.8	66.1
On and off-balance sheet credit exposure to all customers (%)	7.6	6.3	7.3
Proportion of credit exposure that has become non performing as a result of negative mark to market adjustments (%)	16.8	3.9	9.6
Amount of credit exposure to six related parties with the highest exposure (USD'million)	59.2	57.7	63.9
Proportion of credit exposure to six related parties with the highest exposure to tier 1 capital (%)	23.8	25.3	42.5

All the related party transactions were within the regulatory limits as recommended in the above mentioned guideline.

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 Bank of Mauritius guidelines. In the financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Specific impairments

The bank determines the impairment appropriate for each loan or advance on an individual basis. Items considered when determining impairments include the sustainability of the counterparty's business plan, its ability to improve performance once financial difficulty has arisen, projected receipts and the expected dividends 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.

Portfolio impairments

The portfolio impairment 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 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 a specific impairment, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment 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 below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 25). 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. 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.

Regulatory and internal 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. Management however 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 fulfill their credit obligation to the group (i.e. watchlist 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 restructured credit exposures until appropriate watchlist 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.

Regulatory and internal capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arised. 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 is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be held physically and appropriately valued.

The bulk of collateral taken by the Private Bank, which makes up a substantial portion of on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations.

It is the bank's policy to obtain a formal valuation, performed by an approved valuer of every commercial property offered as collateral for a lending facility before advancing funds under the credit facility and to revalue all properties held as collateral on a regular basis. Residential properties are valued by a combination of computer aided valuation (CAV) and approved valuers, if applicable.

The majority of credit mitigation within our treasury activities is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements).

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; and
- Market practice considerations.

For this reason there will be instances where credit and counterparty exposures are displayed on a net basis in these financial statements but reported on a gross basis to regulators.

An analysis of collateral is provided on pages 32 to 34.

Credit and counterparty risk year in review

The financial year in review has seen a combination of the following trends and factors impacting on the credit quality and assessment of credit and counterparty risk.

- The slow to moderate recovery of the global economy from the financial crisis as a result of;
  - Increased discretionary spending although marginal in a low interest rate environment, accompanied by the existing debt burden on consumers;
  - Inflationary pressures as a result of oil and utility price increases;
  - Limited investment by corporates due to economic uncertainty throughout the 2010 calendar year with increased lending to the corporate sector in the first quarter of 2011;
  - The European sovereign debt crisis and contagion fears; and
  - Secondary economic effects as a result of the conflict in the North African, Middle East and Arabian regions and the natural disaster in Japan.

The property market in general remains under pressure with low or static growth across the residential and commercial property markets.

We are conscious of the effect of the low or static growth in the property market and the impact on our portfolio secured by property. The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values. Before the start of the global financial crisis, as property values increased, many clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values.

Loans and advances secured by share portfolios are monitored frequently. Most of these counterparties remain within credit approved loan to value or cover ratios and are performing on current debt obligations.

For assets written during the current year there has been adherence to lower loan to value lending and a continuation of downward pricing pressures.

Credit quality on gross core loans and advances improved throughout the year under review.

Gross core loans and advances increased by 5.9% to USD563.9 million. Default loans (net of impairments) as a percentage of core loans and advances decreased from 0.49% to 0.00%. The credit loss ratio has marginally increased from 0.02% to 0.07%.

Credit and counterparty risk information

Pages 11 to 24 describe where and how credit and counterparty risk 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

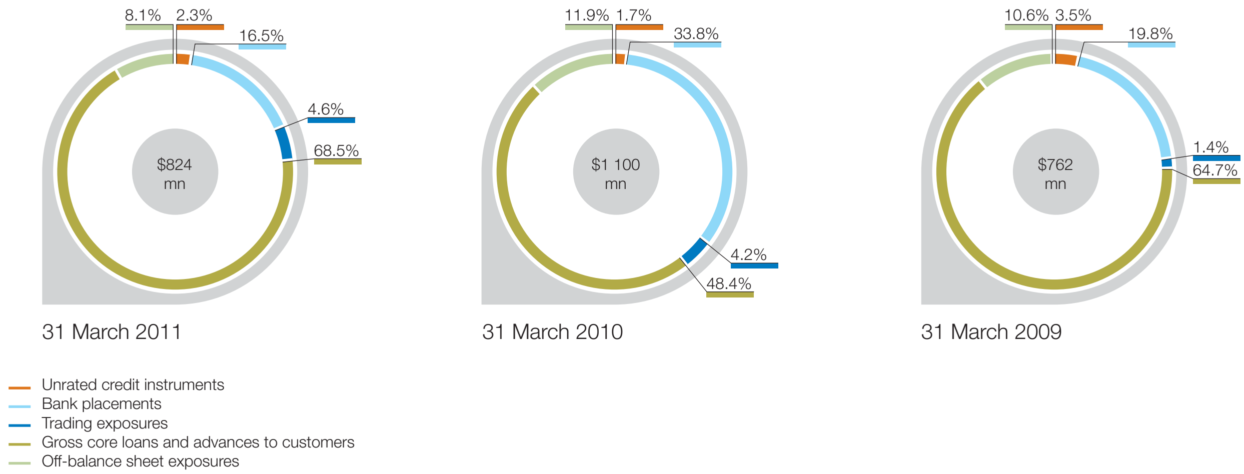
Credit and counterparty exposures decreased by 25.1% to USD823.9 million.

Audited USD'000	31 March 2011	31 March 2010	31 March 2009	2011 vs 2010 % change	Average* 2011 vs 2010	2010 vs 2009 % change	Average* 2010 vs 2009
On-balance sheet exposures	757 107	969 713	681 183	(21.9%)	863 410	42.4%	825 448
Unrated credit instruments arising from securitisation/principal finance activities	18 980	18 923	26 569	0.3%	18 952	(28.8%)	22 746
Bank placements	136 208	371 907	151 122	(63.4%)	254 057	>100.0%	261 515
Trading exposures (positive fair value excluding potential future exposures)	37 990	46 450	10 371	(18.2%)	42 220	>100.0%	28 411
Other credit exposures	–	140	–	(100.0%)	70	100.0%	70
Gross core loans and advances to customers	563 929	532 293	493 121	5.9%	548 111	7.9%	512 707
Off-balance sheet exposures	66 799	130 718	81 313	(48.9%)	98 759	60.8%	106 016
Guarantees^	5 419	35 592	40 650	(84.8%)	20 506	(12.4%)	38 121
Contingent liabilities, committed facilities and other	61 380	95 126	40 663	(35.5%)	78 253	>100.0%	67 895
Total gross credit and counterparty exposures pre collateral or other credit enhancements	823 906	1 100 431	762 496	(25.1%)	962 169	44.3%	931 464

* *Where the average is based on a straight line average.*

^ *Excludes guarantees provided to clients which are backed/secured by cash deposit with the bank.*

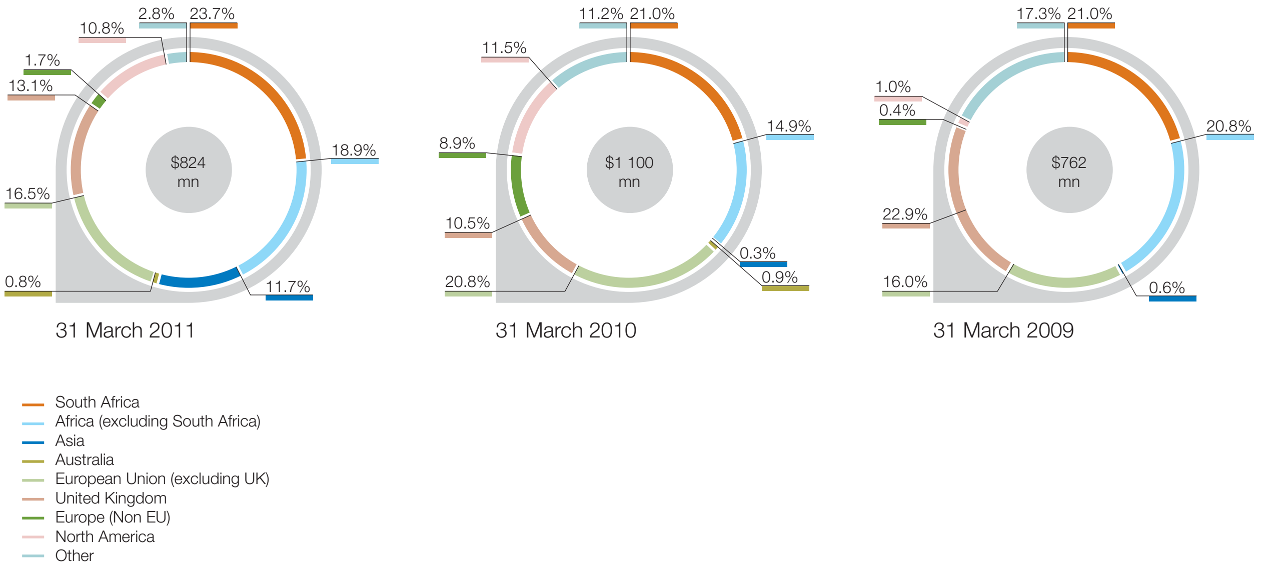
An analysis of gross credit and counterparty exposures



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 2011 was USD62 million (2010: USD83 million and 2009: USD53 million)

An analysis of gross credit and counterparty exposure by geography



A further analysis of the bank's on-balance sheet credit and counterparty exposures

The table below indicate in which class of asset (on the face of the statement of financial position) the bank's on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the statement of financial position bear credit and counterparty risk.

Audited USD'000	Unrated credit instruments	Bank placements	Trading exposures (positive fair value excluding potential future exposures)
At 31 March 2011			
Cash and balances at central banks	–	6 750	–
Due from banks	–	129 458	–
Investment and trading securities	18 980	–	–
Derivative financial instruments	–	–	37 990
Loans and advances to customers	–	–	–
Deferred tax assets	–	–	–
Other assets	–	–	–
Investments in associates/asset classified as held-for-sale	–	–	–
Equipment	–	–	–
Amount due from holding bank and group companies	–	–	–
Investments in subsidiaries	–	–	–
Total	18 980	136 208	37 990
At 31 March 2010			
Cash and balances at central banks	–	5 850	–
Due from banks	–	366 057	–
Investment and trading securities	18 923	–	–
Derivative financial instruments	–	–	46 450
Loans and advances to customers	–	–	–
Deferred tax assets	–	–	–
Other assets	–	–	–
Investments in associates	–	–	–
Equipment	–	–	–
Amount due from holding bank and group companies	–	–	–
Investments in subsidiaries	–	–	–
Total	18 923	371 907	46 450
At 31 March 2009			
Cash and balances at central banks	–	2 492	–
Due from banks	–	148 630	–
Investment and trading securities	26 569	–	–
Derivative financial instruments	–	–	10 371
Loans and advances to customers	–	–	–
Deferred tax assets	–	–	–
Other assets	–	–	–
Investments in associates	–	–	–
Equipment	–	–	–
Amount due from holding bank and group companies	–	–	–
Investments in subsidiaries	–	–	–
Total	26 569	151 122	10 371

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

	Other credit exposures	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposures	Note Reference	Total statement of financial position
	–	–	6 750	2		6 752
	–	–	129 458	–		129 458
	–	–	18 980	8 740	1	27 720
	–	–	37 990	910	1	38 900
	–	563 929	563 929	(5 193)	2	558 736
	–	–	–	78		78
	–	–	–	589		589
	–	–	–	18 123		18 123
	–	–	–	537		537
	–	–	–	49 840		49 840
	–	–	–	15		15
	–	563 929	757 107	73 641		830 748
	–	–	5 850	1		5 851
	–	–	366 057	–		366 057
	–	16 097	35 020	5 004	1	40 024
	–	–	46 450	16 503	1	62 953
	–	516 196	516 196	(4 738)	2	511 458
	–	–	–	162		162
	140	–	140	840		980
	–	–	–	4 000		4 000
	–	–	–	678		678
	–	–	–	95 250		95 250
	–	–	–	15		15
	140	532 293	969 713	117 715		1 087 428
	–	–	2 492	–		2 492
	–	–	148 630	–		148 630
	–	27 410	53 979	10 326	1	64 305
	–	–	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
	–	493 121	681 183	233 936		915 119

Detailed analysis of gross credit and counterparty exposures by industry

USD'000	Professional	Agriculture	Construction
At 31 March 2011			
On-balance sheet exposures	52 761	1 906	123 234
Unrated instruments arising from securitisation/principal finance activities	–	–	–
Bank placements	–	–	–
Trading exposures (positive fair value excluding potential future exposures)	–	–	–
Other credit exposures	–	–	–
Gross core loans and advances to customers	52 761	1 906	123 234
Off-balance sheet exposures	2 004	–	3 143
Guarantees	1 326	–	1 628
Contingent liabilities, committed facilities and other	678	–	1 515
Total gross credit and counterparty exposures pre collateral or other credit enhancements	54 765	1 906	126 377
At 31 March 2010			
On-balance sheet exposures	55 614	9 272	102 439
Unrated instruments arising from securitisation/principal finance activities	–	–	–
Bank placements	–	–	–
Trading exposures (positive fair value excluding potential future exposures)	–	–	–
Other credit exposures	140	–	–
Gross core loans and advances to customers	55 474	9 272	102 439
Off-balance sheet exposures	6 245	22 000	41 349
Guarantees	2 763	–	12 434
Contingent liabilities, committed facilities and other	3 482	22 000	28 915
Total gross credit and counterparty exposures pre collateral or other credit enhancements	61 859	31 272	143 788
At 31 March 2009			
On-balance sheet exposures	56 312	33 803	81 982
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	81 982
Off-balance sheet exposures	29 466	–	86
Guarantees	27 959	–	–
Contingent liabilities, committed facilities and other	1 507	–	86
Total gross credit and counterparty exposures pre collateral or other credit enhancements	85 778	33 803	82 068

	Personal	Global business licence holders	Finance and business services	Traders	Manu-facturing	Transport	Other industries	Total
	170	83 224	346 072	13 179	33 607	54 890	48 064	757 107
	–	–	18 980	–	–	–	–	18 980
	–	–	136 208	–	–	–	–	136 208
	–	–	37 990	–	–	–	–	37 990
	–	–		–	–	–	–	–
	170	83 224	152 894	13 179	33 607	54 890	48 064	563 929
	–	24 000	11 711	2 396	–	–	23 545	66 799
	–	–	2 465	–	–	–	–	5 419
	–	24 000	9 246	2 396	–	–	23 545	61 380
	170	107 224	357 783	15 575	33 607	54 890	71 609	823 906
	162	63 521	556 451	346	90 132	48 605	43 171	969 713
	–	–	18 923	–	–	–	–	18 923
	–	–	371 907	–	–	–	–	371 907
	–	–	46 450	–		–	–	46 450
	–	–	–	–	–	–	–	140
	162	63 521	119 171	346	90 132	48 605	43 171	532 293
	–	15 010	34 521	–	1 373	–	10 220	130 718
	–	–	20 395	–	–	–	–	35 592
	–	15 010	14 126	–	1 373	–	10 220	95 126
	162	78 531	590 972	346	91 505	48 605	53 391	1 100 431
	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
	123	66 409	96 205	1 113	18 213	87 001	51 960	493 121
	–	1 355	38 545	–	1 432	110	10 319	81 313
	–	–	12 691	–	–	–	–	40 650
	–	1 355	25 854	–	1 432	110	10 319	40 663
	123	67 764	322 812	1 113	19 645	87 111	62 279	762 496

Management discussion and analysis (continued)

Summary analysis of gross credit and counterparty exposure by Industry

	Gross core loans and advances			Other credit and counterparty exposures			Total		
USD'000	31 March 2011	31 March 2010	31 March 2009	31 March 2011	31 March 2010	31 March 2009	31 March 2011	31 March 2010	31 March 2009
Professional	52 761	55 474	56 312	2 004	6 385	29 466	54 765	61 859	85 778
Agriculture	1 906	9 272	33 803	–	22 000	–	1 906	31 272	33 803
Construction	123 234	102 439	81 982	3 143	41 349	86	126 377	143 788	82 068
Personal	170	162	123	–	–	–	170	162	123
Global business licence holders	83 224	63 521	66 409	24 000	15 010	1 355	107 224	78 531	67 764
Finance and business services	152 894	119 171	96 205	204 889	471 801	226 607	357 783	590 972	322 812
Traders	13 179	346	1 113	2 396	–	–	15 575	346	1 113
Manufacturing	33 607	90 132	18 213	–	1 373	1 432	33 607	91 505	19 645
Transport	54 890	48 605	87 001	–	–	110	54 890	48 605	87 111
Other industries	48 064	43 171	51 960	23 545	10 220	10 319	71 609	53 391	62 279
Total	563 929	532 293	493 121	259 977	568 138	269 375	823 906	1 100 431	762 496

Asset quality and impairments

An analysis of core loans and advances, asset quality and impairments

The tables that follow provide information with respect to the asset quality of the bank's core loans and advances to customers. An overview of developments during the financial year is provided on page 17.

