Investec Bank (Australia) Limited

ABN 55 071 292 594

Annual Financial Report
For the year ended 31 March 2007

Contents to Annual Financial Report

Directors' Report

The directors of Investec Bank (Australia) Limited submit the following report for the year ended 31 March 2007.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

David Gonski AO B Com LLB FAICD FCPA
Non-Executive Chairman

David Gonski is the Non-Executive Chairman of Investec Holdings Australia Limited and Investec Bank (Australia) Limited. He was the co-founder of Investec Wentworth Pty Limited (formerly Wentworth Associates) and was previously a partner in the leading law firm, Freehills. David is Chairman of Coca-Cola Amatil Limited. His other non-executive directorships include ANZ Banking Group Limited and Westfield Group. David is Chancellor of the University of New South Wales and Chairman of the Trustees of Sydney Grammar School. He is also a member of the Prime Minister's Community Business Partnership. He was a until recently President of the Art Gallery of New South Wales, Chairman of the Australia Council, and a member of the Takeovers Panel. David was appointed an officer of the Order of Australia in May 2002.

Geoffrey Levy AO B Com LLB F FIN

Geoff Levy was appointed Chairman of Investec Bank (Australia) Limited on 28 February 2005 and until then had been the Chief Executive Officer. Geoff was previously a principal of Wentworth Associates and before that a partner in the leading law firm, Freehills. He has over 20 years experience in the corporate advisory environment where he is regarded as an expert in mergers and acquisitions, capital raisings and general corporate commercial law. Geoff is Non-Executive Chairman of the Specialty Fashion Group Limited and a Non-Executive Director of listed entities Ten Network Holdings Limited and STW Group Limited. He is also Non-Executive Deputy Chairman of the Australian Sports Anti-Doping Authority. Geoff was appointed an Officer of the Order of Australia in the 2005 Queen's Birthday Honours List.

Brian Schwartz AM FCA
Chief Executive Officer

Brian is a Chartered Accountant and was appointed Chief Executive Officer of Investec Bank (Australia) Limited effective 14 February 2005. Prior to that he was the Chief Executive of Ernst and Young Australia and Managing Partner for the Oceania Area. He is a Director and Member of Insurance Australia Group, Vice President of The Australian Museum and Deputy Chairman of the Board of the Football Federation of Australia. Brian was named the inaugural "Leading CEO for the Advancement of Women" by EOWA in 2001, recognising his efforts in increasing female participation at senior management levels. He was appointed a Member of the Order of Australia in 2004 for his services to business and the community.

Alan Chonowitz B Acc M Com CA

Alan Chonowitz is the Chief Financial Officer of Investec Bank (Australia) Limited. His responsibilities include finance, credit, and corporate governance. Alan has been an executive director of several listed and unlisted companies following seven years as a partner of a leading international firm of Chartered Accountants. Currently Alan is a director of Investec Bank (Australia) Limited, a number of its subsidiaries, and First Opportunity Fund Limited. Alan's experience includes significant exposure to the finance and funds management industries, where he has been responsible for financial structuring, financial and regulatory reporting, corporate advisory services and strategic planning.

Bradley Tapnack B Com CA
Global Head of Corporate Governance and Compliance

Bradley completed articles at Price Waterhouse, joining the partnership in 1977 and remained an audit partner until 1984. After three years in the advertising industry he joined I. Kuper & Co which was acquired by Investec in 1989. He became Financial Director in the Group in 1984, a position which he held until 2002. He is presently a director of Investec Bank (Australia) Limited, Investec Bank Limited and Investec Asset Management Limited and holds the position of Group Head of Corporate Governance and Compliance.

John Murphy B Com M Com ACA FASA

John Murphy is Managing Director of Investec Wentworth Private Equity Pty Limited, a private equity funds manager. John is an Associate of the Institute of Chartered Accountants and a Fellow of the Australian Society of Certified Practicing Accountants. He holds a

Directors' Report (continued)

Names, qualifications, experience and special responsibilities (continued)

Bachelor and Master of Commerce degree from the University of New South Wales. Before jointly founding MGB Equity Growth Pty Limited in 1999, John spent 25 years with Arthur Andersen, including 14 years as a global partner. In that role, John was Managing Partner of the Economic and Financial Consulting Divisions in both Australia and Asia Pacific and has significant experience in the corporate recovery area. He is a director of a number of public companies including Staging Connections Group Limited, First Opportunity Fund Limited, Specialty Fashion Group Limited and Australian Pharmaceutical Industries Limited.

Kathryn Spargo LLB (Hons) BA

Kate was appointed a Director of Investec Bank (Australia) Limited in October 2005. After graduating from Adelaide University, she practiced both as a litigator and in a partnership as a lawyer before moving to a broader business role. She was Chairman for seven years of HomeStart Finance, a government sponsored enterprise in South Australia with funds under management exceeding $1 billion. Since moving to Melbourne, she has been appointed to the boards of IOOF, Pacific Hydro, Fulton Hogan (NZ), Transfield Services Infrastructure Limited and CoInvest. Her public interests include being a director of the NeuroSciences Victoria.

Peter Thomas CA

Peter is a Chartered Accountant and former Managing Director of The Unisec Group Limited. His current directorships include Investec plc, Investec Limited, Investec Bank Limited, Investec Bank (Mauritius) Limited, and JCI Limited.

Richard Longes BA LLB MBA

Richard Longes is currently Chairman of Austbrokers Holdings Limited and a non-executive Director of Boral Ltd, Metcash Limited and Viridis Clean Energy Group. He was the co-founder of Investec Wentworth Pty Limited (formerly Wentworth Associates) and was previously a partner in the leading law firm, Freehills. He holds, or has held, positions with Government advisory boards, including the Review of the National Museum and the Funds Management Committee for the IIF programme, and non-profit organisations. Richard was previously Chairman of MLC Ltd and General Property Trust.

Robert Mansfield AO B Com FCPA

Robert Mansfield attended the University of NSW and graduated in 1974 with a Bachelor of Commerce degree with a major in Accounting. He held the CEO position at McDonald's Australia Limited, Wormald International Limited, Optus Communications Limited and John Fairfax Limited. In November 1999 Robert was appointed a Director of Telstra Corporation Limited and subsequently became Telstra's non-executive Chairman which he served through to April 2004. His other board positions include Chairman of Staging Connections Group Limited, director and deputy of Allco Managed Investments Limited, and director and spokesman of Airline Partners Australia Limited. Robert has been honoured with an Order of Australia award for his contribution to Australian business and economic development and to the telecommunications industry.

Stephen Koseff B Com CA (SA) H Dip BDP MBA

Stephen joined Investec in 1980. Stephen Koseff is the Chief Executive Officer of Investec Limited and Investec plc. His directorships include Investec Bank (UK) Limited, Investec Limited, Investec Plc, Bidvest Group Limited and JSE Limited.

Company Secretary

Anthony Rubin B Com B Acc CA

Anthony Rubin joined the Investec Group in 1991. In addition to a Bachelor of Commerce, Anthony is a member of the Australian Institute of Chartered Accountants.

Principal Activities

The principal activities during the financial year were private client activities (including property investment banking, growth and acquisition finance and investment advisory), investment banking activities (including corporate advisory, private equity and principal activities), and specialised finance (including commodities and resource finance and project finance). There have been no significant changes in the nature of these activities during the year ended 31 March 2007.

Review of Operations

During the year, the Bank successfully acquired and integrated the Rothschild's banking business in Australia (excluding the Investment Banking business). The acquisition has added critical mass and scale to the Bank's existing platform in Australia and at the same time created a presence in Western Australia.

Directors' Report (continued)

Review of Operations (continued)

Rothschild's non Investment Banking businesses include Property, Resources, Infrastructure, Commercial Finance, Acquisition Finance and a Treasury capability operating in the Sydney, Melbourne and Perth markets.