Audited USD'000	31 March 2011	31 March 2010	31 March 2009
Gross core loans and advances to customers	563 929	532 293	493 121
Total impairments	(5 117)	(4 738)	(9 314)
Portfolio impairments	(4 893)	(4 524)	(4 487)
Specific impairments	(224)	(214)	(4 827)
Net core loans and advances to customers	558 812	527 555	483 807
Average gross core loans and advances to customers	548 111	512 707	679 059
Current loans and advances to customers	556 051	504 500	432 407
Past due and default core loans and advances to customers	7 878	27 793	60 714
Past due loans and advances to customers (1 - 60 days)	2 761	18 297	41 319
Special mention loans and advances to customers	–	2 187	6 197
Default loans and advances to customers	5 117	7 309	13 198
Gross core loans and advances to customers	563 929	532 293	493 121
Past due and default core loans and advances to customers	7 878	27 793	60 714
Gross core loans and advances to customers that are past due but not impaired	6 304	25 933	49 936
Gross core loans and advances to customers that are impaired	1 574	1 860	10 778
Total income statement charge for core loans and advances	(364)	(125)	(6 484)
Gross default loans and advances to customers	5 117	7 309	13 198
Specific impairments	(224)	(214)	(4 827)
Portfolio impairments	(4 893)	(4 524)	(4 487)
Defaults net of impairments	–	2 571	3 884
Collateral and other credit enhancements	9 406	20 780	16 119
Net default loans and advances to customers (limited to zero)	–	–	–
Ratios:			
Total impairments as a % of gross core loans and advances to customers	0.91%	0.89%	1.89%
Specific impairments as a % of gross default loans	4.38%	2.93%	36.57%
Gross defaults as a % of gross core loans and advances to customers	0.91%	1.37%	2.68%
Defaults (net of impairments) as a % of net core loans and advances to customers	–	0.49%	0.80%
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 loans and advances)	0.07%	0.02%	0.95%

An age analysis of past due and default core loans and advances to customers

USD'000	31 March 2011	31 March 2010	31 March 2009
Default loans that are current			
1 - 60 days	3 895	19 105	43 594
61 - 90 days	–	2 187	5 232
91 - 180 days	2 928	6 134	9 936
181 - 365 days	127	367	1 952
>365 days	928	–	–
Total past due and default core loans and advances to customers (actual capital exposure)	7 878	27 793	60 714
1 - 60 days	228	1 148	1 300
61 - 90 days	–	77	33
91 - 180 days	158	201	34
181 - 365 days	28	14	223
>365 days	272	–	–
Total past due and default core loans and advances to customers (actual amount in arrears)	686	1 440	1 590

A further age analysis of past due and default core loans and advances to customers

USD'000	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
As at 31 March 2011						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	3 895	–	1 679	127	603	6 304
Amount in arrears	228	–	101	28	229	586
Gross core loans and advances to customers that are impaired						
Total capital exposure	–	–	1 249	–	325	1 574
Amount in arrears	–	–	57	–	43	100
As at 31 March 2010						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	19 105	2 187	4 274	367	–	25 933
Amount in arrears	1 148	77	129	14	–	1 368
Gross core loans and advances to customers that are impaired						
Total capital exposure	–	–	1 860	–	–	1 860
Amount in arrears	–	–	72	–	–	72
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	–	–	–	–	–	–

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 2011 was USD17 million (2010: USD158 million and 2009: USD70 million).

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on total capital exposure)

USD'000	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1 - 60 days)	2 761	–	–	–	–	2 761
Special mention	–	–	–	–	–	–
Special mention (1 - 90 days)	–	–	–	–	–	–
Special mention (61 - 90 days and item well secured)	–	–	–	–	–	–
Default	1 134	–	2 928	127	928	5 117
Sub-standard	1 134	–	1 679	127	603	3 543
Doubtful	–	–	1 249	–	325	1 574
Total	3 895	–	2 928	127	928	7 878

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on actual amount in arrears)

USD'000	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1 - 60 days)	208	–	–	–	–	208
Special mention	–	–	–	–	–	–
Special mention (1 - 90 days)	–	–	–	–	–	–
Special mention (61 - 90 days and item well secured)	–	–	–	–	–	–
Default	20	–	158	28	272	478
Sub-standard	20	–	101	28	229	378
Doubtful	–	–	57	–	43	100
Total	228	–	158	28	272	686

An age analysis of past due and default core loans and advances to customers as at 31 March 2010 (based on total capital exposure)

USD'000	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1 - 60 days)	18 297	–	–	–	–	18 297
Special mention	–	2 187	–	–	–	2 187
Special mention (1 - 90 days)	–	–	–	–	–	–
Special mention (61 - 90 days and item well secured)	–	2 187	–	–	–	2 187
Default	808	–	6 134	367	–	7 309
Sub-standard	808	–	4 728	367	–	5 903
Doubtful	–	–	1 406	–	–	1 406
Total	19 105	2 187	6 134	367	–	27 793

An age analysis of past due and default core loans and advances to customers as at 31 March 2010 (based on actual amount in arrears)

USD'000	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1 - 60 days)	1 148	–	–	–	–	1 148
Special mention	–	77	–	–	–	77
Special mention (1 - 90 days)	–	–	–	–	–	–
Special mention (61 - 90 days and item well secured)	–	77	–	–	–	77
Default	–	–	201	14	–	215
Sub-standard	–	–	143	14	–	157
Doubtful	–	–	58	–	–	58
Total	1 148	77	201	14	–	1 440

An age analysis of past due and default core loans and advances to customers as at 31 March 2009 (based on total capital exposure)

USD'000	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1 - 60 days)	41 319	–	–	–	–	41 319
Special mention	965	5 232	–	–	–	6 197
Special mention (1 - 90 days)	965	–	–	–	–	965
Special mention (61 - 90 days and item 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 past due and default core loans and advances to customers as at 31 March 2009 (based on actual amount in arrears)

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

An analysis of core loans and advances to customers

USD'000	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)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2011								
Current core loans and advances	556 051	–	–	556 051	–	(4 872)	551 179	–
Past due (1 - 60 days)	–	2 761	–	2 761	–	(21)	2 740	208
Special mention	–	–	–	–	–	–	–	–
Special mention (61 - 90 days and item well secured)	–	–	–	–	–	–	–	–
Default	–	3 543	1 574	5 117	(224)	–	4 893	478
Sub-standard	–	3 543	–	3 543	–	–	3 543	378
Doubtful	–	–	1 574	1 574	(224)	–	1 350	100
Total	556 051	6 304	1 574	563 929	(224)	(4 893)	558 812	686
At 31 March 2010								
Current core loans and advances	504 500	–	–	504 500	–	(4 401)	500 099	–
Past due (1 - 60 days)	–	18 297	–	18 297	–	(94)	18 203	1 148
Special mention	–	2 187	–	2 187	–	–	2 187	77
Special mention (61 - 90 days and item well secured)	–	2 187	–	2 187	–	–	2 187	77
Default	–	5 449	1 860	7 309	(214)	(29)	7 066	215
Sub-standard	–	5 449	454	5 903	(22)	(29)	5 852	157
Doubtful	–	–	1 406	1 406	(192)	–	1 214	58
Total	504 500	25 933	1 860	532 293	(214)	(4 524)	527 555	1 440
At 31 March 2009								
Current core loans and advances	432 407	–	–	432 407	–	(3 933)	428 474	–
Past due (1 - 60 days)	–	41 319	–	41 319	–	(376)	40 943	1 238
Special mention	–	6 197	–	6 197	–	(57)	6 140	87
Special mention (1 - 60 days)	–	965	–	965	–	(9)	956	54
Special mention (61 - 90 days and item well secured)	–	5 232	–	5 232	–	(48)	5 184	33
Default	–	2 420	10 778	13 198	(4 827)	(121)	8 250	265
Sub-standard	–	2 420	10 778	13 198	(4 827)	(121)	8 250	265
Total	432 407	49 936	10 778	493 121	(4 827)	(4 487)	483 807	1 590

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

USD'000	Current core loans and advances	Past due (1 - 60 days)	Special mention (1 - 90 days)
At 31 March 2011			
Professional	49 955	128	–
Agriculture	1 906	–	–
Construction	121 325	139	–
Personal	170	–	–
Global business licence holders	81 039	1 929	–
Financial and business services	151 916	565	–
Traders	13 179	–	–
Manufacturing	33 607	–	–
Transport	54 890	–	–
Other industries	48 064	–	–
Total gross core loans and advances to customers	556 051	2 761	–
At 31 March 2010			
Professional	44 259	6 442	–
Agriculture	9 272	–	–
Construction	101 150	775	–
Personal	162	–	–
Global business licence holders	55 855	3 939	–
Financial and business services	118 689	–	–
Traders	346	–	–
Manufacturing	90 132	–	–
Transport	48 605	–	–
Other industries	36 030	7 141	–
Total gross core loans and advances to customers	504 500	18 297	–
At 31 March 2009			
Professional	53 112	1 080	–
Agriculture	33 803	–	–
Construction	42 204	37 357	–
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 industries	51 960	–	–
Total gross core loans and advances to customers	432 407	41 318	965

	Special mention (61 - 90 days and item well secured)	Sub-standard	Doubtful	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
	–	1 103	1 574	52 761	(458)	(224)	(682)
	–	–	–	1 906	(17)	–	(17)
	–	1 770	–	123 234	(1 069)	–	(1 069)
	–	–	–	170	(1)	–	(1)
	–	256	–	83 224	(722)	–	(722)
	–	414	–	152 894	(1 327)	–	(1 327)
	–	–	–	13 179	(114)	–	(114)
	–	–	–	33 607	(292)	–	(292)
	–	–	–	54 890	(476)	–	(476)
	–	–	–	48 064	(417)	–	(417)
	–	3 543	1 574	563 929	(4 893)	(224)	(5 117)
	1 191	2 176	1 406	55 474	(450)	(214)	(664)
	–	–	–	9 272	(24)	–	(24)
	514	–	–	102 439	(830)	–	(830)
	–	–	–	162	(1)	–	(1)
	–	3 727	–	63 521	(515)	–	(515)
	482	–	–	119 171	(1 306)	–	(1 306)
	–	–	–	346	(3)	–	(3)
	–	–	–	90 132	(730)	–	(730)
	–	–	–	48 605	(394)	–	(394)
	–	–	–	43 171	(270)	–	(270)
	2 187	5 903	1 406	532 293	(4 524)	(214)	(4 738)
	978	1 143	–	56 312	(512)	(87)	(599)
	–	–	–	33 803	(308)	–	(308)
	–	2 420	–	81 982	(746)	–	(746)
	–	–	–	123	(1)	–	(1)
	4 255	–	–	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)

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

USD'000	31 March 2011	31 March 2010	31 March 2009
Professional	52 761	55 474	56 312
Agriculture	1 906	9 272	33 803
Construction	123 234	102 439	81 982
Personal	170	162	123
Global business licence holders	83 224	63 521	66 409
Financial and business services	152 894	119 171	96 205
Traders	13 179	346	1 113
Manufacturing	33 607	90 132	18 213
Transport	54 890	48 605	87 001
Other industries	48 064	43 171	51 960
Total gross core loans and advances to customers	563 929	532 293	493 121

Collateral

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

At 31 March 2011 USD'000	Collateral held against Core loans and advances	Collateral held against Other credit and counterparty exposures*	Total
Eligible financial collateral	443 067	2 593	445 660
Listed shares	402 979	–	402 979
Cash	27 195	2 593	29 788
Debt securities issued by sovereigns	12 893	–	12 893
Mortgage bonds	609 210	2 243	611 453
Residential mortgages	163 687	–	163 687
Commercial property development	117 124	2 243	119 367
Commercial property investments	328 399	–	328 399
Other collateral	712 420	609	713 029
Unlisted shares	422 657	–	422 657
Bonds other than mortgage bonds	230 545	–	230 545
Guarantees	29 278	609	29 887
Other	29 940	–	29 940
Total collateral	1 764 697	5 445	1 770 142

* *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.*

Collateral (continued)

At 31 March 2010 USD'000	Collateral held against Core loans and advances	 Other credit and counterparty exposures*	Total
Eligible financial collateral	424 861	11 522	436 383
Listed shares	406 319	–	406 319
Cash	15 520	11 522	27 042
Debt securities issued by sovereigns	3 022	–	3 022
Mortgage bonds	1 415 046	–	1 415 046
Residential mortgages	178 681	–	178 681
Residential development	14 212	–	14 212
Commercial property development	92 465	–	92 465
Commercial property investments	1 129 688	–	1 129 688
Other collateral	405 834	–	405 834
Unlisted shares	63 711	–	63 711
Bonds other than mortgage bonds	257 675	–	257 675
Guarantees	57 082	–	57 082
Other	27 366	–	27 366
Total collateral	2 245 741	11 522	2 257 263

* *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.*

Collateral (continued)

At 31 March 2009 USD'000	Collateral held against Core loans and advances	 Other credit and counterparty exposures*	Total
Eligible financial collateral	178 150	14 630	192 780
Listed shares	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

* *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 bank's investment committee manages 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.

Audited USD'000	Gains/ (losses) Unrealised	Gains/ (losses) Realised	Dividends, net interest and other	Total
For the year ended 31 March 2011				
Unlisted investments	3 765	69	–	3 834
Listed equities	(13)	7	–	(6)
Embedded derivatives	2 874	–	–	2 874
Total	6 626	76	–	6 702
For the year ended 31 March 2010				
Unlisted investments	(1 041)	–	–	(1 041)
Listed equities	2 745	5 420	–	8 165
Embedded derivatives	16 522	–	–	16 522
Total	18 226	5 420	–	23 646
For the year ended 31 March 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)

Unrealised revaluation gains through profit and loss are included in Tier 1 capital. Revaluations that are posted directly to equity are excluded from 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 2011	Valuation change stress test* 31 March 2011	On balance sheet value of investments 31 March 2010	Valuation change stress test* 31 March 2010	On balance sheet value of investments 31 March 2009	Valuation change stress test* 31 March 2009
Unlisted investments	8 079	1 212	4 314	647	8 658	1 299
Listed equities	661	165	690	172	6 408	1 602
Embedded derivatives	32 053	11 219	29 180	10 213	8 022	2 807
Total	40 793	12 596	34 184	11 032	23 088	5 708

* *In order to assess its earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:*

Stress test values applied

Unlisted	15%
Listed	25%
Embedded derivatives	35%

Stress testing summary

Based on the information as at 31 March 2011, as reflected above we could have a $12.6 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). This would not cause the bank to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which the bank operates being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of 'equity risk' and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk.

Traded market risk management

Traded market risk description Audited

Traded market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting in changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time.

The bank's treasury team collates all relevant market information daily. The asset and liability management committee (ALCO) 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 Investec group Risk Management for consolidation purposes and 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.

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 its asset and liability portfolios, comprising market liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

Balance sheet risk governance structure and risk mitigation

The treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with 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 bank'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 bank could find itself and prepare accordingly. The modeling process is supported by ongoing technical and economic analysis. The result is formally reported to management and the board on a regular basis. The entire process is underpinned by a system of extensive internal and external controls.

The bank's complies with the Basel Committee on Banking Supervision's Principles (BCBS) for Sound Liquidity Risk Management and Supervision.

Non-trading interest rate risk description Audited

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book (IRRBB), is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected, adverse movements in interest rates arising from the execution of its core business strategies and the delivery of products and services to our customers.

Sources of banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, the shape of the yield curves, basis risk spreads, and optionality inherent in certain products. These affect the interest rate margin realised between lending income and borrowing costs, when applied to its 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 Audited

Non-trading interest rate risk in the banking book is a normal part of banking and arises from the provision of retail and wholesale (non-trading) banking products and services. We are 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 we are exposed to yield curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk.

Non-trading interest rate risk is measured and managed both from a net interest margin 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 measure 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.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenario's incorporating movements in the yield curve level and shape by geography taking global trends into account. 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 Audited

The tables below show our 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 2011 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	58	71	–	–	–	–	129
Investment/trading assets	21	–	12	–	–	52	85
Advances	533	4	3	15	4	–	559
Other assets	–	–	–	–	–	1	1
Assets	612	75	15	15	4	53	774
Deposits - banks	(80)	–	–	–	–	–	(80)
Deposits - non-banks	(335)	(3)	(29)	(5)	(1)	–	(373)
Investment/trading liabilities	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	(8)	(8)
Liabilities	(415)	(3)	(29)	(5)	(1)	(8)	(461)
Intercompany loans	(52)	(5)	–	–	–	–	(57)
Shareholders' funds	–	–	–	–	–	(250)	(250)
Balance sheet	145	67	(14)	10	3	(205)	6
Off-balance sheet	9	(1)	(3)	(11)	–	–	(6)
Repricing gap	154	66	(17)	(1)	3	(205)	–
Cumulative repricing gap	154	220	203	202	205	–	

At 31 March 2010 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	366	–	–	–	–	–	366
Investment/trading assets	16	6	–	–	–	69	91
Advances	407	35	49	16	4	–	511
Other assets	–	–	–	–	–	2	2
Assets	789	41	49	16	4	71	970
Deposits - banks	(80)	–	–	–	–	–	(80)
Deposits - non-banks	(398)	(47)	(23)	(16)	(4)	–	(488)
Investment/trading liabilities	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	(9)	(9)
Liabilities	(478)	(47)	(23)	(16)	(4)	(9)	(577)
Intercompany loans	(98)	(28)	(47)	(9)	–	23	(159)
Shareholders' funds	–	–	–	–	–	(229)	(229)
Balance sheet	213	(34)	(21)	(9)	–	(144)	5
Off-balance sheet	(42)	36	7	(4)	(2)	–	(5)
Repricing gap	171	2	(14)	(13)	(2)	(144)	–
Cumulative repricing gap	171	173	159	146	144	–	

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	–	

The positive interest rate mismatch shown is largely attributable to the allocation of shareholders funds to non-rate.

Economic value sensitivity Audited

As discussed previously our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to mainly net interest income should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact to equity.

	Sensitivity to the following interest rate (expressed in original currencies)					
'million	ZAR	GBP	USD	EUR	AUD	All (USD)
At 31 March 2011						
200bp down	(0.75)	(0.02)	1.58	0.33	(0.10)	1.78
200bp up	0.82	0.05	(2.02)	(0.30)	0.10	(2.13)
At 31 March 2010						
200bp down	(13.83)	0.01	2.01	0.20	0.38	0.75
200bp up	13.73	0.00	(2.25)	(0.22)	(0.38)	(1.03)
At 31 March 2009						
200bp down	21.40	0.50	(0.70)	2.10	0.00	1.70
200bp up	(21.40)	(0.50)	0.70	(2.10)	0.00	(1.70)

Liquidity risk description Audited

Liquidity risk is the risk that we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes 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.

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements without adversely affecting the normal course of business, its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

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

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. Inadequate liquidity can bring untimely demise of any financial institution. As such, the bank considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity is reflected in day-to-day practices.

The bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the bank maintains a statutory deposit with the Bank of Mauritius equal to 7.0% 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 Audited

The tables that follow show the bank's liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record 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, we maintain a liquidity buffer in the form of unencumbered, cash and near cash as a buffer against both expected and unexpected cash flows.

With respect to the behavioural liquidity mismatch:

- The new funding we 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 2011 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	41	–	18	70	–	–	–	129
Investment/trading assets*	27	–	–	–	–	–	58	85
Advances	–	11	179	24	62	213	70	559
Other assets	–	–	–	1	–	–	–	1
Assets	68	11	197	95	62	213	128	774
Deposits - banks	–	–	–	(80)	–	–	–	(80)
Deposits - non-banks	(118)	(210)	(6)	(3)	(30)	(5)	(1)	(373)
Investment/trading liabilities	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	(8)	–	–	–	(8)
Liabilities	(118)	(210)	(6)	(91)	(30)	(5)	(1)	(461)
Intercompany loans	19	(47)	(2)	12	3	(42)	–	(57)
Shareholders' funds	–	–	–	–	–	–	(250)	(250)
Balance sheet	(31)	(246)	189	16	35	166	(123)	6
Off-balance sheet	–	(4)	–	–	–	(2)	–	(6)
Contractual liquidity gap	(31)	(250)	189	16	35	164	(123)	–
Cumulative liquidity gap	(31)	(281)	(92)	(76)	(41)	123	–	

At 31 March 2010 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	196	128	–	–	42	–	–	366
Investment/trading assets*	26	–	–	–	–	45	20	91
Advances	1	3	19	38	143	231	76	511
Other assets	–	–	–	2	–	–	–	2
Assets	223	131	19	40	185	276	96	970
Deposits - banks	–	–	–	–	–	(80)	–	(80)
Deposits - non-banks	(105)	(267)	(24)	(47)	(23)	(18)	(4)	(488)
Investment/trading liabilities	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	(9)	–	–	–	(9)
Liabilities	(105)	(267)	(24)	(56)	(23)	(98)	(4)	(577)
Intercompany loans	(12)	(16)	(6)	(30)	(56)	(4)	(35)	(159)
Shareholders' funds	–	–	–	–	–	–	(229)	(229)
Balance sheet	106	(152)	(11)	(46)	106	174	(172)	5
Off-balance sheet	(1)	–	1	–	(3)	(1)	(1)	(5)
Contractual liquidity gap	105	(152)	(10)	(46)	103	173	(173)	–
Cumulative liquidity gap	105	(48)	(58)	(104)	–	173	–	

* *Refer to note on page 42.*

Contractual liquidity (continued)

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	–	

Contractual liquidity adjustment (as discussed on page 40)

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
At 31 March 2011								
*Investments/trading assets	(7)	–	–	–	–	–	7	–
At 31 March 2010								
*Investments/trading assets	(26)	–	–	–	17	–	9	–
At 31 March 2009								
*Investments/trading assets	(49)	–	–	–	49	–	–	–

Behavioural liquidity (as discussed on page 40)

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
At 31 March 2011								
Behavioural liquidity gap	63	(16)	67	15	22	172	(323)	–
Cumulative	63	47	114	129	151	323	–	
At 31 March 2010								
Behavioural liquidity gap	163	158	(4)	(13)	18	90	(412)	–
Cumulative	163	321	318	304	322	412	–	
At 31 March 2009								
Behavioural liquidity gap	78	96	110	32	6	80	(402)	–
Cumulative	78	174	284	316	322	402	–	

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency other than the functional currency. Foreign currency risk does not arise from financial instruments that are non-monetary or from financial instruments denominated in the functional currency.

The bank computes its net open foreign exchange position in accordance with the Bank of Mauritius guideline for calculation and reporting of foreign exchange exposures by taking the higher of the absolute values of all net short and net long positions. The bank monitors the net open position on a daily basis.

Open position (USD'000)	EUR	GBP	JPY	MUR	Other currencies	Aggregate net open foreign exchange position
At 31 March 2011						
Long/(short) position	(1 527)	19	(1)	769	(4 917)	(6 445)
At 31 March 2010						
Long/(short) position	5 307	1 381	1	979	4 016	11 684
At 31 March 2009						
Long/(short) position	(14 166)	(2 899)	1	290	35 057	35 348

Operational risk management

Operational risk description

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

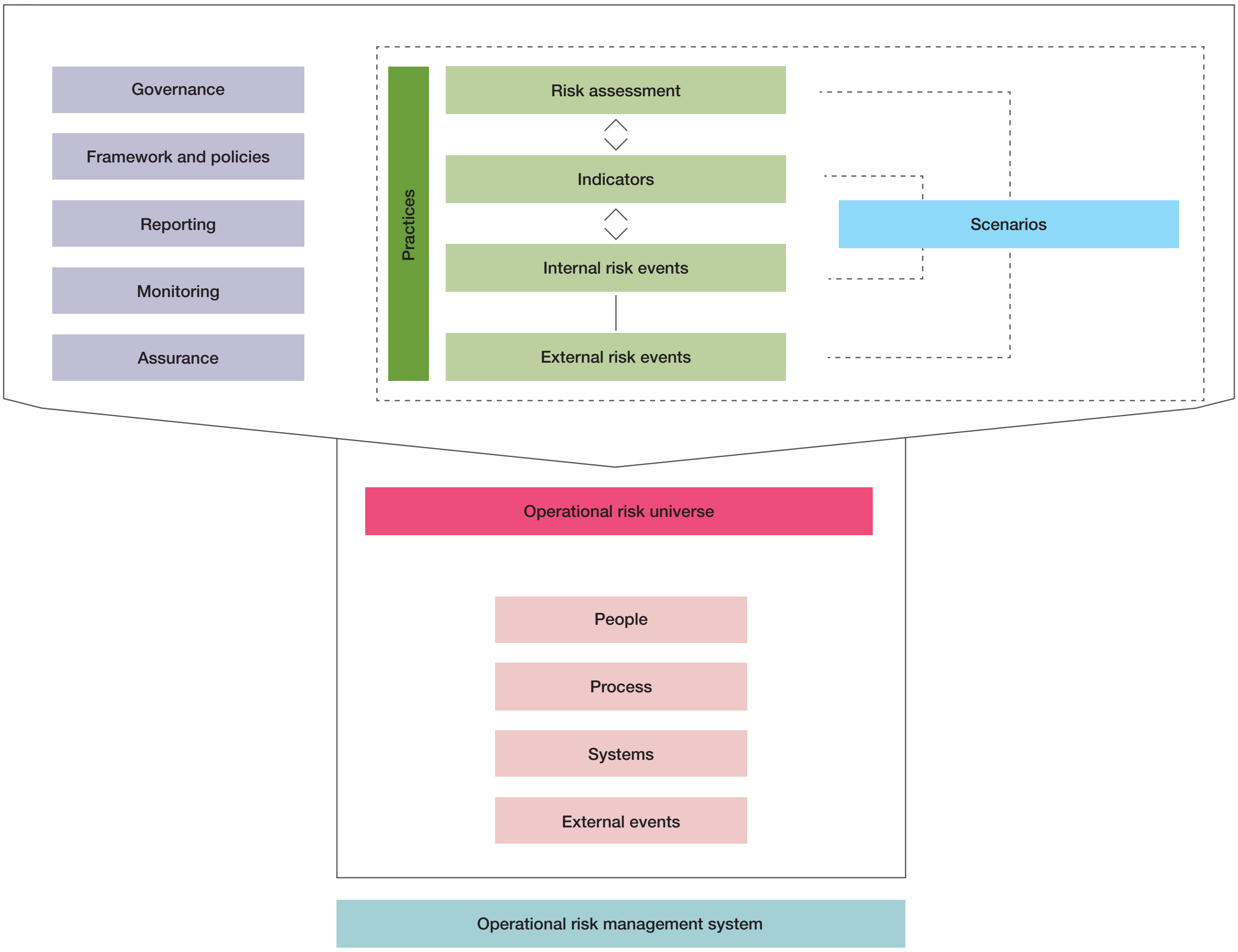
We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of appropriate and relevant sound operational risk management practices.

The bank has adopted the standardised approach to calculate the regulatory operational risk capital requirement in accordance with the Bank of Mauritius Guideline on operational risk management and capital adequacy determination.

Operational risk management framework

The operational risk management framework adopted by the group sets out a structured and consistent approach for implementing a systematic process to identify and mitigate operational risk across the group.

A group-wide operational risk management system is used to record and evidence the operational risk management process. This system allows for the recording and linking of risk assessments, risk events and risk indicators where appropriate, enabling a comprehensive view, analysis and reporting of the group's operational risk profile.



Governance

The governance structure adopted by the operational risk management function operates in terms of levels of defence model and provides combined assurance as described below:

Level	Functions	Activity
1	Business unit management	• Identify and mitigate operational risk • Own the operational risks arising in their business area • Establish and maintain an appropriate operational risk and control environment • Maintain an embedded operational risk management capability • Implement and execute sound operational risk management practices.
2	Group Operational Risk Management	• Independent of operations • Maintain the group operational risk management framework and policy • Develop and promote sound operational risk management practices • Challenge and review business unit operational risk practices and data • Report on operational risk exposures, events, and emerging issues to board and board committees, and relevant business unit forums • Ensure supervisory requirements are achieved.
3	Internal audit and specialist assurance	• Independent review of the operational risk framework, and the effectiveness of its implementation • Audit findings integrated into the operational risk management process • Specialist validation of key practices.
4	External audit and supervisors	• External assessment of the operational risk management environment • Regulatory onsite reviews by the Bank of Mauritius.
5	Board and board committees	• Monitor and review the operational risk exposures and metrics • Approve the operational risk management framework and key operational risk management policies.

Practices

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. A controlled operational risk exposure is determined based on an assessment of the consequence, likelihood of occurrence and the effectiveness of the relevant controls.

Surveys and publications from reliable sources are monitored and compared to the RAF to confirm relevance and completeness, and to identify emerging issues.

The assessment of risks and controls is conducted at the bank level and is subject to action and escalation in terms of the operational risk appetite policy, which sets out the operational risk exposure that the bank is willing to accept or retain.

Risk assessments are reviewed regularly based on internal and external events and changes in the business environment. Risks are assessed and considered before implementation of new products in line with the relevant policies and procedures.

Key operational risks

The following operational risks have been identified, through a combination of a top down and bottom up process, as key operational risks:

Key operational risks	Key considerations
Business continuity	• Availability of systems and processes • Ability to continue operations.
Financial crime	• Theft or misappropriation of client or company assets from internal or external sources.
Legal	• Appropriate advice, documentation and implementation.
Process failure	• Execution, delivery and process failure due to errors or omissions.
Regulatory compliance	• Adherence to laws, regulations and industry codes • Pace of new regulatory requirements and developments.

Operational risk indicators

The bank tracks and reports appropriate risk indicators in order to monitor and control their operational risk exposures. These are reviewed regularly to ensure that they are relevant.

Internal operational risk events

Internal operational risk events are recorded in the group-wide operational risk system used by the bank. Causal analyses are performed and actions are identified to mitigate and minimise losses and improve controls. Processes are in place for the monitoring and escalation of recorded events.

Scenarios

Key operational risks and other material operational risks are subjected to a scenario analysis process. Various plausible, extreme, scenarios are developed and documented for each material operational risk. Scenario information is sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

The data collected through the scenario process is evaluated using a Monte Carlo simulation technique. This provides a measure of the exposure arising from the key risks and is used to determine internal operational risk capital requirements.

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 Investec group, and that resources are focused on appropriate areas.

The bank's embedded risk manager (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 escalation of any issues or potential failures.

Reports detailing the operational risk profile of the bank are submitted by the ERM to the Investec group Operational Risk Management on a monthly basis, and the bank's audit committee as appropriate.

The chief executive officer submits a comprehensive written report to the board of directors on a quarterly basis.

Monitoring

The individual components of the operational risk management framework are monitored on an ongoing basis by both group Operational Risk Management and the bank's ERM. These components are integrated to inform each other, enabling more efficient monitoring of operational risk data integrity, compliance with the policies and practices and the operational risk profile of the bank.

Group-wide operational risk focus areas

Business continuity management

The bank manages a business continuity management capability in line with principles adopted by the group which focuses on building an appropriate level of resilience into the bank's operations to mitigate the risk of severe operational disruptions occurring. The group conducts regular exercises with the bank to ensure that its recovery capability remains appropriate.

Information technology risk

The bank continues to ensure that information technology risk is appropriately mitigated within a rapidly changing technology and threat landscape in line with principles set by the group. The ERM focus on ensuring the confidentiality, integrity and availability of information. Information security remains a key area of focus.

Financial crime

In ensuring that financial crime risk is appropriately managed, the bank in consultation with the group pursues a policy of mitigating this risk as follows:

- Ensuring that appropriate action is taken in respect of fraudulent activities
- Identifying criminal acts against the bank and the group, investigating and recovering losses
- Engaging with external counterparties.

Developments

Areas of focus during the year included:

- Ongoing development and enhancement of the operational risk management framework having consideration for advanced operational risk management practices
- Regular engagement with industry groups and fora enables the group and the bank to be informed of developments
- Enhancing the risk and control environment remains an area of focus, particularly in areas where trends are identified
- Using outputs from operational risk processes more effectively in proactively managing operational risk
- Continue to monitor regulatory developments and actively engage with regulators.

Insurance

The bank maintains adequate insurance to cover key insurable risks. The bank maintains insurance cover both locally in Mauritius and also relies on the insurance cover managed by Investec group.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises 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. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

The board of directors and management are 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.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our 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 engages external legal counsel.

Capital management and allocation

Philosophy and approach

Over recent years, capital adequacy standards for banks globally have been raised as part of attempts to increase stability and resilience of the global banking sector. The bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy to ensure that it continues to remain well capitalised. Accordingly, the bank targets a minimum capital adequacy ratio of 14% to 17%.

The bank reports information on its capital position to the Investec Limited Capital Committee which in turn reports to the Investec group DLC capital committee.

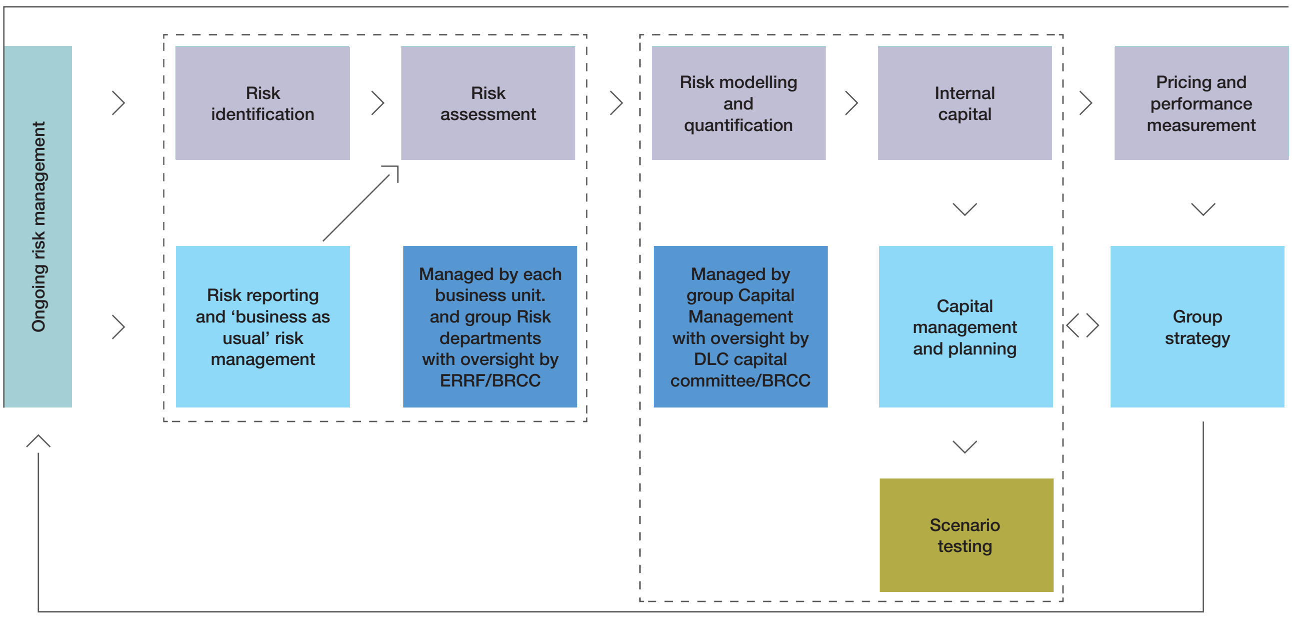
The bank's internal capital framework approved by the board is based on processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet.