The results have been characterised by strong fee revenue growth across all principal specialisations. The continued growth and scale in the loan book has boosted the interest income. The Bank's prior investment in infrastructure, people and geographical reach has now started to reap rewards across all operating activities.

Operating Results

During the year the Group continued to grow, with total assets increasing from $1,598.6 million to $3,138.0 million. Profit before gain on acquisition and income tax increased from $37.2 million to $67.2 million.

The profit before income tax and including an acquisition profit of $215.9 million for the year was $283.1 million (2006: $37.2 million). The profit after income tax for the year was $262.8 million. (2006: $25.8 million).

Dividends

No dividends were paid or provided for during the year.

Share Options

There are no share options on issue in the Consolidated Entity.

Significant Change in the State of Affairs

There have been no significant changes in the state of affairs of the Consolidated Entity during the year ended 31 March 2007, other than for the acquisition of Rothschild's business set out above.

Significant Events after the Balance Date

There have been no significant events occurring after balance date which may affect the Bank's operations, results or the Bank's state of affairs.

Likely Developments and Expected Results

Notwithstanding the competitive environment, the directors are confident that the creation of opportunities and expansion of existing businesses will achieve reasonable growth in the year ahead.

Rounding

The financial report is presented in Australian dollars and all values have been rounded to the nearest hundred thousand dollars unless otherwise stated, under the option available to the company under ASIC Class Order 98/0100.

Indemnification and Insurance of Directors and Officers

In addition to the indemnity set out in the Company's Constitution, the Consolidated Entity has, during the financial year, paid an insurance premium in respect of its directors and executive officers in terms of which the cover provides indemnity against liabilities, to the extent permitted under the Corporations Act 2001 and Regulations. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Meetings eligible to attend	Meetings attended
Board Meetings		
David Gonski	5	5
Geoffrey Levy	5	5
Brian Schwartz	5	4
Alan Chonowitz	5	5
Bradley Tapnack	5	5
John Murphy	5	5
Kathryn Spargo	5	5
Peter Thomas	5	4
Richard Longes	5	5
Robert Mansfield	5	4
Stephen Koseff	5	4
Audit and Compliance Committee		
Bradley Tapnack	4	3
Peter Thomas	4	4
Kathryn Spargo	4	4
Remuneration Committee		
David Gonski	1	1
Robert Mansfield	1	1
Bernard Kantor	1	1

Directors' Report (continued)

Auditors independence

We have obtained the following independence declaration from our auditors, Ernst and Young.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Auditor's Independence Declaration to the Directors of Investec Bank (Australia) Limited

In relation to our audit of the financial report of Investec Bank (Australia) Limited for the financial year ended 31 March 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of the professional conduct.

Ernst & Young

Ernst & Young

Jeff Chamberlain

Partner

18 May 2007

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Signed in accordance with a resolution of the directors.

Brian Schwartz
Director
Sydney
18 May 2007

Alan Chonowitz
Director
Sydney
18 May 2007

Income Statement
For the year ended 31 March 2007

	Note	Consolidated		Investec Bank (Australia) Limited	
		2007 $'m	2006 $'m	2007 $'m	2006 $'m
Interest and similar income	4	**209.6**	119.5	**206.3**	119.4
Interest expense and similar charges	4	**(115.0)**	(64.1)	**(115.4)**	(64.0)
Net interest income		**94.6**	55.4	**90.9**	55.4
Fee and commission income	4	**61.9**	37.9	**20.6**	3.3
Fee and commission expense	4	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Dividend income		**0.4**	-	**3.6**	-
Gains less losses arising from trading securities and derivatives	4	**14.4**	6.9	**14.2**	6.8
Gains less losses arising from dealing in foreign currencies		**(1.4)**	0.2	**(1.4)**	0.2
Gains less losses arising from available-for-sale investments	4	**1.4**	1.3	**(0.5)**	-
Other operating income	4	**2.1**	0.4	**23.7**	18.2
Impairment losses on financial assets	4	**(6.7)**	(2.0)	**(3.9)**	(2.0)
Other operating expenses	4	**(99.0)**	(62.2)	**(97.9)**	(60.0)
Operating profit		**67.5**	37.7	**49.1**	21.7
Share of loss of investments accounted for using the equity method	14	**(0.3)**	(0.5)	**-**	-
Profit before gain on acquisition and income tax		**67.2**	37.2	**49.1**	21.7
Gain on acquisition	25	**215.9**	-	**215.9**	-
Profit before income tax		**283.1**	37.2	**265.0**	21.7
Income tax expense	5	**(20.3)**	(11.4)	**(14.4)**	(6.8)
Profit attributable to members	22	**262.8**	25.8	**250.6**	14.9

Balance Sheet
As at 31 March 2007

	Note	Consolidated		Investec Bank (Australia) Limited	
		2007 $'m	2006 $'m	2007 $'m	2006 $'m
Assets					
Cash and liquid assets	6	**873.3**	429.2	**872.4**	428.4
Bullion	7	**9.2**	-	**9.2**	-
Receivables due from other financial institutions	8	**19.8**	4.6	**19.8**	4.6
Derivative financial instruments	11	**168.5**	12.1	**168.5**	12.0
Available-for-sale investments	9	**172.1**	97.0	**155.4**	77.7
Trading securities	10	**157.6**	-	**153.9**	
Loans and receivables	12	**1,609.7**	983.9	**1,597.2**	974.5
Investments accounted for using the equity method	14	**41.6**	3.2	**41.3**	3.0
Other financial assets	13	**-**	-	**66.8**	67.3
Property, plant and equipment	16	**5.8**	5.4	**5.8**	5.4
Deferred income tax assets	5	**13.3**	6.5	**13.0**	6.3
Other assets	17	**18.0**	7.6	**10.1**	0.6
Goodwill	15	**49.1**	49.1	**-**	-
Total assets		**3,138.0**	1,598.6	**3,113.4**	1,579.8
Liabilities					
Deposits and other public borrowings	18	**2,250.9**	1,220.5	**2,250.9**	1,220.5
Derivative financial instruments	11	**94.2**	2.7	**94.2**	2.7
Other borrowed funds	19	**36.7**	15.1	**39.0**	10.4
Other liabilities	21	**56.6**	26.0	**53.4**	23.8
Subordinated loans	20	**100.5**	-	**100.5**	-
Total liabilities		**2,538.9**	1,264.3	**2,538.0**	1,257.4
Total equity		**599.1**	334.3	**575.4**	322.4
Equity					
Share capital	22	**291.7**	291.7	**291.7**	291.7
Retained earnings	23	**287.6**	33.7	**264.6**	22.9
Other reserves	24	**19.8**	8.9	**19.1**	7.8
Total equity		**599.1**	334.3	**575.4**	322.4

Statement of Changes in Equity
As at 31 March 2007

	Note	Consolidated Share capital $'m	Consolidated Other reserves $'m	Consolidated Retained earnings $'m	Consolidated Total $'m	Investec Bank (Australia) Limited Share capital $'m	Investec Bank (Australia) Limited Other reserves $'m	Investec Bank (Australia) Limited Retained earnings $'m	Investec Bank (Australia) Limited Total $'m
Balance at 1 April 2005		291.7	6.3	10.0	**308.0**	291.7	6.3	10.1	**308.1**
Appropriation for unforeseeable risks and future losses	24	-	2.1	(2.1)	**-**	-	2.1	(2.1)	**-**
Net change in available-for-sale investments, net of tax	24	-	0.5	-	**0.5**	-	(0.6)	-	**(0.6)**
Net income recognised directly to equity		-	2.6	(2.1)	**0.5**	-	1.5	(2.1)	**(0.6)**
Profit for the period		-	-	25.8	**25.8**	-	-	14.9	**14.9**
At 31 March 2006 / 1 April 2006		291.7	8.9	33.7	**334.3**	291.7	7.8	22.9	**322.4**
Appropriation for unforeseeable risks and future losses	24	-	8.9	(8.9)	**-**	-	8.9	(8.9)	**-**
Share-based payment	24	-	0.9	-	**0.9**	-	0.9	-	**0.9**
Net change in available-for-sale investments, net of tax	24	-	1.1	-	**1.1**	-	1.5	-	**1.5**
Net income recognised directly to equity		-	10.9	(8.9)	**2.0**	-	11.3	(8.9)	**2.4**
Profit for the period		-	-	262.8	**262.8**	-	-	250.6	**250.6**
At 31 March 2007		291.7	19.8	287.6	**599.1**	291.7	19.1	264.6	**575.4**