The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the bank
- Support a target level of financial strength aligned with a long-term external rating of at least 'A'
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the bank is able to retain its going concern basis under relatively severe operating conditions

In order to achieve the above objectives, we adhere to the following approach to the integration of risk and capital management.

The (simplified) integration of risk and capital management



Risk assessment and identification

We review the business annually to map our universe of key risks, which are ultimately reviewed and agreed by the bank's board and the Investec group board risk and capital committee (BRCC) following an extensive process of engagement with the bank's senior management. Assessment of the materiality of risks is directly linked to the bank's stated risk appetite and risk management policies covering all key risks.

Risk reporting

As part of standard business practice, key identified risks are monitored by the bank together with group Risk Management and by Internal Audit to ensure that risks are managed to an acceptable level of risk. Detailed performance and control metrics of these risks are reported to each executive risk review forum (ERRF) and BRCC meeting, including, where appropriate, the results of scenario testing. Key risk types that are considered fall within the following:

- Credit and counterparty risk
- Traded market risk
- Equity risk in the banking book
- Balance sheet liquidity and non-trading interest rate risk
- Legal risk
- Operational risk.

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed through ERRF and BRCC.

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board approved risk assessment process described above. Quantification of all risks are based on analysis of internal data, management expertise and judgement 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 property risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks
- Business risk
- 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.

Capital management, planning and scenario testing

A capital plan is prepared and maintained under the guidance of the relevant group committees to facilitate discussion of the impact of business strategy and market conditions on our capital sufficiency. This plan is designed to assess capital sufficiency under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth and liquidity considered. The plan provides the board with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Stressing the business plans through the capital planning process is an important tool by which the board can gain insight to potential sources of vulnerability of the capital sufficiency of the bank through market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after consultation with relevant internal and external experts and research. Such plans are used by the bank's management to formulate balance sheet strategy and agree management actions, trigger points and influence determination of our risk appetite.

In particular, our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, the capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis the DLC capital committee, and the BRCC, are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk adjusted internal 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 us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis, Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

The process is designed to ensure that risk and capital management form the basis for key decisions at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

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.

Capital structure

USD'000	31 March 2011	31 March 2010	31 March 2009
Regulatory capital			
Tier 1			
Share capital	56 478	56 478	56 478
Retained income	160 265	143 520	78 030
Statutory reserves	31 533	28 355	16 093
Other reserves	–	–	(342)
Total tier 1	248 276	228 353	150 259
Less: deductions	(7)	(7)	(19)
	248 269	228 346	150 240
Tier 2			
General banking reserve	1 838	573	172
Portfolio provisions	4 893	4 524	4 487
Redeemable preference shares	–	–	438
Total tier 2	6 731	5 097	5 097
Less: deductions	(7)	(7)	(19)
	6 724	5 090	5 078
Total capital	254 993	233 436	155 318
Capital requirements	63 377	65 914	65 632
Credit risk - prescribed standardised exposure classes	54 358	57 020	55 210
Corporates	32 847	30 696	28 193
Secured on real estate property	14 255	11 985	13 962
Short term claims on institutions and corporates	1 780	7 836	9 736
Retail	22	504	30
Institutions	5 333	5 830	2 751
Other exposure classes	121	169	538
Equity risk - standardised approach	3 262	2 822	4 382
Listed equities	66	69	641
Unlisted equities	3 196	2 753	3 741
Aggregate net open foreign exchange position	645	98	–
Operational risk - standardised approach	5 112	5 974	6 040

Capital adequacy

USD'000	31 March 2011	31 March 2010	31 March 2009
Primary capital (Tier 1)	248 276	228 353	150 259
less: deductions	(7)	(7)	(19)
	248 269	228 346	150 240
Tier 2 capital	6 731	5 097	5 097
less: deductions	(7)	(7)	(19)
	6 724	5 090	5 078
Total capital	254 993	233 436	155 318
Risk-weighted assets (banking and trading)	633 772	659 138	656 315
Credit risk - prescribed standardised exposure classes	543 581	570 200	552 099
Corporates	328 470	306 965	281 928
Secured on real estate property	142 554	119 846	139 617
Short term claims on institutions and corporates	17 801	78 360	97 357
Retail	221	5 038	298
Institutions	53 325	58 304	27 513
Other exposure classes	1 210	1 687	5 386
Equity risk - standardised approach	32 622	28 217	43 819
Listed equities	661	690	6 408
Unlisted equities	31 961	27 527	37 411
Aggregate net open foreign exchange position	6 445	979	–
Operational risk - standardised approach	51 124	59 742	60 397
Capital adequacy ratio	40.2%	35.4%	23.7%
Tier 1 ratio	39.2%	34.6%	22.9%
Capital adequacy ratio - pre operational risk	43.8%	38.9%	26.1%
Tier 1 ratio - pre operational risk	42.6%	38.1%	25.2%

Corporate governance report

The Code of Corporate Governance

Following the amendments to the Financial Reporting Act, public interest entities are required to comply with the Code of Corporate Governance for Mauritius (the Code) and provide justification for not adopting any of the provisions of the Code in their financial statements or reports.

Directors' statement of compliance

The directors confirm that the bank has complied in all material respects with the principles of the Code.

Overview

A number of board sub-committees, management committees and forums identify and manage risk. These committees and forums operate together with Investec group Risk Management and are mandated by the board.

While the board provides leadership based on an ethical foundation, and oversees the overall process and structure of corporate governance, the bank and its employees are 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:

- Build and sustain an ethical corporate culture in the company
- 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
- Enhance the capital markets' and other stakeholders' perception of the bank
- Facilitate legal and regulatory compliance
- Secure trust and confidence of all stakeholders
- Protect its 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
- Remain at the forefront of international corporate governance practices.

The values and philosophies of the bank are the framework against which behaviour and practices are measured in order 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.

Financial reporting and going concern

The directors are required to confirm that they are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial statements by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

In addition, 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 that 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.

The significant risks that the bank faces include risks flowing from the instability in the global financial market and recent economic environment that could affect the bank's businesses, earnings and financial condition.

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
- Desire to provide relevant and clear disclosures
- Nature and complexity of the business
- Risks the bank assumes, its management and mitigation
- Key business and control processes in operation
- Operation of board committee support structures
- Operational soundness
- Credit rating and access to capital
- Needs of all its stakeholders.

The board is of the opinion, based on its knowledge of the bank, key processes in operation and specific enquiries, that there are adequate resources to support the bank as a going concern for the foreseeable future.

Board of directors

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and affairs of the bank. It provides entrepreneurial leadership for the bank within a framework of prudent and effective controls which allows risks to be assessed and managed.

The board:

- Approves the bank's strategy
- Ensures that the bank complies with the applicable laws and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as focal point for, and custodian of, corporate governance
- Provides effective leadership on an ethical foundation
- Ensures the bank is and is seen to be a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the bank's values and standards, promoting high 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 the bank's 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.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, bank forums or the CEO, without abdicating its own responsibilities:

- The board has formally defined and documented by way of terms of reference the authority it has delegated to the various board committees and bank forums
- In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

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

- Assesses the quantitative and qualitative aspects of the bank's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors compliance with relevant laws, regulations and codes of business practice
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders and monitors communication with all stakeholders and disclosures made to ensure transparent and effective communication
- 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
- Assisted by the audit committee, ensures appropriate IT governance processes are in place, the implementation of which management is responsible for, and ensuring that the process is aligned to the performance and sustainability objectives of the board
- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures the appropriate risk governance processes, including IT, are in place including continual risk monitoring by management, determines the levels of risk tolerance and that risk assessments are performed on a continual basis
- Ensures the integrity of the company's integrated report, which includes sustainability reporting
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

In accordance with the Code for Corporate Governance for Mauritius and the Bank of Mauritius' guidelines on corporate governance, there is a clear division of responsibility between the chairman and the chief executive officer to ensure balance of power and authority. The board is led by the chairman while the chief executive officer leads the executive management team responsible for the day-to-day running of the business and affairs of the bank.

The majority of the board members are non-executive directors. The board comprises five members; the bank's chief executive officer, three independent external directors and one director employed by the Investec group. Three of the directors are residents of Mauritius. A brief profile of each director is included below.

Name	Age at 31 March 2011	Qualifications	Current other directorships	Committee membership	Brief biography
David M Lawrence (chairman)	59	BA(Econ) (Hons) Mcom	Investec Trust (Mauritius) Limited, Investec Bank Limited, various Investec companies and various other listed and unlisted companies	1,2,4,5,6,7	Currently the deputy chairman of Investec Bank Limited and chairman of the board of directors of the bank
Pierre de Chasteigner du Mée	57	ACEA FBIM FMAAT	P.O.L.I.C.Y Ltd, Union & P.O.L.I.C.Y Investment Co Ltd and various private companies	1,2,3,5,7	Pierre is the estate general manager of Constance La Gaieté Co. Ltd., a major property owner and sugarcane producer in Mauritius. Previously group financial controller of The Constance group of companies and executive director of Constance Hotels Services Ltd. He is a stockbroker on the stock exchange of Mauritius, a licensed company secretary and a member of the Chartered Management Institute (England). He is also a member of the National Pension Fund board (NPF), National Savings Fund technical committee (NSF) and of the NPF/NSF investment committee that manages the national pension scheme of the Republic of Mauritius
Angelique Anne Desvaux De Marigny	35	LLB, barrister-at-law Maitrise en Droit Privé (Université de Paris I-Panthéon-Sorbonne)	None	1,3	Angélique is a barrister-at-law and practised as a litigation counsel for the first six years of her career as a tenant of De Spéville Sauzier Desvaux Chambers before joining the CIEL group as head of legal affairs. In 2009, she came back to private practice in the same chambers. She did her vocational training at the Inns of Courts School of Law, London, and was admitted to the Mauritian bar in 2001.
Craig C Mckenzie	50	Bsc Msc CFA	Investec Trust (Mauritius) Limited, various unlisted companies	1,2,7	Chief executive officer with 23 years of banking experience
Peter RS Thomas	66	CA(SA)	Investec Bank Limited, various Investec companies, JCI Limited and various unlisted companies	1,3,4,5,6	Peter was the former managing director of The Unisec Group Limited. He is currently chairman of the audit committee of the bank.

1 Board
2 Board sub-committee
3 Audit committee
4 Compensation and nomination committee
5 Conduct review and risk policy committee
6 Governance committee
7 Investment committee

The terms of reference of the board committees are available on page 10.

Details of directors attendance at board meetings is shown in the table below:

Members	Number of meetings held during the year	Number of meetings attended during the year
David M Lawrence	4	4
Craig C McKenzie	4	4
Pierre de Chasteigner du Mée	4	4
Angelique Anne Desvaux De Marigny	4	3
Peter RS Thomas	4	4

Directors' interest and dealings in shares

All the shares of the bank are held by its sole shareholder namely, Investec Bank Limited.

Directors' emoluments

The bank has only one shareholder who has consented to the non disclosure of the directors' emoluments as per the resolution referred under section 'other statutory disclosures'.

Directors service contracts and terms of employment

The chief executive officer, who is the only executive director of the bank, has an indefinite contract of employment, terminable by either party giving the required written notice to the other. He is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which is determined at the discretion of the compensation and nomination committee.

The non-executive directors do not have service contracts but letters of appointment confirm the terms and conditions of their service. Unless the non-executive directors resign earlier or are removed from their positions, they will remain as directors until the close of the next annual general meeting.

Directors and officers liability insurance

The bank has arranged for appropriate insurance cover in respect of any legal action against its directors and officers.

Donations

Any donations provided by the bank are made as part of the bank's corporate social and business responsibility.

Dividend policy

Although the bank does not have a formal dividend policy, its dividends are paid to its sole shareholder subject to profitability and subject to the approval from the Bank of Mauritius and the solvency test required under section 61(2) of the Companies Act 2001 of Mauritius being satisfied.

Executive management

The board has delegated the day-to-day running of the business and affairs of the bank to its executive management. Issues are debated and decisions in management forums are taken unanimously. The executive management team of the bank is made up of the chief executive officer and chief operating officer. Below is the profile of the management team.

Craig C McKenzie – chief executive officer

Craig C McKenzie joined Investec Bank (Mauritius) Limited in 2000 as chief executive officer. He has more than 23 years banking experience and holds Bachelor and Master of Science degrees in agricultural economics, from the University of Natal (South Africa). He is also a chartered financial analyst (CFA) charterholder.

Lara Ann Vaudin – chief operating officer

Lara Ann Vaudin qualified as an attorney-at-law in Johannesburg, South Africa in 1996. She holds a BA LLB from the University of the Witwatersrand and a LLM (corporate law) from the University of South Africa. She joined the bank in 2005 as the bank's legal adviser and is currently the chief operating officer of the bank.

Other statutory disclosures

In accordance with section 221(4) of the Companies Act 2001, the sole shareholder of the bank has by way of written resolution agreed that the annual report of the bank does not need to comply with paragraphs (a) and (d) to (i) of section 221(1) of the Companies Act 2001.

Management and succession planning

Business unit heads are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function.

Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

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 in this regard. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced by the bank. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review and up to the date of approval of the annual report and accounts.

Internal Audit reports any control recommendations to senior management and the audit committee. Appropriate processes ensure that timely corrective action is taken on matters raised by Internal Audit.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committee and are independently assessed by Internal Audit and Compliance.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken.

External audit

Ernst & Young are the bank's external auditors. The independence of the external auditors is reviewed by the audit committee each year. The audit committee meets with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to attend audit committee meetings and have access to the chairman of the audit committee.

Regulation and supervision

The bank is subject to regulation by its host regulator, Bank of Mauritius as well as 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.

The bank 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.

Related party transactions

Refer to Note 36 to the financial statements

Risk management

Refer to pages 9 to 49.

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.

A representative from the group's Internal Audit division reports at each audit committee meeting and has a direct reporting line to the chairman of the audit committee. He operates independently of executive management but has access to the chief executive officer and the chairman of the audit committee.

Annually, group Internal Audit conducts a formal risk assessment of the bank's business from which a comprehensive risk-based annual audit plan is derived. The assessment and programme are validated by executive management and approved by the audit committee.

The group Internal Audit team comprises of well-qualified, experienced staff and ensures that the function has the competence to match the bank's diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The internal audit resources are subject to review by the audit committee.

The audit committee receives a report on significant issues and actions taken by management to enhance related controls.

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 the bank's business. The bank seeks to bring the highest standard of compliance best practice. In keeping with its core values, the bank also endeavors to comply with the highest professional standards of integrity and behavior, which builds trust.

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. Significant business developments in any of its operations must be approved by both the Bank of Mauritius and the South African Reserve Bank.

The bank's compliance officer reports to the chief executive officer, as well as to the group head of Compliance and the audit committee. The bank's compliance officer provides regular training to ensure that all employees are familiar with their regulatory obligations; provides advice on regulatory issues; and works closely with business and operational units to ensure consistent management of compliance risk.

Sustainability

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the bank is required to allocate 2% of its Mauritian Rupee book profit of the preceding financial year to government approved CSR projects. The bank also allocates 0.5% of profits derived outside Mauritius to corporate social investment (CSI) projects in the focus areas of education, the environment and sports development.

The bank has successfully met its 2011-2012 CSR and CSI strategy in that:

- 2% of profits derived from Mauritius, being its statutory CSR requirement, were spent on upgrading the playground at the Guy Rosemont government school (a school in a disadvantaged area in the Port Louis region of the island) which included the purchasing of playground equipment, the levelling of the ground and the planting of grass and trees. The bank intends to continue its involvement with this school by spending its 2011-2012 2% statutory obligation on implementing a remedial education programme for children preparing to write the Certificate of Primary Education exams. The bank is also investigating the funding of a shelter in the playground where the children can eat lunch and sit in the shade.

- The majority of the voluntary portion of the bank's CSI spend was allocated to the following projects:
  - The Protection of Animal Welfare Society (PAWS). The bank is funding the PAWS education campaign over a period of three years, focusing on caring for domestic pets and sterilisation. This education campaign includes visits to schools and community centres as well as radio and newspaper communications. It is supported by education canvassers who go door to door in towns and villages explaining the need for sterilising animals and arranging appointments for free sterilisation when the mobile clinics are in their areas
  - The Tranquebar Black Rangers Women's Volley Ball Club. The bank has supported this club for the past three years. Their first team has achieved great success coming second in the first division in 2009 and first in the first division in 2010. The club's home is at the Tranquebar Women's Centre whose construction Investec funded in 2008. The club's first team has 18 players, the second team has 14 players and there are about 20 younger girls in the junior team. The team also has head coach, coach and a manager
  - SSR Cricket Grounds Trust is a charitable trust established for the development of cricket in Mauritius. The bank donated an amount towards the construction of phase 1 of the SSR national cricket grounds at Belle Vue Harel
  - Mauritian Yachting Association, an NGO, sent a sailing team to compete in the eighth annual Optimist African Championships held in Kenya between 31 July and 8 August 2010. The bank assisted with the charter cost of the optimists that the sailors used in the regatta.

In terms of the bank's non-financial green endeavours, it continues to reduce the size of its overall environmental footprint in terms of water, paper, energy and waste usage.

Shareholder diary

Financial year:	31 March
Unaudited quarterly report:	within 45 days from the quarters ending June, September and December
Audited financial statements:	within three months from March 2011
AGM:	June 2011

Signed on behalf of the board

David M Lawrence Chairman	Pierre de Chasteigner du Mée Director	Craig C McKenzie Chief executive officer

20 June 2011

Financial statements

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 program of internal audits in coordination with the bank's external auditors. In addition, the bank's compliance function maintains policies, procedures and programmes 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
Chairman

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief executive officer

20 June 2011

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

20 June 2011

Independent auditors' report to the member of Investec Bank (Mauritius) Limited

Report on the financial statements

We have audited the financial statements of Investec Bank (Mauritius) Limited (the 'bank') on pages 65 to 121 which comprise the statement of financial position as at 31 March 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The 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 Companies Act 2001 and the Banking Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 controls 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 on pages 65 to 121 give a true and fair view of the financial position of the bank at 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

This report, including the opinion, has been prepared for and only for the bank's shareholder, 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 other 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 capacities as auditors and tax advisers and in 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 appears from our examination of those records.

Independent auditors' report to the member of Investec Bank (Mauritius) Limited (continued)

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis 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.

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report and making the disclosures required by section 8.4 of the Code of Corporate Governance of Mauritius (the 'Code'). Our responsibility is to report on these disclosures. In our opinion, the disclosures in the Corporate Governance report are consistent with the requirements of the Code.

Ernst & Young
Ebene,
Mauritius

Andre Lai Wan Loong,A.C.A

20 June 2011

Income statement

For the year to 31 March USD'000	Notes	2011	2010	2009
Interest income	3	47 182	51 606	75 070
Interest expense	3	(12 474)	(14 454)	(29 510)
Net interest income		34 708	37 152	45 560
Fee and commission income	4	2 808	4 658	2 342
Fee and commission expense	4	(883)	(1 790)	(2 338)
Net fee and commission income		1 925	2 868	4
Net trading (loss)/income	5	(7 945)	65 006	16 577
Net gain/(loss) on financial instruments designated at fair value through profit or loss	6	16 402	(12 131)	(40 974)
Net other operating (loss)/income	7	(242)	55	3 136
Total operating income		44 848	92 950	24 303
Impairment loss on held-to-maturity financial assets	8	–	(1 184)	(5 204)
Impairment (losses)/reversals on loans and advances	9	(364)	1 060	(1 280)
Impairment loss on investment in an associate	21	–	(2 184)	(6 985)
Impairment loss on asset classified as held-for-sale	17	(12 615)	–	–
Net operating income		31 869	90 642	10 834
Personnel expenses	10	(4 554)	(4 038)	(3 865)
Depreciation of equipment	23	(133)	(144)	(94)
Other operating expenses	11	(4 519)	(3 470)	(2 473)
Total operating expenses		(9 206)	(7 652)	(6 432)
Profit before tax		22 663	82 990	4 402
Income tax expense	12	(1 476)	(1 245)	(542)
Profit for the year		21 187	81 745	3 860
Analysed as follows:				
Transfer to statutory reserve		3 178	12 262	579
Transfer to retained earnings		18 009	69 483	3 281
Profit attributable to equity holder of the bank		21 187	81 745	3 860
		USD	USD	USD
Earnings per share (basic and diluted)	13	0.38	1.45	0.01

Statement of comprehensive income

For the year to 31 March USD'000	2011	2010	2009
Profit for the year	21 187	81 745	3 860
Other comprehensive income/(loss):			
- Fair value movements on available-for-sale assets	–	342	677
Exchange difference resulting from the use of a presentation currency other than the functional currency on:			
- Stated capital	–	–	(3 156)
- Available-for-sale reserve	–	–	169
- Foreign currency translation reserve	–	–	2 050
- General banking reserve	–	–	(113)
- Retained earnings	–	–	(17 274)
	–	–	(18 324)
Total other comprehensive income/(loss)	–	342	(17 647)
Total comprehensive income/(loss) for the year	21 187	82 087	(13 787)

Statement of financial position

At 31 March USD'000	Notes	2011	2010	2009
Assets				
Cash and balances with central bank	15	6 752	5 851	2 492
Due from banks	16	129 458	366 057	148 630
Asset classified as held-for-sale	17	13 208	–	–
Derivative financial instruments	18	38 900	62 953	26 328
Investment securities	19	27 720	40 024	64 305
Amount due from holding bank	36	24 991	48 837	92 000
Amount due from group companies	36	24 849	46 413	116 259
Loans and advances to customers	20	558 736	511 458	461 137
Investment in associates	21	4 915	4 000	2 184
Investment in subsidiaries	22	15	15	38
Equipment	23	537	678	230
Deferred tax assets	12	78	162	326
Other assets	24	589	980	1 190
Total assets		830 748	1 087 428	915 119
Liabilities				
Deposits by banks	25	80 058	79 906	105 747
Securities sold under repurchase agreement with bank		–	–	898
Derivative financial instruments	18	12 449	27 173	22 182
Amount due to holding bank	36	86 001	219 543	134 394
Amount due to group companies	36	20 600	34 446	49 069
Due to customers	26	372 685	488 145	439 739
Debt securities in issue	27	–	–	2 190
Current tax liabilities	12	495	980	1 235
Other liabilities	28	8 347	8 309	9 234
Total liabilities		580 635	858 502	764 688
Equity				
Stated capital	30	56 478	56 478	56 478
Available-for-sale reserve	31	–	–	(342)
Foreign currency translation reserve	31	–	–	(255)
Other reserves	31	33 370	28 928	16 265
Retained earnings		160 265	143 520	78 285
Total equity		250 113	228 926	150 431
Total liabilities and equity		830 748	1 087 428	915 119

David M Lawrence
Chairman
Board of Directors

Pierre de Chasteigner du Mée
Director

Craig C McKenzie
Chief Executive Officer

20 June 2011

Statement of changes in equity

USD'000	Stated capital	Available-for-sale reserve	Foreign currency translation reserve	General banking reserve	Statutory reserve	Retained earnings	Total
At 1 April 2010	56 478	–	–	573	28 355	143 520	228 926
Movement in reserves 1 April 2010 - 31 March 2011							
Total comprehensive income							
Profit for the year	–	–	–	–	–	21 187	21 187
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	21 187	21 187
Appropriations to other reserves	–	–	–	1 264	3 178	(4 442)	–
At 31 March 2011	56 478	–	–	1 837	31 533	160 265	250 113
At 1 April 2009	56 478	(342)	(255)	172	16 093	78 285	150 431
Movement in reserves 1 April 2009 - 31 March 2010							
Total comprehensive income							
Profit for the year	–	–	–	–	–	81 745	81 745
Other comprehensive income/(loss)	–	342	255	–	–	(255)	342
Total comprehensive income for the year	–	342	255	–	–	81 490	82 087
Appropriations to other reserves	–	–	–	401	12 262	(12 663)	–
Ordinary dividends	–	–	–	–	–	(3 592)	(3 592)
At 31 March 2010	56 478	–	–	573	28 355	143 520	228 926
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							
Total comprehensive income							
Profit for the year	–	–	–	–	–	3 860	3 860
Other comprehensive (loss)/income	(3 156)	846	2 050	(113)	–	(17 274)	(17 647)
Total comprehensive income for the year	(3 156)	846	2 050	(113)	–	(13 414)	(13 787)
Appropriations to other reserves	–	–	–	(532)	579	(47)	–
Issue of ordinary shares	25 000	–	–	–	–	–	25 000
At 31 March 2009	56 478	(342)	(255)	172	16 093	78 285	150 431

Statement of cash flows

For the year to 31 March USD'000	Notes	2011	2010	2009
Operating activities				
Profit before tax		22 663	82 990	4 402
Adjustments for:				
Change in operating assets	33	31 946	273 636	155 530
Change in operating liabilities	33	(262 750)	(126 004)	(128 244)
Non-cash item included in profit before tax	33	4 744	(99 406)	36 017
Income tax paid		(1 868)	(1 594)	(141)
Net cash flows (used in)/from operating activities		(205 265)	129 622	67 564
Investing activities				
Purchase of investment in associate		(915)	(4 000)	–
Purchase of investment securities		–	–	(2 245)
Proceeds on disposal of investment securities		12 454	13 050	122
Purchase of equipment	23	(65)	(592)	(125)
Proceeds on disposal of equipment		118	14	18
Net cash flows from/(used in) investing activities		11 592	8 472	(2 230)
Financing activities				
Issue of ordinary shares		–	–	25 000
Dividend paid		–	(3 592)	–
Net cash flows (used in)/from financing activities		–	(3 592)	25 000
Net (decrease)/increase in cash and cash equivalents		(193 673)	134 502	90 334
Cash and cash equivalents at beginning of the year		329 883	151 122	70 897
Effect of exchange rate changes on cash and cash equivalents		–	44 259	(10 109)
Cash and cash equivalents at end of the year	33	136 210	329 883	151 122

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 20 April 1990. The bank's principal activity is the provision of banking facilities. Its registered office is 6th floor, Dias Pier Building, Caudan Waterfront, Caudan, Port Louis, Mauritius.

The financial statements for the year ended 31 March 2011 were authorised for issue in accordance with a resolution of the directors on 20 June 2011.

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. 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 the Republic of South Africa and its registered office, where the consolidated financial statements are obtainable, is in Sandton.

Presentation of information

Some disclosures under IFRS 7 - Financial Instruments: Disclosures and IAS 1 - Presentation of Financial Statements, relating to the nature and extent of risks, have been included in the risk management report on pages 11 to 52 marked as audited.

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 statement of financial position 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 judgement 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 32 to the financial statements.

Impairment losses on loans and advances

The bank reviews its individually significant loans and advances at each reporting 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 reporting date to assess whether they are impaired. They require similar judgement as applied to the individual impairment assessment of loans and advances above.

Impairment of investment in associate

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

In performing the annual impairment assessment, 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 21.

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, the 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 of the previous financial year. Amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the bank:

- IFRS 2 Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions, effective 1 January 2010;
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended), effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39;
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009; and
- IFRIC 17 Distributions of Non-Cash Assets to Owners, effective 1 July 2009.

Improvements to IFRSs

Issued in May 2008

- IFRS 5 Non-Current Assets Held-for-Sale and Discontinued Operations, effective 1 January 2010.

Issued in April 2009

- IFRS 2 Share-Based Payment;
- IAS 1 Presentation of Financial Statements;
- IAS 17 Leases;
- IAS 38 Intangible Assets;
- IAS 39 Financial Instruments: Recognition and Measurement; and
- IFRIC 9 Reassessment of Embedded Derivatives.

Change in functional currency

Prior to the year ended 31 March 2009, the bank's functional currency was the South African Rand (ZAR) but the financial statements were presented in United States Dollars (USD). Following changes to major underlying transactions, events and conditions, a strategic decision was taken by the board of directors whereby the bank changed its functional currency from ZAR to USD as from 1 April 2009. Thus, as from 1 April 2009, the bank's functional and presentation currency is the USD.

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

Prior to the year ended 31 March 2009, the bank's functional currency was considered to be the South African Rand and the financial statements were presented United States Dollars (USD) in accordance with the requirements of the Bank of Mauritius. As from 1 April 2009, the bank has changed its functional currency to USD. The presentation currency remains the USD.

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 reporting 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. All differences are taken to 'net trading income or loss in the income statement.

(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 are 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 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 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 statement of financial position 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'. Relevant interest earned or incurred is accrued in 'interest income' or 'interest expense', respectively, using the effective interest rate (EIR), while any dividend income is recorded in 'other income' when the right to the payment has been established.

Included in this classification are equities and debt securities.

(v) 'Day 1'profit

Where the transaction price in a non-active market is different to the fair value based on 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.

(vi) 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 as other comprehensive income in the 'available-for-sale reserve' until the investment is derecognised. When the investment is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement in 'other operating income'. Where the bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. 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'.

(vii) 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.

(viii) 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.

2.4 Summary of significant accounting policies (continued)

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. Where the loan, on drawdown, is expected to be retained by the bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (for example, due to a counterparty credit event).

(ix) 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 27 to the financial statements.

(x) 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 as comprehensive income 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 other comprehensive income 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 statement of financial position as the bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a 'securities sold under repurchase agreement', reflecting its economic substance as a loan to the bank.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the bank reclassifies those securities in its statement of financial position to 'financial assets held-for-trading pledged as collateral' or to 'financial investments available-for-sale pledged as collateral', as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'cash collateral on securities borrowed and reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the bank. The difference between the purchase and resale prices is recorded in 'net interest income' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'financial liabilities held-for-trading' and measured at fair value with any gains or losses included in 'net trading income'.

(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 statement of financial position 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 statement of financial position, 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 reporting 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.

2.4 Summary of significant accounting policies (continued)

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 reporting 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. The following sets out the policies of the bank regarding the impairment of specific classes of assets:

(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 reporting 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 statement of financial position 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 statement of financial position.

(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.

2.4 Summary of significant accounting policies (continued)

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.

(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 reporting 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 'fees 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 reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting 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.

2.4 Summary of significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each reporting 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 reporting 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 reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 statement of financial position.

(iv) Corporate social responsibility

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the bank is required to allocate 2% of its Mauritian Rupee book profit of the preceding financial year to government approved CSR projects.

(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 reporting date are disclosed as an event after the reporting date.

(s) Equity reserves

The reserves recorded in equity on the bank's statement of financial position 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 including country risk.

(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.

(u) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the bank's financial statements are listed below. This listing is of standards and interpretations issued, which the bank reasonably expects to be applicable at a future date. The bank intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The bank does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the bank after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the board will address impairment and hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the bank's financial assets. The bank is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the bank at the date of adoption, it is not practical to quantify the effect.

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the bank.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the bank.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below.

- IFRS 3 Business Combinations;
- IFRS 7 Financial Instruments: Disclosures;
- IAS 1 Presentation of Financial Statements;
- IAS 27 Consolidated and Separate Financial Statements; and
- IFRIC 13 Customer Loyalty Programmes.

The bank, however, expects no impact from the adoption of the amendments on its financial position or performance.

Notes to the financial statements (continued)

For the year to 31 March USD'000	2011	2010	2009
3. Interest income/(expense)			
(i) Interest income			
Due from banks	1 347	407	999
Loan and advances to customers	35 230	35 810	49 916
Held-to-maturity financial assets	421	777	2 360
Interest income from group companies	1 263	9 140	13 515
Financial assets designated at fair value through profit or loss	8 921	5 472	8 280
	47 182	51 606	75 070
(ii) Interest expense			
Deposits by banks	(639)	(736)	(3 082)
Repurchase agreements	–	–	(30)
Due to customers	(4 094)	(4 924)	(10 777)
Debt securities in issue	–	(497)	(1 269)
Interest expense to group companies	(7 741)	(8 297)	(14 352)
	(12 474)	(14 454)	(29 510)

For the year to 31 March USD'000	2011	2010	2009
4. Fee and commission income/(expense)			
(i) Fee and commission income			
Credit related fees and commissions	1 132	4 091	2 285
Brokerage fees received	1 580	311	55
Other fees received	96	256	2
	2 808	4 658	2 342
(ii) Fee and commission expense			
Brokerage fees paid	(26)	(13)	(14)
Portfolio and other management fees	(840)	(1 710)	(1 910)
Other fees paid	(17)	(67)	(414)
	(883)	(1 790)	(2 338)

For the year to 31 March USD'000	2011	2010	2009
5. Net trading (loss)/income			
Changes in fair value of derivative financial instruments	(8 079)	16 002	15 417
Foreign exchange gain	134	2 015	1 160
Foreign exchange gain realised on change in functional currency	–	46 989	–
	(7 945)	65 006	16 577

Included in 'foreign exchange' are gains and losses from spot and forward contracts and other currency derivatives.