Cash Flow Statement
For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
Cash flows from operating activities					
Interest and similar income		**175.7**	103.3	**171.9**	103.2
Interest expense and similar charges		**(109.3)**	(61.1)	**(109.7)**	(61.1)
Fees, income and receipts from customers		**71.1**	51.2	**31.1**	19.5
Trust distribution received		**2.3**	0.4	**0.5**	0.2
Payments to suppliers and employees		**(66.8)**	(60.0)	**(61.1)**	(58.1)
	26	**73.0**	33.8	**32.7**	3.7
(Increase) decrease in operating assets and liabilities:					
Net increase in loans and other receivables		**(48.4)**	(196.5)	**(46.4)**	(195.0)
Net proceeds from gold bullion		**5.2**	-	**5.2**	-
Purchase of available-for-sale investments		**(129.1)**	(119.8)	**(132.7)**	(105.0)
Proceeds from sale or maturity of available-for-sale investments		**402.6**	202.4	**402.7**	201.3
Net proceeds of trading securities and derivatives		**(3.7)**	(0.6)	**-**	(0.6)
Net proceeds from deposits		**(145.6)**	192.0	**(145.6)**	192.0
Net cash from operating activities before income tax		**154.0**	111.4	**115.9**	96.6
Income tax paid		**(27.7)**	(14.2)	**(21.1)**	(9.6)
Net cash flows from operating activities		**126.3**	97.2	**94.8**	87.0
Cash flows from investing activities					
Net cash acquired on acquisition of Rothschild's banking business		**355.3**	-	**355.3**	-
Dividend received		**0.4**	-	**-**	-
Purchase of equity accounted investments		**(39.6)**	(2.8)	**(39.1)**	(2.8)
Acquisition of plant and equipment		**(1.5)**	(1.7)	**(1.5)**	(1.7)
Net cash flows from investing activities		**314.6**	(4.5)	**314.7**	(4.5)
Cash flows from financing activities					
Advances (to)/from related parties		**19.2**	9.2	**50.6**	19.1
Repayments of borrowings by related parties		**(1.0)**	(1.1)	**(1.0)**	(1.1)
Net cash flows (to)/from financing activities		**18.2**	8.1	**49.5**	18.0
Net increase in cash and cash equivalents		**459.1**	100.7	**459.1**	100.4
Cash and cash equivalents at beginning of the year		**432.6**	331.9	**431.8**	331.4
Cash and cash equivalents at end of year	6, 26	**891.7**	432.6	**890.8**	431.8

Notes to the Financial Statements

1. Corporate Information

The financial report of Investec Bank (Australia) Limited for the year ended 31 March 2007 was authorised for issue in accordance with a resolution of the directors on 11 May 2007.
Investec Bank (Australia) Limited is a company limited by shares that is incorporated and domiciled in Australia. Its ultimate Australian parent entity is Investec Holdings Australia Limited. Its ultimate parent is Investec plc, a UK entity listed on the London Stock Exchange.
The nature of the operations and principal activities of the Group are described in note 3.

The registered office of Investec Bank (Australia) Limited is located at:

Level 31
The Chifley Tower
2 Chifley Square
Sydney NSW 2000

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

In this financial report Investec Bank (Australia) Limited is referred to as the “Chief Entity” or "Bank", and the “Consolidated Entity” or "Group" consists of the Chief Entity and its controlled entities.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, trading securities, bullion and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Investec Bank (Australia) Limited and its subsidiaries as at 31 March each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the Chief Entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocation of the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(c) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 31 March 2007. These are outlined in the table below.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(c) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on group financial report	Application date of group
AASB 2005-10	Amendments to Australian Accounting Standard [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038	Amendments arise from the release in August 2005 of AASB 7 Financial instruments Disclosures	1-Apr-07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1-Apr-07
AASB 7	Financial instruments: Disclosures	New standard replacing disclosure requirements of AASB 132	1-Apr-07	As above.	1-Apr-07
UIG 8	Scope of AASB 2 Share-based payments	Clarifies that the scope of AASB 2 includes transactions in which the entity cannot identify specially some or all of the goods or services received as consideration for the equity instruments of the entity or other share-based payments.	1-May-06	Unless the Group enters into share-based payment arrangements unrelated to employee services in future reporting periods, these amendments are not expected to have any impact on the Group's financial report.	1-Apr-07
UIG 9	Reassessment of Embedded Derivatives	Clarifies that an entity reassesses whether an embedded derivative contained in a host contract must be separated from the host and accounted for as a derivative under AASB 139 only when there is a change in the term of the contract that significantly modifies the cash flows that otherwise would be required.	1-Jun-06	Unless the Group changes the terms of the arrangements containing embedded derivatives in future reporting periods, these amendments are not expected to have any impact on the Group's financial report	1-Apr-07
AASB 8	Operating Segments	AASB 8 requires segment information to be disclosed based level at which information is reviewed by an entity's key decision makers. The scope of AASB 8 is limited to listed entities and entities in the process of listing.	1-Jan-09	Unless the Group decides to list an entity in Australia, it will not longer be required to prepare segment information.	1-Apr-09

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(d) Significant accounting judgements, estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year ended 31 March 2007. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and receivables

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Where the fair values cannot be estimated, for example derivatives over unlisted equity securities, derivatives are carried at cost.

(c) Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) Held-to-maturity investments

The Group follows the guidance of AASB 139 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(e) Business combination

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, share issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is determined using valuation techniques. Transaction costs arising on the issue of equity instruments are recognised directly to equity.

Except for non-current assets or disposal Group's classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(e) Business combination (continued)

When settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from independent financier under comparable terms and conditions.

(f) Revenue recognition

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

(i) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided.

The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

(ii) Interest and similar income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset of financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iii) Dividends

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

(iv) Net trading income

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

(g) Foreign currency translation

Both the functional and presentation currency of Investec Bank (Australia) Limited and its subsidiaries is Australian dollars ($).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

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.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(h) Cash and liquid assets

Cash and liquid assets includes cash on hand and in banks, bank bills with a term of three months or less, and short-term deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates. They are brought to account at the face value or the gross value of the outstanding balance. Interest is taken to profit and loss using the effective interest method when earned.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash and non-restricted balances with central banks, bank bills, loans and advances to banks, amounts due from other banks and short-term government securities, with less than three month maturity from the date of acquisition and with insignificant risk of change in value, net of outstanding over drafts.

(i) Bullion

Gold and silver bullion are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. They are measured as traded assets at fair (market) value. Any unrealised movements in fair value of these stocks are recognised in the income statement.

(j) Receivables due from other financial institutions

Receivables from other financial institutions include settlement account balances due from other banks. They are brought to account at the gross value of the outstanding balance. Interest is taken to profit and loss using the effective interest method.

(k) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Derivatives are recognised on trade date basis.

(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, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

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

The Bank uses derivative financial instruments as risk management tools and as part of its trading activities. Derivatives include interest rate swaps and futures, foreign exchange (including bullion) spot, forwards, swaps and options, and base metal spot and forwards. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in "Gains less losses arising from trading securities".

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 the 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 and liabilities held for trading

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the balance sheet at fair value. Changes in fair value are recognised in "Gains less losses arising from trading securities" according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities, commodities and short positions in debt securities and securities which have been acquired

principally for the purpose of selling or repurchasing in the near term.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

Financial assets and financial liabilities classified in this category are designated on initial recognition when the following criteria are met:

- 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 an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded through the profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract.