For the year to 31 March USD'000	2011	2010	2009
6. Net gain/(loss) on financial instruments designated at fair value through profit or loss			
The fair value gains and losses arise on:			
Debt securities	11 078	(19 255)	(23 234)
Equities	5 324	7 124	(17 740)
	16 402	(12 131)	(40 974)

For the year to 31 March USD'000	2011	2010	2009
7. Other operating (loss)/income			
(i) Other operating income			
Gain on disposal of a loan	–	–	3 136
Gain on disposal of equipment	44	14	–
Gain on disposal of a subsidiary	–	41	–
	44	55	3 136
(ii) Other operating loss			
Risk-event loss	(286)	–	–
	(286)	–	–
Net other operating (loss)/income	(242)	55	3 136

For the year to 31 March USD'000	2011	2010	2009
8. Impairment loss on held-to-maturity financial assets			
Movement in allowance for credit impairment loss (note 19(b))	–	–	(5 204)
Debt written off	–	(1 184)	–
	–	(1 184)	(5 204)

For the year to 31 March USD'000	2011	2010	2009
9. Impairment (losses)/reversals on loans and advances			
Movement in allowance for credit impairment (note 20(b))	(364)	1 060	(415)
Debts written off	–	–	(865)
	(364)	1 060	(1 280)

For the year to 31 March USD'000	2011	2010	2009
10. Personnel expenses			
Wages and salaries	(4 023)	(3 659)	(3 746)
Pension costs - defined contribution plan	(68)	(64)	(48)
Other benefits	(463)	(315)	(71)
	(4 554)	(4 038)	(3 865)

For the year to 31 March USD'000	2011	2010	2009
11. Other operating expenses			
Administrative expenses	(4 276)	(3 334)	(2 305)
Advertising and marketing	(3)	(8)	(22)
Audit fees	(125)	(85)	(90)
Non-audit fees	(89)	(15)	(12)
Professional fees	(26)	(28)	(44)
	(4 519)	(3 470)	(2 473)

For the year to 31 March USD'000	2011	2010	2009
12. Taxation			
Statement of financial position			
Income tax liability:			
Current year	1 129	1 614	660
Prior year	254	51	675
Tax paid under advance payment scheme	(888)	(685)	(100)
	495	980	1 235
Income statement			
The components of income tax expense for the years ended 31 March 2011, 2010 and 2009 are:			
Current income tax	1 129	1 614	660
Corporate social responsibility	65	65	–
Adjustment in respect of current income tax of prior years	254	(696)	–
Deferred tax			
Relating to origination and reversal of temporary differences	84	164	(124)
Exchange difference	(56)	98	6
Income tax expense reported in the income statement	1 476	1 245	542
Reconciliation of the total tax charge			
The reconciliation between the tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 March 2009, 2010 and 2011 is as follows:			
Profit before tax	22 663	82 990	4 402
At statutory income tax rate of 15% (2010 and 2009: 15%)	3 399	12 449	660
Foreign tax credit	(2 302)	(9 959)	(528)
Special levy	1 145	728	55
Income not subject to tax	(1 249)	(2 246)	(472)
Non deductible expenses	483	273	827
Income tax expense reported in the income statement	1 476	1 245	542
Effective income tax rate	7%	2%	12%

The corporate tax rate of the bank is 15%. 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.

12. Taxation (continued)

Deferred tax

The deferred tax included in the statement of financial position and changes recorded in the income tax expense are as follows:

For the year to 31 March USD'000	2011 Deferred tax asset	2011 Deferred tax liability	2011 Income statement	2010 Deferred tax asset	2010 Deferred tax liability	2010 Income statement	2009 Deferred tax asset	2009 Deferred tax liability	2009 Income statement
The movement on deferred income tax account is as follows:									
Provisions for credit impairment	159	–	17	142	–	(173)	315	–	125
Other temporary differences:									–
- Accelerated tax depreciation	4	–	–	4	–	4	–	–	1
- Deferred fees income	16	–	–	16	–	5	11	–	(2)
Special levy	–	(48)	(48)	–	–	–	–	–	–
Corporate social responsibility	–	(53)	(53)	–	–	–	–	–	–
	179	(101)	(84)	162	–	(164)	326	–	124

13. Earnings per share

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 earnings per share calculation:

For the year to 31 March USD'000	2011	2010	2009
Profit for the year	21 187	81 745	3 860
Weighted average number of ordinary shares ('000)	56 478	56 478	359 570
Earnings per share (basic and diluted)	0.38	1.45	0.01

The number of shares decreased following a shareholder's resolution to change the denomination of the stated capital from South African Rands (ZAR) to United State Dollars (USD). For more details see note 30.

For the year to 31 March USD'000	2011	2010	2009
14. Dividend paid and proposed			
Declared and paid during the year			
Equity dividends on ordinary shares:			
Final dividends for 2011: nil (2010: USD 0.06 per share and 2009: nil)	–	(3 592)	–

At 31 March USD'000	2011	2010	2009
15. Cash and balances with central bank			
Cash in hand (note 33)	2	1	–
Current account with the Central Bank (note 33)			
- Restricted balance	6 631	5 824	2 174
- Unrestricted balance	119	26	318
	6 752	5 851	2 492

At 31 March USD'000	2011	2010	2009
16. Due from banks			
Placements with other banks (note 33)	129 458	324 032	148 630
Loans and advances	–	42 025	–
	129 458	366 057	148 630

At 31 March USD'000	2011	2010	2009
17. Asset classified as held-for-sale			
Cost			
At 1 April	–	–	–
Transfer from amount due from other group companies	25 823	–	–
Impairment loss on asset classified as held-for-sale	(12 615)	–	–
At 31 March	13 208	–	–

During the year 31 March 2011 Global Ethanol Holdings Limited, an associate company, completed the sales of its interest in a subsidiary to Green Plains Renewal Energy INC (GPRE) for a combination of cash and GPRE shares. An amount due from Global Ethanol Holdings Limited was transferred to asset classified as held-for-sale following management's intention to apply the proceeds towards the repayment of the amount due. As at 31 March 2011, management's best estimate of the fair value of the asset classified as held-for-sale was USD 13.2 million. Consequently, an impairment loss of USD 12.6 million was recorded.

18. 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.

	2011			2010			2009		
At 31 March USD'000	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Interest rate swaps	1 548	(1 547)	66 653	4 458	(1 570)	137 846	3 703	(4 608)	105 495
Currency swaps	1 883	(3 768)	13 955	2 253	(3 447)	17 723	5 629	(13 183)	71 097
Forward foreign exchange contracts	240	(3 961)	292 823	780	(7 418)	176 954	7	(2 255)	58 028
Equity derivative - options	3 173	(3 173)	4 408	26 279	(14 738)	192 307	8 927	(1 757)	9 458
Embedded derivative - equity kickers	32 053	–	–	29 180	–	–	8 022	–	–
Credit default swaps	–	–	–	–	–	–	37	–	46 898
Total return swap	–	–	–	–	–	–	–	(379)	–
Credit link note	3	–	5 005	3	–	5 004	3	–	5 007
	38 900	(12 449)	382 844	62 953	(27 173)	529 834	26 328	(22 182)	295 983

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

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.

18. Derivative financial instruments (continued)

Swaps

Swaps are contractual agreements between two parties to exchange streams of payment over time based on specified notional amounts in relation to movements in interest rate, foreign currency rate or equity index. In the case of a credit default swap, it is the streams of payment with respect to defined credit events based on specified notional amounts. Collateral given in respect of total return swap amounted to nil (2010: nil and 2009: USD 15.3 million) and credit default swap amounted to nil (2010: nil and 2009: USD 46.9 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.

Embedded derivative - equity kickers

An embedded derivative is a derivative instrument that is embedded in another contract (the host contract). The host contract might be a debt or equity instrument, a lease, an insurance contract or a sales or purchase contract. Embedded derivative is part of a host contract (a clause or section) which causes the cash flows from that contract to be modified, based on a specified variable such as interest rate, security price, commodity price, foreign exchange rate, index of prices or rates or other variable.

Embedded derivatives will have to be identified, separated and marked-to-market through the income statement.

At 31 March USD'000	2011	2010	2009
19. Investment securities			
Financial assets designated at fair value through profit or loss (note (a))	27 720	23 927	41 635
Held-to-maturity financial assets (note (b))	–	16 097	22 670
	27 720	40 024	64 305
(a) Financial assets designated at fair value through profit or loss			
Debt securities	18 980	18 923	26 569
Quoted equities	661	690	6 408
Unquoted equities	8 079	4 314	8 658
	27 720	23 927	41 635
(b) Held-to-maturity financial assets			
Gross amount	–	16 097	27 410
Less: allowance for impairment losses	–	–	(4 740)
	–	16 097	22 670
Allowance for impairment losses			
A reconciliation of the allowance for impairment losses for held-to-maturity financial assets is as follows:			
At 1 April	–	(4 740)	–
Charge for the year (note 8)	–	–	(5 204)
Amount written off	–	4 740	–
Exchange difference		–	464
At 31 March	–	–	(4 740)

Following a restructuring of a held-to-maturity financial asset, the impairment of USD4.7 million estimated by management in the financial year ended 31 March 2009, was written off during the last financial year as the counterparty, located in the UK and engaged in the construction sector, was experiencing cash flow pressures. The impairment was determined based on the expected cash flows from the new assets.

At 31 March USD'000	2011	2010	2009
20. Loans and advances to customers			
Personal	1 143	2 248	1 730
Business	108 897	85 859	102 909
Entities outside Mauritius	453 813	428 089	361 072
Gross loans and advances	563 853	516 196	465 711
Less: allowance for impairment losses	(5 117)	(4 738)	(4 574)
	558 736	511 458	461 137

20. 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 2010	17	833	3 888	4 738
Charge for the year (note 9)	(8)	93	279	364
Exchange difference	–	–	15	15
At 31 March 2011	9	926	4 182	5 117
Individual impairment	–	–	224	224
Collective impairment	9	926	3 958	4 893
	9	926	4 182	5 117
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	1 573	1 573
At 1 April 2009	14	783	3 777	4 574
Provisions reversed during the year (note 9)	(1)	(168)	(891)	(1 060)
Exchange difference	4	218	1 002	1 224
At 31 March 2010	17	833	3 888	4 738
Individual impairment	–	–	214	214
Collective impairment	17	833	3 674	4 524
	17	833	3 888	4 738
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	–	–	5 587	5 587
At 1 April 2008	15	643	4 282	4 940
Charge for the year (note 9)	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	–	–	55	55

20. Loans and advances to customers (continued)

Impairment allowance for loans and advances to customers (continued)

(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 2010	214	4 524	4 738
Charge for the year (note 9)	(5)	369	364
Exchange difference	15	–	15
At 31 March 2011	224	4 893	5 117
At 1 April 2009	87	4 487	4 574
Charge for the year (note 9)	95	(1 155)	(1 060)
Exchange difference	32	1 192	1 224
At 31 March 2010	214	4 524	4 738
At 1 April 2008	55	4 885	4 940
Charge for the year (note 9)	96	319	415
Amount written off	(49)	–	(49)
Exchange difference	(15)	(717)	(732)
At 31 March 2009	87	4 487	4 574

The fair value of collaterals that the bank holds relating to loans individually determined to be impaired at 31 March 2011 is USD1.4 million (2010: USD2.2 million and 2009: USD1.7 million).

21. Investment in associates

USD'000	2011	2010	2009
Cost			
At 1 April	4 000	2 184	10 155
Additions	915	4 000	–
Impairment loss	–	(2 184)	(6 985)
Exchange difference	–	–	(986)
At 31 March	4 915	4 000	2 184

(a) The associates are as follows:

	Country of incorporation	% holding		
Global Ethanol Holdings Limited	Australia	23.94%	23.94%	24.73%
Dolphin Coast Marina Estate Limited	Mauritius	34.54%	34.54%	40.00%

(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 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 100 Grayston Drive, Sandown Sandton, South Africa. Investment in associates are accounted for at cost net of any impairment.

21. Investment in associates (continued)

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

At 31 March USD'000	2011	2010	2009
Share of associates' balance sheets:			
Assets	7 385	52 582	65 480
Liabilities	(1 979)	(46 982)	(47 957)
Net assets	5 406	5 600	17 523
Share of associates' revenue and net income/(loss):			
Revenue	495	70 199	60 452
Net income/(loss)	365	(12 535)	(3 889)

(c) Following adverse movement in commodities prices, Global Ethanol Holding Limited, in which the group has 75.9% interest, impaired all of its goodwill mainly relating to its 60% owned subsidiary Global Ethanol LLC. As no major improvements were noted the investment held by the bank in the associate was fully impaired as at year ended 31 March 2011 (2010: impaired USD 2.1 million and 2009: impaired USD6.6 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.

(d) Global Ethanol Holdings Limited has been transferred to asset classified as held-for-sale (refer to note 17).

22. Investment in subsidiaries

USD'000	2011	2010	2009
Cost			
At 1 April	15	38	44
Disposal of a subsidiary	–	(25)	–
Exchange difference	–	2	(6)
At 31 March	15	15	38

The subsidiary companies are as follows:

	Class of shares	Country of incorporation	Nominal value 2011	Nominal value 2010	Nominal value 2009	% holdings 2011	% holdings 2010	% holdings 2009
Investec Management Services (Mauritius) Limited	Ordinary	Mauritius	–	–	38	–	–	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 100 Grayston Drive, Sandown Sandton, South Africa. Investment in subsidiaries are accounted for at cost.

USD'000	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
23. Equipment					
Cost					
At 1 April 2010	152	351	263	244	1 010
Additions	28	15	22	–	65
Disposal	(25)	–	(7)	(176)	(208)
At 31 March 2011	155	366	278	68	867
Depreciation					
At 1 April 2010	109	43	38	142	332
Charge for the year	24	34	52	23	133
Disposal adjustment	(23)	–	(6)	(106)	(135)
At 31 March 2011	110	77	84	59	330
Net book values					
At 31 March 2011	45	289	194	9	537
Cost					
At 1 April 2009	144	67	111	274	596
Additions	45	298	227	22	592
Disposal	(37)	(14)	(75)	(52)	(178)
At 31 March 2010	152	351	263	244	1 010
Depreciation					
At 1 April 2009	105	32	77	152	366
Charge for the year	41	25	36	42	144
Disposal adjustment	(37)	(14)	(75)	(52)	(178)
At 31 March 2010	109	43	38	142	332
Net book values					
At 31 March 2010	43	308	225	102	678
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	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

At 31 March USD'000	2011	2010	2009
24. Other assets			
Accrued income	462	912	1 016
Prepayments	–	31	–
Other receivables	127	37	174
	589	980	1 190

At 31 March USD'000	2011	2010	2009
25. Deposits by banks			
Term deposits from other banks			
- Bank in Mauritius	35	–	15 851
- Banks abroad	80 023	79 906	89 896
	80 058	79 906	105 747

At 31 March USD'000	2011	2010	2009
26. Due to customers			
Personal			
- Current accounts	25 936	24 911	24 694
- Term deposits	16 106	11 912	16 538
Business			
- Current accounts	92 169	66 262	109 958
- Term deposits	238 474	385 060	288 549
	372 685	488 145	439 739

At 31 March USD'000	Carrying value 2011	Carrying value 2010	Carrying value 2009
27. Debt securities in issue			
Subordinated notes			
Nil (2010: nil and 2009: 2 076 621) compulsorily redeemable cumulative non-participating preference shares with par value preference shares of ZAR 0.01	–	–	3
Share premium			
Nil (2010: nil and 2009: 2 076 621) compulsorily redeemable cumulative non-participating preference shares with par value preference shares of ZAR 9.99	–	–	2 187
	–	–	2 190

At 31 March USD'000	2011	2010	2009
28. Other liabilities			
Interest payable	–	–	6 688
Accounts payable and sundry creditors	8 347	8 309	2 546
	8 347	8 309	9 234

29. Retirement benefit costs

Defined contribution plan

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 the income statement of USD 68 230 (2010: USD 64 208 and 2009: USD 47 673) represents contributions payable to these plans by the bank at rates specified in the rules of the plan.

At 31 March USD'000	2011 Number of shares	2011 Amount USD'000	2010 Number of shares	2010 Amount USD'000	2009 Number of shares	2009 Amount USD'000
30. Stated capital						
Ordinary shares	56 478 463	56 478	56 478 463	56 478	535 630 446	56 478

On 8 December 2009, following a shareholder's resolution, the bank changed its functional currency and the denomination of its issued share capital from the South African Rand (ZAR) to the United States Dollars (USD) and it was resolved that these changes would take effect as from 1 April 2009. Thus, as from 1 April 2009, the stated capital was divided into 56 478 463 ordinary shares at no par value. Relevant approvals have been obtained from the companies division of the registrar of companies, the Bank of Mauritius and the South African Reserve Bank.

USD'000	Available-for-sale reserve	Foreign currency translation reserve	General banking reserve	Statutory reserve	Total
31. Reserves					
At 1 April 2010	–	–	573	28 355	28 928
Appropriations to other reserves	–	–	1 264	3 178	4 442
At 31 March 2011	–	–	1 837	31 533	33 370
At 1 April 2009	(342)	(255)	172	16 093	15 668
Foreign currency translation	–	255	–	–	255
Fair value movement on available-for-sale assets	342	–	–	–	342
Appropriations to other reserves	–	–	401	12 262	12 663
At 31 March 2010	–	–	573	28 355	28 928
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

Available-for-sale reserve

This reserve comprised of fair value losses recognised on available-for-sale assets.

Foreign currency translation reserve

The reserve comprised of all foreign exchange differences arising from the translation of the income statement from its functional currency to its reporting currency in prior years. Following the change in functional currency as at 1 April 2009, this reserve was realised.

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 including country risk.