Included in this classification are loans and receivables to customers economically hedged by credit derivatives which do not qualify for hedge accounting as well as structured notes which are managed at fair value.

(m) “Day 1” profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a “Day 1” profit) in the income statement in “Gains less losses arising from trading securities”. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when inputs become observable, or when the instrument is derecognised.

(n) Held-to-maturity financial investments

Held-to-maturity financial investments 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 investments 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 amortisation is included in “Interest and similar income” in the income statement. The losses arising from impairment of such investments are recognised in the income statement line “Impairment losses on loans and advances”.

(o) Due from banks and loans and receivables to customers

Due from banks and loans and receivables to customers are financial assets with fixed or determined payment s and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading or designated as available-for-sale investments.

After initial measurement, amounts due from banks and loans and receivables to customers 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 and costs that are an integral part of the effective interest rate. The amortisation is included in “Interest and similar income” in the income statement. The losses arising from impairment of such investments are recognised in the income statement line “Impairment losses on loans and advances”.

(p) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. They include equity instruments, investments in funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in “Other Reserves”. When the security is disposed of, the cumulative gain or loss previously

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(p) Available- for-sale financial investments (continued)

recognised in equity is recognised in the income statement in "Gains less losses arising from available-for-sale investments". 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 investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in "Impairment losses on financial assets" and removed from the available-for-sale reserve.

(q) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, when 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 of 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.
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 purchase option (including a cash-settlement 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) Securitisation

As part of its operational activities, the Bank securitises financial assets, generally through the sale of these assets to special purposes entities which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Reference should be made to the accounting policy on "Derecognition of financial assets and financial liabilities". Interests in the securitised financial assets may be retained by the Bank and are primarily classified as financial assets recorded at fair value through profit or loss, and gains and losses are reported in "Net trading income". Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of the transfer.

(iii) 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 exisiting 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.

(r) Determination of fair value

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

Where stocks of gold and silver bullion are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, they are measured as traded assets at fair (market) value. Any unrealised movements in fair value of these stocks are recognised in the income statement.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(r) Determination of fair value (continued)

For all other financial instruments not listed in as 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 calculation models.

(s) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and receivables to customers

For amounts due from banks and loans and receivables to customers carried at amortised cost, 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 the 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 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. 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. 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 a write-off is later recovered, the recovery is credited to "Impairment losses on loans and advances" in the income statement.

The present value of the estimate 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. 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.

For the purpose of a collective evaluation of impairment, financial asset are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on 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 experiences.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(s) Impairment of financial assets (continued)

(ii) held-to-maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreased because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the income statement.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each balance sheet date whether there in objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged declined in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement;
increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "Interest and similar income". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(iv) 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.

(t) Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. In order to manage particular risks, the Bank apples hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transactions is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

(i) Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the income statement in "Gains less losses arising from trading securities". Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement in "Net Gains less losses arising from trading securities".

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(t) Hedge accounting (continued)

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement in "Gains less losses arising from trading securities".

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is "recycled" in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in "Gains less losses arising from trading securities".

(iii) Hedge of a net investment

Hedges of net investments in a foreign operation, including a hedge of monetary items that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the income statement in "Gains less losses arising from trading securities". On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

(u) Offsetting financial instruments

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

(v) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(w) Investments accounted for using the equity method

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(w) Investments accounted for using the equity method (continued)

Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in associates.

The consolidated income statement reflects the Group's share of the results of operations of its associates.

Where there has been a change recognised directly in an associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of change in equity.

The reporting dates of associates are 30 June and associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(x) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is provided on a diminishing value basis on all property, plant and equipment and is based on their expected useful lives.

	2007	2006
Office furniture & equipment	5 to 10 years	5 to 10 years
Computer equipment	2 to 3 years	2 to 3 years
Leasehold Improvements	5 to 10 years	5 to 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i)Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further 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 included in profit or loss in the year the asset is derecognised.

(y) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(y) Goodwill (continued)

• represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

• is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(z) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also 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 recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed 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 profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(aa) Subordinated loans, deposits and other public borrowings

Subordinated loans, deposits and other public borrowings includes subordinated notes, certificates of deposits, term deposits, and other demand deposits, and other funds raised publicly. They are brought to account at fair value plus directly attributable transaction costs at inception. Deposits and other public borrowings are subsequently stated at amortised cost. Interest and yield related fees are taken to profit and loss based on the effective interest method when incurred.

Where the Group has hedged the deposits with derivative instruments, hedge accounting rules are applied (refer to Note 2(t) Derivative financial instruments).

(ab) Other borrowed funds

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(ac) Other liabilities

Trade and other payables
Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(ad) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include:

(i) Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other liabilities in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions are made by the Consolidated Entity to an employee superannuation fund and are recognised as an expense on an accrual basis.

(iv) Share based payments

The Group engages in cash-settled share-based payments and in certain circumstances equity settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share based payment is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on an estimate of the amount of instruments that will eventually vest.

A liability and expense in respect of cash settled share based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the liability that will eventually vest. The liability is recognised at the current fair value as at each balance sheet date, based on an estimate of the amount of instruments that will eventually vest. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the profit and loss account until such time as the liability is settled.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(ad) Employee benefits (continued)

(v) Other employee benefits

The provision for other employee entitlements also includes liabilities for employee incentives under employee share plans and bonus schemes.

The level of these provisions has been determined in accordance with the requirements of AASB 119.

(ae) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

• when the deferred income 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 that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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:

• when the deferred income 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; or

• when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

Tax consolidation legislation

Investec Bank (Australia) Limited and its 100% owned Australian controlled entities have formed a tax consolidated group with effect 1 from April 2004.

The head entity, Investec Holdings Australia Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Group also recognises the tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(ae) Income tax (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable and payable to the head entity (Investec Holdings Australia Limited). Details of the tax funding agreement are disclosed in Note 5.

(af) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

• when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST 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, which are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Cogmitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(ag) Share capital

Ordinary share capital is the amount of paid up capital from the issue of ordinary shares.

(ah) Fiduciary activities

The Bank and designated controlled entities act as Responsible Entity, Trustee and/or Manager and/or Custodian for a number of Managed Investment Schemes, Wholesale Investment Funds, Trusts and Approved Deposit Funds. Further details are shown in Note 33.

The assets and liabilities of these Schemes, Trusts and Funds are not included in the consolidated financial statements as the Bank does not have direct or indirect control of the Schemes, Trusts and Funds as defined by AASB 127: Consolidated and Separate Financial Statements. Commissions and fees earned in respect of the activities are included in the profit of the Group and the designated controlled entity.

(ai) Rounding

The financial report is presented in Australian dollars and all values been rounded to the nearest hundred thousand dollars unless otherwise stated, under the option available to the company under ASIC Class Order 98/0100.

(aj) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

The presentation of the Cash Flow Statement has changed to reflect a financial institutions cash flow statement, where operating assets previously disclosed under investing and financing activities are now disclosed under operating activities.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

3. Segment information

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organised into four main business segments:

Business segments	Description
Private Client Activities	Incorporating property investment banking, growth & acquisition finance, investment distribution, private advisers, private client treasury and specialised lending
Investment Banking	Incorporating mergers and acquisition advice, corporate advisory, private equity, and principle activities
Treasury & Specialised Finance	Incorporating project & infrastructure finance, structured finance, commodities & resource finance, financial products, wholesale deposit raising, and foreign currency and derivative products
Finance, Risk and Central	Incorporates finance, risk, balance sheet management, and central funding

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of funding. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation and borrowings.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets.

The consolidated entity's operations are within Australia.

The following tables' present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 March 2007 and 31 March 2006.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

3. Segment information (continued)

Business segments

Year ended 31 March 2007	Private Client Activities	Investment Banking	Treasury & Specialised Finance	Finance, Risk and Central	Group
	$'m	$'m	$'m	$'m	$'m
Revenue					
Net interest income	58.0	(2.0)	18.7	19.9	**94.6**
Fee and commission income	9.4	41.4	11.9	(0.8)	**61.9**
Dividend income	-	0.4	-	-	**0.4**
Gains less losses arising from trading securities and derivatives	1.4	1.2	11.9	(0.1)	**14.4**
Gains less losses arising from dealing in foreign currencies	-	(0.4)	(0.9)	(0.1)	**(1.4)**
Gains less losses arising from available-for-sale investments	2.3	1.9	(2.8)	-	**1.4**
Other operating income	0.4	1.7	-	-	**2.1**
Total revenues	71.5	44.2	38.8	18.9	**173.4**
Results					
Segment result	36.3	15.3	17.8	(1.9)	**67.5**
Share of profit/(loss) of investments accounted for using the equity method	0.5	0.2	(1.0)	-	**(0.3)**
Profit before gain on acquisition and income tax	36.8	15.5	16.8	(1.9)	**67.2**
Gain on acquisition					**215.9**
Income tax expense					**(20.3)**
Profit for the year					**262.8**
Segment assets					
Investments accounted for using the equity method	3.3	38.3	-	-	**41.6**
Other assets	1,289.0	34.3	1,025.4	747.7	**3,096.4**
Total assets	1,292.3	72.6	1,025.4	747.7	**3,138.0**
Segment liabilities					
Total liabilities	11.8	21.4	2,377.9	127.9	**2,538.9**
Other segment items					
Capital expenditure	-	-	-	1.5	**1.5**
Depreciation	-	-	-	1.4	**1.4**
Impairment of available-for-sale investments	-	3.8	-	-	**3.8**
Impairment charge – loans	2.9	-	-	-	**2.9**
Other non-cash expenses	2.9	3.8	-	1.4	**8.1**
Cash flow information					
Net cash flows from operating activities	(130.8)	28.9	258.2	(30.0)	**126.3**
Net cash flows from investing activities	(0.1)	(40.7)	355.3	0.1	**314.6**
Net cash flows from financing activities	240.9	35.9	(614.8)	356.2	**18.2**

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

3. Segment information (continued)

Business segments (continued)

Year ended 31 March 2006	Private Client Activities	Investment Banking	Treasury & Specialised Finance	Finance, Risk and Central	Group
	$'m	$'m	$'m	$'m	$'m
Revenue					
Net interest income	36.0	(0.5)	7.4	12.5	**55.4**
Fee and commission income	5.7	30.0	1.7	0.5	**37.9**
Gains less losses arising from trading securities	-	2.0	4.9	-	**6.9**
Gains less losses arising from dealing in foreign currencies	-	-	0.2	-	**0.2**
Gains less losses arising from available-for-sale investments	-	1.3	-	-	**1.3**
Other operating income	0.1	0.2	0.1	-	**0.4**
Total revenues	41.8	33.0	14.3	13.0	**102.1**
Results					
Segment result	19.3	12.7	2.2	3.5	**37.7**
Share of profit/(loss) of investments accounted for using the equity method	(0.3)	-	(0.2)	-	**(0.5)**
Profit before tax	19.0	12.7	2.0	3.5	**37.2**
Income tax expense					**(11.4)**
Profit for the year					**25.8**
Segment assets					
Investments accounted for using the equity method	3.2	-	-	-	**3.2**
Other assets	932.0	29.1	572.0	62.3	**1,595.4**
Total assets	935.2	29.1	572.0	62.3	**1,598.6**
Segment liabilities					
Total liabilities	8.2	12.4	1,234.0	9.7	**1,264.3**
Other segment items					
Capital expenditure	-	-	-	1.7	**1.7**
Depreciation	-	-	-	1.4	**1.4**
Impairment charge – loans	-	-	2.0	-	**2.0**
Other non-cash expenses	-	-	2.0	1.4	**3.4**
Cash flow information					
Net cash flows from operating activities	(186.7)	(9.7)	296.4	(2.8)	**97.2**
Net cash flows from investing activities	(2.8)	(1.0)	0.8	(1.5)	**(4.5)**
Net cash flows from financing activities	134.7	25.4	(163.8)	11.9	**8.1**

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
4. Revenue & Expenses					
Interest and similar income					
Cash and liquid assets		**43.9**	21.7	**43.8**	21.7
Available-for-sale investments		**7.9**	4.9	**7.9**	4.9
Trading securities		**4.3**	-	**4.3**	-
Receivables due from other financial institutions		**0.5**	0.2	**0.5**	0.2
Loans and receivables		**152.5**	91.1	**147.2**	89.4
Related entities - wholly owned group		**-**	1.4	**-**	1.4
Related entities - controlled entities		**-**	-	**2.0**	1.7
Other		**0.5**	0.1	**0.6**	0.1
		209.6	119.5	**206.3**	119.4
Interest expense and similar charges					
On demand and short-time deposits		**18.1**	8.8	**18.1**	8.8
Term deposits		**31.8**	24.8	**31.8**	24.8
Certificates of deposit		**59.8**	30.0	**59.8**	30.0
Related entities - wholly owned group		**1.2**	0.4	**1.2**	0.4
Subordinated loans		**3.8**	-	**3.8**	-
Other		**0.3**	0.1	**0.7**	-
		115.0	64.1	**115.4**	64.0
Fee and commission income					
Corporate finance fees		**44.3**	32.1	**7.8**	0.6
Structuring and arrangement fees		**10.5**	2.3	**10.5**	2.3
Asset management and related fees		**4.6**	3.0	**0.3**	-
Other fees		**2.5**	0.5	**2.0**	0.4
		61.9	37.9	**20.6**	3.3
Fee and commission expense					
Brokerage fees paid		**0.2**	0.2	**0.2**	0.2
		0.2	0.2	**0.2**	0.2
Dividend income					
Related entities - wholly owned group		**-**	-	**3.6**	-
Available-for-sale securities		**0.4**	-	**-**	-
		0.4	-	**3.6**	-
Gains less losses arising from trading securities and derivatives					
Foreign exchange and commodities		**6.0**	-	**6.0**	-
Interest rate instruments		**2.5**	0.2	**2.5**	0.2
Equities		**6.9**	6.7	**6.7**	6.6
Other		**(1.0)**	-	**(1.0)**	-
		14.4	6.9	**14.2**	6.8

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
4. Revenue & Expenses (continued)					
Gains less losses arising from dealing in foreign currencies					
Foreign exchange:					
– translation gains less losses on non-trading activities		**(1.4)**	0.2	**(1.4)**	0.2
		(1.4)	0.2	**(1.4)**	0.2
Gains less losses arising from available-for-sale investments					
Disposal of available-for-sale investments		**1.4**	1.3	**(0.5)**	-
		1.4	1.3	**(0.5)**	-
Other operating income					
Disposal of property, plant and equipment		**(0.2)**	-	**(0.2)**	-
Trust distribution		**2.3**	0.4	**0.5**	0.2
Management fees received from subsidiaries		**-**	-	**23.4**	18.0
		2.1	0.4	**23.7**	18.2
Total revenue					
Net interest income		**94.6**	55.4	**90.9**	55.4
Fee and commission income		**61.9**	37.9	**20.6**	3.3
Dividend income		**0.4**	-	**3.6**	-
Gains less losses arising from trading securities and derivatives		**14.4**	6.9	**14.2**	6.8
Gains less losses arising from dealing in foreign currencies		**(1.4)**	0.2	**(1.4)**	0.2
Gains less losses arising from available-for-sale investments		**1.4**	1.3	**(0.5)**	-
Other operating income		**2.1**	0.4	**23.7**	18.2
		173.4	102.0	**151.1**	83.9
Impairment losses on financial assets					
Specific impairment		**2.3**	2.0	**2.3**	2.0
Impairment of available-for-sale investments		**3.8**	-	**1.1**	-
Bad debts written off		**0.6**	-	**0.6**	-
		6.7	2.0	**3.9**	2.0
Other operating expenses					
Employee benefit expenses	(a)	**77.4**	46.6	**78.1**	46.3
Occupancy expenses	(b)	**4.3**	3.2	**4.3**	3.2
Asset expenses	(c)	**1.1**	1.0	**1.1**	1.0
Advertising and marketing		**1.7**	1.2	**1.6**	1.2
Travel and accommodation		**2.5**	1.6	**2.0**	1.2
Legal, compliance, consultancy and audit		**6.6**	3.7	**5.7**	2.1
Insurance		**0.8**	0.9	**0.8**	0.9
Printing, postage and stationery		**0.6**	0.4	**0.5**	0.3
Communication and information technology		**0.8**	0.9	**0.7**	0.7
Other expenses		**3.2**	2.7	**3.0**	2.6
		99.0	62.2	**97.9**	59.5