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 profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

32. 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 2011	Fair value 2011	Carrying value 2010	Fair value 2010	Carrying value 2009	Fair value 2009
Financial assets							
Cash and balances with central bank	Loans and receivables	6 752	6 752	5 851	5 851	2 492	2 492
Due from banks	Loans and receivables	129 458	129 458	366 057	366 057	148 630	148 630
Asset classified as held-for-sale	Asset classified as held-for-sale	13 208	13 208	–	–	–	–
Derivative financial instruments	Held-for-trading	38 900	38 900	62 953	62 953	26 328	26 328
Investment securities	Held-to-maturity	–	–	16 097	16 097	22 670	22 670
Investment securities	Assets at fair value through profit or loss	27 720	27 720	23 927	23 927	41 635	41 635
Amount due from holding bank	Loans and receivables	24 991	24 994	48 837	48 843	92 000	92 000
Amount due from group companies	Loans and receivables	24 849	24 849	46 413	46 413	116 259	116 259
Loans and advances to customers	Loans and receivables	558 736	559 280	511 458	513 710	461 137	461 258
Other assets	Loans and receivables	589	589	949	949	1 190	1 190
		825 203	825 750	1 082 542	1 084 800	912 341	912 462
Financial liabilities							
Deposits by banks	Liabilities at amortised cost	80 058	80 058	79 906	79 906	105 747	105 747
Securities sold under repurchase agreement with bank	Liabilities at amortised cost	–	–	–	–	898	898
Derivative financial instruments	Held-for-trading	12 449	12 449	27 173	27 173	22 182	22 182
Amount due to holding bank	Liabilities at amortised cost	86 001	86 080	219 543	219 547	134 394	134 394
Amount due to group companies	Liabilities at amortised cost	20 600	20 600	34 446	34 446	49 069	49 069
Due to customers	Liabilities at amortised cost	372 685	372 482	488 145	487 394	439 739	438 979
Debt securities in issue	Liabilities at amortised cost	–	–	–	–	2 190	2 016
Other liabilities	Liabilities at amortised cost	8 347	8 347	8 309	8 309	9 234	9 234
		580 140	580 016	857 522	856 775	763 453	762 519

Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying values approximate their fair value. This assumption also applies to demand deposits, savings accounts without specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity.

32. Fair value of financial instruments (continued)

Financial instruments recorded at fair value

Determination of fair value and fair value hierarchy

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 March	2011			
USD'000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	–	–	38 900	38 900
Financial assets designated at fair value through profit or loss	661	18 980	8 079	27 720
Total unrecognised change in unrealised fair value	661	18 980	46 979	66 620
Financial liabilities				
Derivative financial instruments	–	–	12 449	12 449
	–	–	12 449	12 449

At 31 March	2010			
USD'000	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	–	–	62 953	62 953
Financial assets designated at fair value through profit or loss	690	18 923	4 314	23 927
Total unrecognised change in unrealised fair value	690	18 923	67 267	86 880
Financial liabilities				
Derivative financial instruments	–	–	27 173	27 173
	–	–	27 173	27 173

At 31 March	2009			
USD'000	Level 1	Level 2	Level 3	Total
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
Total unrecognised change in unrealised fair value	6 408	26 569	34 986	67 963
Financial liabilities				
Derivative financial instruments	–	–	22 182	22 182
	–	–	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 values are 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.

For the year to 31 March USD'000	2011	2010	2009
33. Additional cash flow information			
Cash and cash equivalents			
Cash in hand (note 15)	2	1	–
Current account with the Central Bank (note 15)	6 750	5 850	2 492
Placements with other banks (note 16)	129 458	324 032	148 630
	136 210	329 883	151 122
Change in operating assets			
Investment securities	8 125	20 776	(2 910)
Asset classified as held-for-sale	(25 823)	–	–
Derivative financial instruments	1 251	34 554	(8 298)
Loans and advances to banks (note 16)	42 025	(42 025)	
Loans and advances to customers	(39 514)	85 791	247 894
Movements in amount due from holding bank	23 845	70 099	(20 736)
Movements in amount due from other group companies	21 563	103 884	(60 201)
Other assets	474	557	(219)
	31 946	273 636	155 530
Change in operating liabilities			
Due to customers	(115 460)	(80 339)	99 824
Debt securities in issue	–	(2 831)	–
Securities sold under repurchase agreement	–	(1 162)	(386)
Deposits from banks	152	(56 800)	19 444
Movements in amount due to holding bank	(133 541)	45 802	(217 302)
Movements in amount due to other group companies	(13 846)	(28 989)	(25 192)
Other operating liabilities	(55)	(1 685)	(4 632)
	(262 750)	(126 004)	(128 244)
Non-cash items included in profit before tax			
Depreciation of equipment (note 23)	133	144	94
Unrealised (gains)/losses on investment securities and derivatives	(8 324)	(52 799)	24 397
Exchange difference	–	(49 004)	1 204
Gain on disposal of equipment	(44)	(14)	(11)
Gain on disposal of a subsidiary	–	(41)	–
Gain on disposal of a loan	–	–	(3 136)
Impairment reversals on loans and advances	364	(1 060)	1 280
Impairment loss on held-to-maturity financial assets	–	1 184	5 204
Impairment loss on investment in an associate	–	2 184	6 985
Impairment loss on asset classified as held-for-sale	12 615	–	–
	4 744	(99 406)	36 017

34. 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.

At 31 March 2011 USD'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and current account with central bank	6 752	–	6 752
Due from banks	129 458	–	129 458
Asset classified as held-for-sale	13 208	–	13 208
Derivative financial instruments	35 466	3 434	38 900
Financial assets designated at fair value through profit or loss	5 246	22 474	27 720
Amount due from holding bank	24 991	–	24 991
Amount due from group companies	24 849	–	24 849
Loans and advances to customers	228 231	330 505	558 736
Investment in associates	–	4 915	4 915
Investment in subsidiaries	–	15	15
Equipment	–	537	537
Deferred tax assets	–	78	78
Other assets	589	–	589
Total	468 790	361 958	830 748
Liabilities			
Deposits by banks	80 058	–	80 058
Derivative financial instruments	7 134	5 315	12 449
Amount due to holding bank	45 902	40 099	86 001
Amount due to group companies	14 304	6 296	20 600
Due to customers	367 183	5 502	372 685
Current tax liabilities	495	–	495
Other liabilities	8 347	–	8 347
Total	523 423	57 212	580 635
Net	(54 633)	304 746	250 113

34. Maturity analysis of assets and liabilities (continued)

At 31 March 2010 USD'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and current account with central bank	5 851	–	5 851
Due from banks	366 057	–	366 057
Derivative financial instruments	15 231	47 722	62 953
Financial assets designated at fair value through profit or loss	113	23 814	23 927
Held-to-maturity financial assets	–	16 097	16 097
Amount due from holding bank	48 750	87	48 837
Amount due from group companies	3 982	42 431	46 413
Loans and advances to customers	244 928	266 530	511 458
Investment in associates	–	4 000	4 000
Investment in subsidiaries	–	15	15
Equipment	–	678	678
Deferred tax assets	–	162	162
Other assets	980	–	980
Total	685 892	401 536	1 087 428
Liabilities			
Deposits by banks	–	79 906	79 906
Derivative financial instruments	7 541	19 632	27 173
Amount due to holding bank	170 702	48 841	219 543
Amount due to group companies	16 079	18 367	34 446
Due to customers	466 151	21 994	488 145
Current tax liabilities	980	–	980
Other liabilities	8 309	–	8 309
Total	669 762	188 740	858 502
Net	16 130	212 796	228 926

34. Maturity analysis of assets and liabilities (continued)

At 31 March 2009 USD'000	Less than 12 months	Over 12 months	Total
Assets			
Cash and 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
Held-to-maturity financial assets	–	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

35. 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 reporting date they do contain credit risk and are therefore part of the overall risk of the bank. The table below sets out such contingent liabilities and commitments.

At 31 March USD'000	2011	2010	2009
Contingent liabilities			
Financial guarantees	8 013	35 592	40 650
Commitments			
Undrawn commitments to lend	61 380	95 126	40 663
Total contingent liabilities	69 393	130 718	81 313

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 committtments 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 established 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 outstanding.

36. Related party disclosures

For the year to 31 March USD'000	2011	2010	2009
Compensation of key management personnel of the bank			
Short-term employee benefits	1 621	1 610	1 632
Other benefits	463	315	71
	2 084	1 925	1 703
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 has been entered into with the related parties for the relevant financial year:			
Loans and advances to key management personnel	16	39	5
Deposits from key management personnel	289	862	802

36. Related party disclosures (continued)

Transactions with other related parties

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

For the year to 31 March 2011 USD'000	Holding bank	Associates	Subsidiaries and fellow subsidiaries	Significant influence	Pension fund	Corporate social responsi-bility fund	Total
Income statement							
Interest income	1 054	–	209	–	–	–	1 263
Interest expense	(7 549)	–	(191)	–	–	–	(7 740)
Fees expense	(473)	–	(367)	–	–	–	(840)
Impairment on asset classified as held-for-sale	–	(12 615)	–	–	–	–	(12 615)
Contribution	–	–	–	–	(68)	(65)	–
Statement of financial position							
Assets							
Asset classified as held-for-sale	–	13 208	–	–	–	–	13 208
Derivative assets	879	–	29	–	–	–	908
Investment securities	–	–	–	18 968	–	–	18 968
Investment in associate	–	4 915	–	–	–	–	4 915
Investment in subsidiary	–	–	15	–	–	–	15
Amount due from	24 991	–	24 849	–	–	–	49 840
Loans and advances	–	–	–	3 224	–	–	3 224
Liabilities							
Derivative liabilities	(8 675)	–	(3 774)	–	–	–	(12 449)
Amount due to	(86 001)	–	(20 600)	–	–	–	(106 601)
Deposits	–	–	–	(14)	–	(2)	(16)
Off balance sheet							
Financial guarantees received from	(1 614)	–	(1)	–	–	–	(1 615)

36. Related party disclosures (continued)

For the year to 31 March 2010 USD'000	Holding bank	Associates	Subsidiaries and fellow subsidiaries	Significant influence	Pension fund	Corporate social responsi-bility fund	Total
Income statement							
Interest income	4 347	–	4 839	–	–	–	9 186
Interest expense	(7 782)	–	(425)	–	–	–	(8 207)
Fees expense	(669)	–	(464)	–	–	–	(1 133)
Other income	–	–	41	–	–	–	41
Impairment on investment in associate	–	(2 184)	–	–	–	–	(2 184)
Contribution	–	–	–	–	(64)	(44)	(107)
Statement of financial position							
Assets							
Derivative assets	3 554	–	12 949	–	–	–	16 503
Investment securities	–	–	–	17 759	–	–	17 759
Investment in associate	–	4 000	–	–	–	–	4 000
Investment in subsidiary	–	–	15	–	–	–	15
Amount due from	48 837	22 926	23 487	–	–	–	95 250
Loans and advances	–	–	–	7 011	–	–	7 011
Liabilities					–	–	
Derivative liabilities	(26 908)	–	(265)	–			(27 173)
Amount due to	(219 543)	–	(34 446)	–	–	–	(253 989)
Deposits	–	–	–	(11)	–	(44)	(55)
Off balance sheet							
Financial guarantees issued to	10 905	–	–	–			10 905
Financial guarantees received from	(5 157)	–	–	–	–	–	(5 157)

36. Related party disclosures (continued)

For the year to 31 March 2009 USD'000	Holding bank	Associates	Subsidiaries and fellow subsidiaries	Significant influence	Pension fund	Corporate social responsi-bility fund	Total
Income statement							
Interest income	8 312	–	5 203	–	–	–	13 515
Interest expense	12 450	–	1 902	–	–	–	14 352
Fees expense	(397)	–	(1 924)	–	–	–	(2 321)
Other income	–	–	3 136	–	–	–	3 136
Impairment on investment in associate	–	(6 985)	–	–	–	–	(6 985)
Contribution	–	–	–	–	(48)	–	(48)
Statement of financial position							
Assets							
Derivative assets	6 260	–	9 697	–	–	–	15 957
Investment in associate	–	2 184	–	–	–	–	2 184
Investment in subsidiaries	–	–	38	–	–	–	38
Amount due from	92 000	21 000	95 259	–	–	–	208 259
Loans and advances	–	–	–	7 768	–	–	7 768
Liabilities					–	–	
Derivative liabilities	(17 832)	–	(1 855)	–	–	–	(19 686)
Amount due to	(134 394)	–	(49 069)	–	–	–	(183 463)
Deposits	–	–	–	(299)	–	–	(299)
Off balance sheet							
Financial guarantees issued to	7 533	–	–	–	–	–	7 533
Financial guarantees received from	(8 435)	–	–	–	–	–	(8 435)

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 2011, the bank has not made any provision for doubtful debts relating to amounts owed by related parties (2010 and 2009: nil).

37. Holding companies

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

38. Segmental analysis - Business analysis

For management purposes, the bank is organised into three operating segments based on products and services as follows:

Private Client Activities - Individual and corporate customers' loans

Capital Markets - Treasury function and corporate customers' loans

Investment Strategies – Investment banking services and finance

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following table presents income and profit and certain asset and liability information regarding the bank's operating segments.

For the year to 31 March 2011 USD'000	Private Client Activities	Capital Markets	Investment Strategies	Interdivisional adjustment	Total
Business analysis					
Interest income	13 590	47 228	12 963	(26 599)	47 182
Interest expense	(8 679)	(25 420)	(4 974)	26 599	(12 474)
Net interest income	4 911	21 808	7 989	–	34 708
Fee and commission income	434	2 281	93	–	2 808
Fee and commission expense	(268)	(407)	(208)	–	(883)
Net fee and commission income/(expense)	166	1 874	(115)	–	1 925
Net trading loss	(273)	(1 070)	(6 602)	–	(7 945)
Net gain on financial instruments designated at fair value through profit or loss	–	1 244	15 158	–	16 402
Net other operating (loss)/income	–	(286)	44	–	(242)
Total operating income	4 804	23 570	16 474		44 848
Impairment reversal/ (loss) on loans and advances	187	(469)	(82)	–	(364)
Impairment loss on asset classified as held-for-sale	–	–	(12 615)	–	(12 615)
Net operating income	4 991	23 101	3 777	–	31 869
Personnel expenses	–	–	(4 554)	–	(4 554)
Depreciation of equipment	–	–	(133)	–	(133)
Other operating expenses	(2 434)	(5 164)	3 079	–	(4 519)
Total operating expenses	(2 434)	(5 164)	(1 608)	–	(9 206)
Profit before tax	2 557	17 937	2 169	–	22 663
Cost to income ratio	50.7%	21.9%	9.8%	–	20.5%
Total assets	198 355	899 195	243 263	(510 065)	830 748
Total liabilities	(195 583)	(881 000)	(14 117)	510 065	(580 635)

38. Segmental analysis - Business analysis (continued)

For the year to 31 March 2010 USD'000	Private Client Activities	Capital Markets	Investment Strategies	Interdivisional adjustment	Total
Business analysis					
Interest income	16 751	50 977	20 562	(36 684)	51 606
Interest expense	(10 239)	(33 167)	(7 732)	36 684	(14 454)
Net interest income	6 512	17 810	12 830	–	37 152
Fee and commission income	775	3 883	–	–	4 658
Fee and commission expense	(476)	(272)	(1 042)	–	(1 790)
Net fee and commission income/(expense)	299	3 611	(1 042)	–	2 868
Net trading (loss)/income	(346)	1 170	64 182	–	65 006
Net loss on financial instruments designated at fair value through profit or loss	–	(7 538)	(4 593)	–	(12 131)
Net other operating income	–	–	55	–	55
Total operating income	6 465	15 053	71 432	–	92 950
Impairment losses on held-to-maturity financial assets	–	–	(1 184)	–	(1 184)
Impairment reversals on loans and advances	503	159	398	–	1 060
Impairment loss on investment in an associate	–	–	(2 184)	–	(2 184)
Net operating income	6 968	15 212	68 462		90 642
Personnel expenses	–	–	(4 038)	–	(4 038)
Depreciation of equipment	–	–	(144)	–	(144)
Other operating expenses	(2 013)	(4 372)	2 915	–	(3 470)
Total operating expenses	(2 013)	(4 372)	(1 267)	–	(7 652)
Profit before tax	4 955	10 840	67 195	–	82 990
Cost to income ratio	31.1%	29.0%	1.8%	–	8.2%
Total assets	199 090	1 267 134	147 520	(526 316)	1 087 428
Total liabilities	(193 204)	(712 217)	(479 397)	526 316	(858 502)

38. Segmental analysis - Business analysis (continued)

For the year to 31 March 2009 USD'000	Private Client Activities	Capital Markets	Investment Strategies	Interdivisional adjustment	Total
Business analysis					
Interest income	22 942	79 356	30 287	(57 515)	75 070
Interest expense	(16 315)	(58 009)	(12 701)	57 515	(29 510)
Net interest income	6 627	21 347	17 586	–	45 560
Fee and commission income	496	1 256	590	–	2 342
Fee and commission expense	(34)	(185)	(2 119)	–	(2 338)
Net fee and commission income/(expense)	462	1 071	(1 529)	–	4
Net trading income/(loss)	118	(145)	16 604	–	16 577
Net loss on financial instruments designated at fair value through profit or loss	–	(11 065)	(29 909)	–	(40 974)
Net other operating income	–	–	3 136	–	3 136
Total operating income	7 207	11 208	5 888	–	24 303
Impairment loss on held-to-maturity financial assets	–	–	(5 204)	–	(5 204)
Impairment losses on loans and advances	(109)	(128)	(1 043)	–	(1 280)
Impairment loss on investment in an associate	–	–	(6 985)	–	(6 985)
Net operating income/(loss)	7 098	11 080	(7 344)	–	10 834
Personnel expenses	–	–	(3 865)	–	(3 865)
Depreciation of equipment	–	–	(94)	–	(94)
Other operating expenses	(1 684)	(3 604)	2 815	–	(2 473)
Total operating expenses	(1 684)	(3 604)	(1 144)	–	(6 432)
Profit/(loss) before tax	5 414	7 476	(8 488)	–	4 402
Cost to income ratio	23.4%	32.2%	19.4%	–	26.5%
Total assets	233 940	1 052 963	126 000	(497 784)	915 119
Total liabilities	(228 750)	(1 016 174)	(17 548)	497 784	(764 688)