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated		Investec Bank (Australia) Limited	
		2007 $'m	2006 $'m	2007 $'m	2006 $'m
4. Revenue & Expenses (continued)					
Other operating expenses (continued)					
(a) Employee benefit expenses					
Remuneration		**62.1**	36.3	**63.3**	36.3
Annual leave and long service leave		**1.3**	0.7	**1.3**	0.7
Superannuation		**2.4**	1.6	**2.4**	1.6
Workers' compensation costs		**0.1**	0.1	**0.1**	0.1
Termination benefits		**0.3**	0.6	**0.3**	0.6
Share-based payments expense		**2.4**	1.8	**2.0**	1.6
Payroll tax		**4.2**	2.3	**4.3**	2.3
Other		**4.6**	3.2	**4.6**	3.1
		77.4	46.6	**78.1**	46.3
(b) Occupancy expenses					
Maintenance and repairs		**0.6**	0.3	**0.6**	0.3
Rental on operating leases		**3.3**	2.5	**3.3**	2.5
Depreciation					
- Leasehold improvements		**0.4**	0.4	**0.4**	0.4
		4.3	3.2	**4.3**	3.2
(c) Asset expenses					
Depreciation					
- Property, plant and equipment		**1.1**	1.0	**1.1**	1.0
		1.1	1.0	**1.1**	1.0
5. Income Tax					
The major components of income tax expense are:					
Income Statement					
Current income tax					
Current income tax charge		**20.7**	12.5	**14.8**	7.9
Deferred income tax					
Relating to origination and reversal of temporary differences		**(0.4)**	(1.1)	**(0.4)**	(1.1)
Income tax expense reported in the income statement		**20.3**	11.4	**14.4**	6.8
Statement of recognised change in equity					
Deferred income tax related to items charged or credited directly to equity					
Unrealised gain/(loss) on available-for-sale investments		**0.5**	0.3	**0.6**	(0.1)
Income tax expense reported in equity		**0.5**	0.3	**0.6**	(0.1)

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Consolidated		Investec Bank (Australia) Limited	
	2007 $'m	2006 $'m	2007 $'m	2006 $'m
5. Income Tax (continued)				
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before income tax	**283.1**	37.2	**265.0**	21.7
At the Group's statutory income tax rate of 30% (2006: 30%)	**84.9**	11.1	**79.5**	6.5
Non taxable income - Gain on acquisition	**(64.8)**	-	**(64.8)**	-
Adjustments in respect of current income tax of previous years	**(1.1)**	0.6	**(1.1)**	0.6
Investments accounted for using the equity method	**0.1**	(0.1)	**0.2**	(0.1)
Other non deductible expenditure	**0.8**	0.1	**0.8**	0.1
Other	**0.4**	(0.4)	**(0.2)**	(0.3)
	20.3	11.4	**14.4**	6.8

Tax consolidation

Investec Bank (Australia) Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect 1 from April 2004. Investec Holdings Australia Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. The amount due to/from Investec Holdings Australia Limited in respect of the Consolidated Entity's notional tax liability is reflected under related entity disclosures (Note 35).

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Investec Holdings Australia Limited.

Because under UIG 1052 Tax Consolidation Accounting the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

5. Income Tax (continued)

Deferred income tax	**Consolidated**			
	Balance Sheet		**Income Statement**	
	2007 $'m	**2006 $'m**	**2007 $'m**	**2006 $'m**
Deferred income tax at 31 March relates to the following:				
Deferred tax assets				
Revaluations of available-for-sale investments to fair value	**0.2**	(0.3)	**(1.1)**	
Loans and receivables	**2.3**	2.4	**4.1**	(1.5)
Employee entitlements	**12.0**	5.1	**(6.9)**	(1.4)
Fair value of derivative instruments	**(3.9)**	(2.2)	**3.4**	2.2
Unearned income	**0.5**	0.4	**(0.1)**	(0.2)
Specific provisions	**1.2**	0.6	**(0.6)**	(0.6)
Other provisions and accrual	**0.8**	0.2	**0.8**	0.2
Share based payments	**-**	0.1	**0.1**	0.2
Operating lease	**0.2**	0.2	**-**	-
	13.3	6.5		
Deferred tax income			**(0.4)**	(1.1)

Deferred income tax	**Investec Bank (Australia) Limited**			
	Balance Sheet		**Income Statement**	
	2007 $'m	**2006 $'m**	**2007 $'m**	**2006 $'m**
Deferred income tax at 31 March relates to the following:				
Deferred tax assets				
Revaluations of available-for-sale investments to fair value	**0.5**	(0.1)	**(0.3)**	-
Loans and receivables	**2.3**	2.4	**4.1**	(1.6)
Employee entitlements	**12.0**	5.1	**(6.9)**	(1.4)
Fair value of derivative instruments	**(4.0)**	(2.2)	**2.4**	2.2
Specific provisions	**1.2**	0.6	**(0.6)**	(0.6)
Other provisions and accrual	**0.8**	0.2	**0.8**	0.1
Share based payments	**-**	0.1	**0.1**	0.2
Operating lease	**0.2**	0.2	**-**	-
	13.0	6.3		
Deferred tax income			**(0.4)**	(1.1)

Franking credit balance

On formation of the tax consolidated group, any surplus in the franking account balances were transferred to Investec Holdings Australia Limited's franking account. The franking account of the subsidiary members remains inoperative whilst they are members of the tax consolidated group.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated		Investec Bank (Australia) Limited	
		2007 $'m	2006 $'m	2007 $'m	2006 $'m
6. Cash and liquid assets					
Cash at bank		**90.2**	156.3	**89.3**	155.6
Bank Bills - with less than three months' maturity		**691.4**	230.8	**691.4**	230.8
Short term deposits		**90.4**	40.9	**90.4**	40.9
Included in cash and cash equivalents (Note 26 (b))		**872.0**	428.0	**871.1**	427.3
Short term deposits not available for Group's day to day operations		**1.3**	1.2	**1.3**	1.1
		873.3	429.2	**872.4**	428.4
7. Bullion					
Gold bullion at fair value		**9.2**	-	**9.2**	-
		9.2	-	**9.2**	-
8. Receivables due from other financial institutions					
Settlement account		**19.8**	4.6	**19.8**	4.6
Included in cash and cash equivalents (Note 26 (b))		**19.8**	4.6	**19.8**	4.6
9. Available-for-sale investments					
Commercial paper		**4.0**	-	**4.0**	-
Bank Bills - with greater than three months' maturity		**60.2**	9.8	**60.2**	9.8
Certificates of deposit		**88.9**	61.6	**88.9**	61.6
Equity securities - at fair value:					
- listed		**12.8**	16.2	**1.8**	3.6
- unlisted		**6.2**	9.4	**0.5**	2.7
		172.1	97.0	**155.4**	77.7
(i) Impairment of available-for-sale investments are included in Note 4					
10. Trading securities					
Certificates of deposit		**153.9**	-	**153.9**	-
Equity securities - at fair value:					
- listed		**3.7**	-	**-**	-
		157.6	-	**153.9**	-

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

11. Derivative financial instruments

Year ended 31 March 2007

	Consolidated			Investec Bank (Australia) Limited		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
Derivatives held for hedging	$'m	Assets $'m	Liabilities $'m	$'m	Assets $'m	Liabilities $'m
Derivatives designated as fair value hedges						
- Interest rate swaps	178.4	1.5	(0.5)	178.4	1.5	(0.5)
	178.4	1.5	(0.5)	178.4	1.5	(0.5)
Derivatives not held for hedging						
- Forward exchange contracts	228.7	2.5	(5.7)	228.7	2.5	(5.7)
- Currency swaps	53.9	0.1	-	53.9	0.1	-
- Other forward exchange contracts	1.9	-	-	1.9	-	-
- Interest rate option	6.1	-	-	6.1	-	-
- Interest rate swaps	1,428.0	5.2	(5.2)	1,428.0	5.2	(5.2)
- Interest rate exchange traded futures	308.4	0.1	(0.1)	308.4	0.1	(0.1)
- Commodity options	1,419.8	10.7	(9.1)	1,419.8	10.7	(9.1)
- Commodity swaps and forwards	1,736.7	141.9	(73.6)	1,736.7	141.9	(73.6)
- Equity options	15.6	6.5	-	15.6	6.5	-
	5,199.1	167.1	(93.7)	5,199.1	167.0	(93.7)
Total derivatives assets/(liabilities)	5,377.5	168.5	(94.2)	5,377.5	168.5	(94.2)

Year ended 31 March 2006

	Consolidated			Investec Bank (Australia) Limited		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
Derivatives held for hedging	$'m	Assets $'m	Liabilities $'m	$'m	Assets $'m	Liabilities $'m
Derivatives designated as fair value hedges						
- Interest rate swaps	93.3	0.5	(0.1)	93.3	0.5	(0.1)
	93.3	0.5	(0.1)	93.3	0.5	(0.1)
Derivatives designated as cash flow hedges						
- Forward exchange contracts	0.3	0.1	-	0.3	0.1	-
- Currency swaps	4.3	0.4	-	4.3	0.4	-
	4.3	0.4	-	4.3	0.4	-
Derivatives not held for hedging						
- Spot exchange rate contract	164.8	3.1	(2.5)	164.8	3.1	(2.5)
- Forward exchange contracts	12.9	-	-	12.9	-	-
- FX option	32.6	0.3	(0.1)	32.6	0.3	(0.1)
- Interest rate swaps	7.8	7.8	-	7.7	7.7	-
	218.1	11.2	(2.6)	218.0	11.1	(2.6)
		-	-	-	-	-
Total derivatives assets/(liabilities)	315.7	12.1	(2.7)	315.6	12.0	(2.7)

The Bank periodically acquires equity options in some borrowers exercisable at future dates at a nominal value. Where these options cannot be reliably valued they are carried at cost, which is typically nil.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
12. Loans and receivables					
Term lending		**1,583.0**	959.8	**1,581.4**	959.6
Loans - related parties		**30.8**	27.5	**19.9**	18.3
		1,613.8	987.3	**1,601.3**	977.9
Less: Specific provision for loan impairments		**(4.1)**	(3.4)	**(4.1)**	(3.4)
		1,609.7	983.9	**1,597.2**	974.5

(i) Term lending maturity analysis is contained in Note 29.

(ii) Details of the terms of conditions of related party receivables are set out in Note 35 & 36.

Concentration of risk

The consolidated entity has an exposure to grouping of individual loans which concentrate risk and create exposure to particular segments as follows:

	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
Property related:				
Construction loans	**227.5**	252.5	**215.0**	243.1
Investment loans	**848.8**	529.7	**848.8**	529.7
Lines of credit	**75.1**	78.6	**75.1**	78.6
Project, commodities and resource finance	**320.3**	51.9	**320.3**	51.9
Growth and acquisition finance	**139.5**	69.1	**139.5**	69.1
Leases and hire purchases	**2.6**	5.5	**2.6**	5.5
	1,613.8	987.3	**1,601.3**	977.9

Finance lease receivables

	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
Minimum lease payments receivable:				
No later than one year	**2.0**	3.1	**2.0**	3.1
Later than one year but not later than five years	**1.1**	3.5	**1.1**	3.5
Later than five years	**-**	-	**-**	-
	3.1	6.6	**3.1**	6.6
Unearned future finance income on finance leases	**(0.5)**	(1.1)	**(0.5)**	(1.1)
Net investment in finance leases	**2.6**	5.5	**2.6**	5.5

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
12. Loans and advances to customers (continued)					
The group does not current maintain a collective provision for loan impairment.					
Allowance for losses on loans and receivables					
Balance at 1 April		**3.4**	1.4	**3.4**	1.4
Increase in specific provision for loan impairment		**2.3**	2.0	**2.3**	2.0
Arising from acquisition		**0.4**	-	**0.4**	-
Amounts utilised (written off) during the year relating to one facility		**(2.0)**	-	**(2.0)**	-
Balance at 31 March		**4.1**	3.4	**4.1**	3.4
13. Other financial assets					
Investments in controlled entities		**-**	-	**66.8**	66.0
Loans to controlled entities		**-**	-	**-**	1.3
		-	-	**66.8**	67.3
(i) Details of the terms of conditions of related party transactions are set out in Note 35.					
14. Investments accounted for using the equity method					
Investment in associates		**41.6**	3.2	**41.3**	3.0
		41.6	3.2	**41.3**	3.0

Details of associate	Balance Date	Ownership interest held	Place of incorporation	Principal activity
924 Pacific Highway Unit Trust	30 June	33.3%	Australia	Development and leasing of a commercial property
Viridis Energy Capital Pty Limited	30 June	35.3%	Australia	Manager of Viridis Clean Energy Fund
54 Miller Street Unit Trust	30 June	Nil (2006: 50%)	Australia	Development of a commercial property
Rozelle Bay Unit Trust	30 June	25.1%	Australia	Development of a commercial property
Gorehill Industrial Park Pty Limited	30 June	14.6%	Australia	Development of a commercial property
Global Ethanal Holdings Limited (ii)	30 June	21.4%	Australia	Holding investments in various ethanol plants
Spinnakers Lake Macquarie (i)	30 June	50.0%	Australia	Development of a commercial property

(i) Associate was not consolidated due to the Group not having control over the entity
(ii) Global Ethanal Holdings Limited was 100% owned as at 31 March 2006. The Group's ownership was diluted through an equity raising.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

14. Investments accounted for using the equity method (continued)

	924 Pacific Highway Unit Trust $'m	Viridis Energy Capital Pty Limited $'m	54 Miller Street Unit Trust $'m	Rozelle Bay Unit Trust $'m	Spinnakers Lake Macquarie $'m	Global Ethanol Holdings Limited $'m	Gorehill Industrial Park Pty Limited $'m	Consoli-dated $'m
Balance 1 April 2005	0.6	-	-	-	-	-	0.3	**0.8**
New investments	-	0.2	0.1	2.5	-	-	-	**2.8**
Share of profits/(losses)	(0.3)	(0.2)	-	-	-	-	-	**(0.5)**
Share of income tax	0.1	-	-	-	-	-	-	**0.1**
Balance 31 March 2006	0.4	-	0.1	2.5	-	-	0.3	**3.2**
New investments	-	-	-	0.4	0.1	39.1	-	**39.6**
Share of profits/(losses)	-	-	1.2	(0.4)	-	(0.8)	-	**(0.1)**
Share of income tax	-	-	(0.3)	-	-	-	-	**(0.3)**
Disposals	-	-	(1.0)	-	-	-	-	**(1.0)**
Balance 31 March 2007	0.4	-	-	2.5	0.1	38.3	0.3	**41.6**
Share of associates assets and liabilities - 31 March 2006								
Current assets	3.0	0.9	-	-	-	-	-	**3.9**
Non-current assets	-	0.1	0.1	2.5	-	-	6.5	**9.2**
Current liabilities	(2.7)	(0.3)	-	-	-	-	-	**(3.0)**
Non-current liabilities		-	-	-	-	-	(6.2)	**(6.2)**
Net assets/(liabilities)	0.3	0.7	0.1	2.5	-	-	0.3	**3.9**
Share of associates assets and liabilities - 31 March 2007								
Current assets	1.3	0.4	-	-	-	15.0	8.7	**25.3**
Non-current assets	-	0.1	-	2.6	0.1	66.6	-	**69.3**
Current liabilities	(0.9)	(0.2)	-	(0.1)	-	(5.9)	(8.4)	**(15.4)**
Non-current liabilities	-		-	-	-	(24.3)	-	**(24.3)**
Net assets/(liabilities)	0.4	0.3	-	2.5	0.1	51.4	0.3	**55.0**