39. Segmental reporting

At 31 March USD'000	Notes	Segment A 2011	2010	2009
Statement of financial position				
Cash and balances with central bank		6 752	5 851	2 492
Due from banks		204	195	82
Asset classified as held-for-sale		–	–	–
Derivative financial instruments		–	–	–
Investment securities	I	–	–	–
Amount due from holding bank	II (a)	–	–	–
Amount due from group companies	III (a)	–	–	3 640
Loans and advances to customers	IV (a)	26 307	24 587	38 029
Investment in associates		4 915	4 000	–
Investment in subsidiaries		15	15	38
Equipment		537	678	230
Deferred tax assets		78	162	326
Other assets	V	112	260	82
		38 920	35 748	44 919
Liabilities and equity				
Deposits by banks	VI	35	–	–
Securities sold under repurchase agreement with bank		–	–	–
Derivative financial instruments		–	–	–
Amount due to holding bank	II (b)	–	–	–
Amount due to group companies	III (b)	1 080	1 013	160
Due to customers	VII	29 769	85 131	18 000
Debt securities in issue		–	–	–
Current tax liabilities		495	980	1 235
Other liabilities	VIII	71	3 493	1 668
		31 450	90 617	21 063
Equity				
Issued share capital				
Available-for-sale reserve				
Foreign currency translation reserve				
Other reserves				
Retained earnings				
Total equity				
Total liabilities and equity				

	Segment B			Total		
	2011	2010	2009	2011	2010	2009
	–	–	–	6 752	5 851	2 492
	129 254	365 862	148 548	129 458	366 057	148 630
	13 208	–	–	13 208	–	–
	38 900	62 953	26 328	38 900	62 953	26 328
	27 720	40 024	64 305	27 720	40 024	64 305
	24 991	48 837	92 000	24 991	48 837	92 000
	24 849	46 413	112 619	24 849	46 413	116 259
	532 429	486 871	423 108	558 736	511 458	461 137
	–	–	2 184	4 915	4 000	2 184
	–	–	–	15	15	38
	–	–	–	537	678	230
	–	–	–	78	162	326
	477	720	1 108	589	980	1 190
	791 828	1 051 680	870 200	830 748	1 087 428	915 119
	80 023	79 906	105 747	80 058	79 906	105 747
	–	–	898	–	–	898
	12 449	27 173	22 182	12 449	27 173	22 182
	86 001	219 543	134 394	86 001	219 543	134 394
	19 520	33 433	48 909	20 600	34 446	49 069
	342 916	403 014	421 739	372 685	488 145	439 739
	–	–	2 190	–	–	2 190
	–	–	–	495	980	1 235
	8 276	4 816	7 566	8 347	8 309	9 234
	549 185	767 885	743 625	580 635	858 502	764 688
				56 478	56 478	56 478
				–	–	(342)
				–	–	(255)
				33 370	28 928	16 265
				160 265	143 520	78 285
				250 113	228 926	150 431
				830 748	1 087 428	915 119

39. Segmental reporting (continued)

At 31 March USD'000	Segment A 2011	2010	2009
Income statements			
Interest income	5 338	4 841	6 835
Interest expense	(2 558)	(2 927)	(3 428)
Net interest income	2 780	1 914	3 407
Fee and commission income	–	–	125
Fee and commission expense	–	–	–
Net fee and commission income/(expense)	–	–	125
Net trading (loss)/income	–	–	–
Net gain/(loss) on financial instruments designated at fair value through profit or loss	–	–	–
Net other operating (loss)/income	–	–	–
Total operating income	2 780	1 914	3 532
Impairment losses on held-to-maturity financial assets	–	–	–
Impairment losses/(reversals) on loans and advances	–	–	–
Impairment loss on investment in an associate	–	–	–
Impairment loss on asset classified as held-for-sale	–	–	–
Net operating income	2 780	1 914	3 532
Personnel expenses	–	–	–
Depreciation of equipment	(133)	(144)	(94)
Other operating expenses	–	–	–
Total operating expenses	(133)	(144)	(94)
Profit before tax	2 647	1 770	3 438
Income tax expense	(1 476)	(1 245)	(542)
Profit for the year	1 171	525	2 896

Segment B			Total		
2011	2010	2009	2011	2010	2009
41 844	46 765	68 235	47 182	51 606	75 070
(9 916)	(11 527)	(26 082)	(12 474)	(14 454)	(29 510)
31 928	35 238	42 153	34 708	37 152	45 560
2 808	4 658	2 217	2 808	4 658	2 342
(883)	(1 790)	(2 338)	(883)	(1 790)	(2 338)
1 925	2 868	(121)	1 925	2 868	4
(7 945)	65 006	16 577	(7 945)	65 006	16 577
16 402	(12 131)	(40 974)	16 402	(12 131)	(40 974)
(242)	55	3 136	(242)	55	3 136
42 068	91 036	20 771	44 848	92 950	24 303
–	(1 184)	(5 204)	–	(1 184)	(5 204)
(364)	1 060	(1 280)	(364)	1 060	(1 280)
–	(2 184)	(6 985)	–	(2 184)	(6 985)
(12 615)	–	–	(12 615)	–	–
29 089	88 728	7 302	31 869	90 642	10 834
(4 554)	(4 038)	(3 865)	(4 554)	(4 038)	(3 865)
–	–	–	(133)	(144)	(94)
(4 519)	(3 470)	(2 473)	(4 519)	(3 470)	(2 473)
(9 073)	(7 508)	(6 338)	(9 206)	(7 652)	(6 432)
20 016	81 220	964	22 663	82 990	4 402
–	–	–	(1 476)	(1 245)	(542)
20 016	81 220	964	21 187	81 745	3 860

39. Segmental reporting (continued)

At 31 March USD'000	Segment A 2011	2010	2009
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			
Held-to-maturity financial assets			
II. Amounts due from/to holding bank			
Remaining term to maturity			
(a) Amount due from holding bank			
Within 3 months			
Over 6 to 12 months			
Over 1 to 5 years			
(b) Amount due to holding bank			
Within 3 months			
Over 3 to 6 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			
Over 3 to 6 months			
Over 6 to 12 months			
Over 1 to 5 years			
(b) Amount due to subsidiaries and other group companies			
Within 3 months	1 080	1 013	160
Over 6 to 12 months	–	–	–
Over 1 to 5 years	–	–	–
Over 5 years	–	–	–
	1 080	1 013	160

Segment B			Total		
2011	2010	2009	2011	2010	2009
248	248	1 189	248	248	1 189
18 732	18 675	25 380	18 732	18 675	25 380
661	690	6 408	661	690	6 408
8 079	4 314	8 658	8 079	4 314	8 658
–	16 097	22 670	–	16 097	22 670
27 720	40 024	64 305	27 720	40 024	64 305
24 931	48 750	91 929	24 931	48 750	91 929
60	–	–	60	–	–
–	87	71	–	87	71
24 991	48 837	92 000	24 991	48 837	92 000
45 842	90 947	79 089	45 842	90 947	79 089
–	24 255	–	–	24 255	–
60	55 919	–	60	55 919	–
40 099	13 752	–	–	13 752	–
–	34 670	55 305	40 099	34 670	55 305
86 001	219 543	134 394	86 001	219 543	134 394
3 823	3 983	79 683	3 823	3 983	79 683
14 498	–	15 575	14 498	–	15 575
6 528	–	–	6 528	–	–
–	42 430	17 361	–	42 430	21 001
24 849	46 413	112 619	24 849	46 413	116 259
9 265	8 888	8 481	10 345	9 901	8 641
3 959	6 178	–	3 959	6 178	–
–	18 367	40 428	–	18 367	40 428
6 296	–	–	6 296	–	–
19 520	33 433	48 909	20 600	34 446	49 069

39. Segmental reporting (continued)

At 31 March USD'000	Segment A 2011	 2010	 2009
IV. Loans and advances to customers			
Remaining term to maturity			
(a) Amount due from holding bank			
Within 3 months	426	5 279	8 166
Over 3 to 6 months	7 580	201	310
Over 6 to 12 months	–	1 879	2 907
Over 1 to 5 years	–	4 161	6 436
Over 5 years	18 562	13 067	20 210
	26 568	24 587	38 029
(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			
Manufacturing			

USD'000	Specific provision 2011	 2010	 2009
IV. Loans and advances to customers (continued)			
(c) Allowance for credit impairment losses			
At 1 April	214	88	56
Loans written off out of allowance	–	–	(49)
(Release of)/provision for credit losses for the year	(5)	95	96
Differences due to foreign currency translation	15	31	(15)
At 31 March	224	214	88

Segment B			Total		
2011	2010	2009	2011	2010	2009
174 387	2 288	90 240	174 813	7 567	98 406
5 923	30 582	64 128	13 503	30 783	64 438
39 915	128 035	29 197	39 915	129 914	32 104
8 127	200 232	177 390	8 127	204 393	183 826
303 816	125 734	62 153	322 378	138 801	82 363
532 168	486 871	423 108	558 736	511 458	461 137
61 786	55 516	43 356	61 786	55 516	43 356
106 460	141 337	91 416	106 460	141 337	91 416
–	–	26 217	–	–	26 217
42 100	–	–	42 100	–	–
–	–	24 921	–	–	24 921
–	82 817	–	–	82 817	–
210 346	279 670	185 910	210 346	279 670	185 910

Segment A			Segment B					
Portfolio provision			Portfolio provision			Total		
2011	2010	2009	2011	2010	2009	2011	2010	2009
259	231	270	4 265	4 255	4 614	4 738	4 574	4 940
–	–	–	–	–	–	–	–	(49)
(12)	(40)	–	381	(1 115)	319	364	(1 060)	415
–	68	(39)	–	1 125	(678)	15	1 224	(732)
247	259	231	4 646	4 265	4 255	5 117	4 738	4 574

39. Segmental reporting (continued)

At 31 March USD'000	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	Total 2011	Total 2010	Total 2009
IV. Loans and advances to customers (continued)							
(d) Allowance for credit losses by sector							
Agriculture	1 906	–	–	17	17	24	250
Manufacturing	33 607	–	–	305	305	730	83
Tourism	25 825	–	–	234	234	200	–
Transport	54 890	–	–	498	498	394	838
Construction	123 234	1 770	–	1 118	1 118	830	790
Financial and business services	154 194	414	–	1 399	1 399	1 306	927
Traders	13 179	–	–	120	120	3	11
Personal	170	–	–	2	2	1	1
Professional	52 761	2 676	224	255	479	664	629
Global Business License Holders (GBL)	81 925	256	–	743	743	515	640
Media, entertainment and recreational activities	16 721	–	–	152	152	–	–
Infrastructure	5 441	–	–	50	50	–	–
Other entities	–	–	–	–	–	71	405
	563 853	5 116	224	4 893	5 117	4 738	4 574

39. Segmental reporting (continued)

At 31 March USD'000	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	Total 2011	Total 2010	Total 2009
IV. Loans and advances to customers (continued)							
Analysed by segments							
Segment A							
Agriculture	1 482	–	–	14	14	20	243
Tourism	10 627	–	–	99	99	90	–
Transport	–	–	–	–	–	–	3
Construction	11 588	–	–	108	108	23	12
Financial and Business Services	1 715	–	–	16	16	106	22
Personal	170	–	–	2	2	1	1
Professional	973	–	–	9	9	19	15
Other entities	–	–	–	–	–	–	68
	26 555	–	–	248	248	259	364
Segment B							
Agriculture	424	–	–	3	3	4	6
Manufacturing	33 607	–	–	305	305	730	83
Tourism	15 198	–	–	135	135	110	–
Transport	54 890	–	–	498	498	394	836
Construction	111 645	1 770	–	1 010	1 010	807	779
Financial and business services	152 478	414	–	1 383	1 383	1 200	906
Traders	13 179	–	–	120	120	3	11
Professional	51 788	2 676	224	246	470	645	614
Global Business License holders (GBL)	81 925	256	–	743	743	515	640
Media, entertainment and recreational activities	16 721	–	–	152	152	–	–
Infrastructure	5 441	–	–	50	50	–	–
Other entities	–	–	–	–	–	71	335
	537 296	5 116	224	4 645	4 869	4 479	4 210
	563 851	5 116	224	4 893	5 117	4 738	4 574

39. Segmental reporting (continued)

At 31 March	Segment A		
USD'000	2011	2010	2009
V. Other assets			
Accrued fee income	–	260	–
Prepayments	–	–	–
Other receivables	112	–	82
	112	260	82
VI. Due to banks			
Bank in Mauritius and banks abroad			
Remaining term to maturity			
Within 3 months	35	–	–
Over 3 to 6 months	–	–	–
Over 6 to 12 months	–	–	–
Over 1 to 5 years	–	–	–
	35	–	–
VII. Due to customers			
Demand	73 766	6 271	3 575
Term deposits with remaining term to maturity			
Within 3 months	17 611	808	776
Over 3 to 6 months	915	47 287	63
Over 6 to 12 months	16 347	17 313	299
Over 1 to 5 years	–	13 452	13 287
Over 5 years	–	–	–
	108 639	85 131	18 000
VIII. Other liabilities			
Interests payable	–	–	–
Amounts payable and sundry creditors	71	3 493	1 668
	71	3 493	1 668
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	137	3 330	3 453
Commitments			
- Irrevocable unutilised facilities	31 742	32 744	127
	31 879	36 074	3 580

Guarantees commit the bank to make payments on behalf of customers in the event of a specific act, generally related to loan defaults.

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

	Segment B			Total		
	2011	2010	2009	2011	2010	2009
	462	652	1 016	462	912	1 016
	–	31	–	–	31	–
	15	37	92	127	37	174
	477	720	1 108	589	980	1 190
	–	79 906	15 145	35	79 906	15 145
	80 023	–	–	80 023	–	–
	–	–	10 564	–	–	10 564
	–	–	80 038	–	–	80 038
	80 023	79 906	105 747	80 058	79 906	105 747
	44 340	84 902	131 077	118 106	91 173	134 652
	198 412	301 534	164 501	216 023	302 342	165 277
	1 858	1 303	87 821	2 773	48 590	87 884
	13 934	6 733	18 669	30 281	24 046	18 968
	4 898	4 292	14 592	4 898	17 744	27 879
	604	4 250	5 079	604	4 250	5 079
	264 046	403 014	421 739	372 685	488 145	439 739
	–	–	6 688	–	–	6 688
	8 276	4 816	878	8 347	8 309	2 546
	8 276	8 301	7 314	8 347	8 309	9 234
	7 876	32 262	37 197	8 013	35 592	40 650
	29 638	62 382	40 536	61 380	95 126	40 663
	37 514	94 644	77 733	69 393	130 718	81 313

39. Segmental reporting (continued)

For the year to 31 March	Segment A		
USD'000	2011	2010	2009
Statement of cash flows			
Operating activities			
Profit before tax	2 647	1 770	3 438
Adjustments for:			
Change in operating assets	(1 573)	13 264	10 809
Change in operating liabilities	(58 683)	69 809	(7 464)
Non-cash item included in profit before tax	61 914	130	83
Income tax paid	(1 868)	(1 594)	(141)
Net cash flows from/(used in) operating activities	**2 436**	**83 379**	**6 725**
Investing activities			
Purchase of investment in associate	(915)	(4 000)	–
Purchase of investment securities	–	–	–
Proceeds on disposal of investment securities	–	66	–
Purchase of equipment	(65)	(592)	(125)
Proceeds on disposal of equipment	118	14	18
Net cash flows (used in)/from investing activities	**(862)**	**(4 512)**	**(107)**
Financing activities			
Issue of ordinary shares	–	–	–
Dividend paid	–	–	–
Net cash flows (used in)/from financing activities	**–**	**–**	**–**
Net (decrease)/increase in cash and cash equivalents	1 574	78 867	6 618
Cash and cash equivalents at beginning of the year	6 047	2 574	2 124
Effect of exchange rate changes on cash and cash equivalents	–	(75 394)	(6 168)
Cash and cash equivalents at end of the year	**7 621**	**6 047**	**2 574**

	Segment B			Total		
	2011	2010	2009	2011	2010	2009
	20 015	81 220	964	22 663	82 990	4 402
	33 519	260 372	144 721	31 946	273 636	155 530
	(204 067)	(195 813)	(120 780)	(262 750)	(126 004)	(128 244)
	(57 170)	(99 536)	35 934	4 744	(99 406)	36 017
	–	–	–	(1 868)	(1 594)	(141)
	(207 700)	46 243	60 839	(205 265)	129 622	67 564
	–	–	–	(915)	(4 000)	–
	–	–	(2 245)	–	–	(2 245)
	12 454	12 984	122	12 454	13 050	122
	–	–	–	(65)	(592)	(125)
	–	–	–	118	14	18
	12 454	12 984	(2 123)	11 592	8 472	(2 230)
	–	–	25 000	–	–	25 000
	–	(3 592)	–	–	(3 592)	–
	–	(3 592)	25 000	–	(3 592)	25 000
	(195 247)	55 635	83 716	(193 673)	134 502	90 334
	323 836	148 548	68 773	329 883	151 122	70 897
	–	119 653	(3 941)	–	44 259	(10 109)
	128 589	323 836	148 548	136 210	329 883	151 122