(i) Details of the terms of conditions of loans to associates are set out in Note 35.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated		Investec Bank (Australia) Limited	
		2007 $'m	2006 $'m	2007 $'m	2006 $'m
15. Goodwill					
Cost (gross carrying amount)		**69.6**	69.6	**-**	-
Accumulated amortisation and impairment		**(20.5)**	(20.5)	**-**	-
		49.1	49.1	**-**	-

Impairment testing of goodwill

As from 1 April 2005, goodwill is no longer amortised but is now subject to annual impairment testing.

No impairment loss was recognised in the 2007 financial year.

Goodwill acquired through business combinations has been allocated to the investment banking cash generating unit, which is a reportable segment, for impairment testing purposes.

The recoverable amount of goodwill represents a pre-tax historic earnings multiple of approximately three times. Management are comfortable that this carrying value is supported based on discussions with investment banking executives and available market data for comparable businesses.

The pre-tax earning multiple used in the calculation of the recoverable amount of goodwill is based on discussion with investment banking executives and market data on earnings multiples of similar businesses. Management considers that the earnings multiple used is conservative when compared to industry averages

Sensitivity to change in assumptions

With regard to the assessment of the recoverable amount of goodwill in the investment banking business, management believe that it is highly unlikely that a change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

	Consolidated				Investec Bank (Australia) Limited			
	Leasehold improvements	Office equipment and furniture and fittings	Computer equipment	Total	Leasehold improvements	Office equipment and furniture and fittings	Computer equipment	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
16. Property, plant and equipment								
Year ended 31 March 2007								
At 1 April 2006, net of accumulated depreciation and impairment	3.5	0.5	1.4	**5.4**	3.5	0.5	1.4	**5.4**
Additions	0.5	0.4	0.6	**1.5**	0.5	0.4	0.6	**1.5**
Reclassification	-	-	-	**-**	-	-	-	**-**
Acquired on acquisition	-	0.1	0.4	**0.5**	-	0.1	0.4	**0.5**
Disposals	-	(0.1)	(0.1)	**(0.2)**	-	(0.1)	(0.1)	**(0.2)**
Impairment	-	-	-	**-**	-	-	-	**-**
Depreciation charge for the year	(0.4)	(0.2)	(0.8)	**(1.4)**	(0.4)	(0.2)	(0.8)	**(1.4)**
At 31 March 2007, net of accumulated depreciation and impairment	3.6	0.7	1.5	**5.8**	3.6	0.7	1.5	**5.8**
At 31 March 2007								
Cost or fair value	4.8	1.3	4.8	**10.9**	4.8	1.3	4.8	**10.9**
Accumulated depreciation and impairment	(1.2)	(0.6)	(3.3)	**(5.1)**	(1.2)	(0.6)	(3.3)	**(5.1)**
Net carrying amount	3.6	0.7	1.5	**5.8**	3.6	0.7	1.5	**5.8**

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Consolidated				Investec Bank (Australia) Limited			
	Leasehold improvements	Office equipment and furniture and fittings	Computer equipment	Total	Leasehold improvements	Office equipment and furniture and fittings	Computer equipment	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
16. Property, plant and equipment (continued)								
Year ended 31 March 2006								
At 1 April 2005, net of accumulated depreciation and impairment	3.2	0.3	1.6	**5.1**	3.2	0.3	1.6	**5.1**
Additions	0.7	0.3	0.7	**1.7**	0.7	0.3	0.7	**1.7**
Reclassification	-	-	-	**-**	-	-	-	**-**
Disposals	-	-	-	**-**	-	-	-	**-**
Impairment	-	-	-	**-**	-	-	-	**-**
Depreciation charge for the year	(0.4)	(0.1)	(0.9)	**(1.4)**	(0.4)	(0.1)	(0.9)	**(1.4)**
At 31 March 2006, net of accumulated depreciation and impairment	3.5	0.5	1.4	**5.4**	3.5	0.5	1.4	**5.4**
At 31 March 2006								
Cost or fair value	4.3	0.9	4.2	**9.4**	4.3	0.9	4.2	**9.4**
Accumulated depreciation and impairment	(0.8)	(0.4)	(2.8)	**(4.0)**	(0.8)	(0.4)	(2.8)	**(4.0)**
Net carrying amount	3.5	0.5	1.4	**5.4**	3.5	0.5	1.4	**5.4**

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
17. Other Assets					
Trade debtors		**10.5**	7.0	**4.0**	0.2
Sundry debtors		**5.2**	0.3	**3.8**	0.1
Prepayments		**2.3**	0.3	**2.3**	0.3
		18.0	7.6	**10.1**	0.6
18. Deposits and other public borrowings					
On demand and short-term deposits		**492.1**	181.1	**492.1**	181.1
Term deposits		**601.1**	437.1	**601.1**	437.1
Certificates of deposits		**1,157.7**	602.3	**1,157.7**	602.3
		2,250.9	1,220.5	**2,250.9**	1,220.5

(i) Term maturity analysis is contained in Note 29.

	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
Concentration of Risk				
The consolidated entity has an exposure to grouping of individual deposits which concentrate risk and create exposure to particular segments as follows:				
Private client	**655.4**	495.2	**655.4**	495.2
Corporate and institutional	**1,595.5**	725.3	**1,595.5**	725.3
	2,250.9	1,220.5	**2,250.9**	1,220.5
19. Other borrowed funds				
Unsecured loans from related entities	**26.1**	9.4	**26.1**	9.4
Loans to controlled entities	**-**	-	**7.9**	-
Loans from parent entity	**10.6**	5.7	**5.0**	1.0
	36.7	15.1	**39.0**	10.4

(i) Details of the terms of conditions of related party payables are set out in Note 35.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
20. Subordinated loans					
Fixed rate subordinated notes (6.75%)		**21.5**	-	**21.5**	-
Floating rate subordinated notes		**79.0**	-	**79.0**	-
		100.5	-	**100.5**	-

Subordinated notes are subordinated in right of payment to the claims of depositors and all other creditors of the company. Subordinated notes with an original maturity of at least 5 years constitute lower Tier 2 capital as defined by the Australian Prudential Regulation Authority for capital adequacy purposes. These subordinated notes were issued 6 December 2004 ($75m) maturing December 2009 and 10 August 2005 ($25m) maturing August 2010.

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
21. Other liabilities					
Trade payables		**0.7**	0.8	**0.7**	0.8
Other payables		**15.8**	7.8	**12.5**	5.6
Employee benefits		**40.1**	17.4	**40.1**	17.4
		56.6	26.0	**53.4**	23.8
22. Share capital					
291,697,616 Ordinary shares fully paid	(i)	**291.7**	291.7	**291.7**	291.7
		291.7	291.7	**291.7**	291.7

(i) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Bank, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up to shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Bank.

	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
23. Retained earnings				
Movements in retained earnings were as follows:				
Balance 1 April	**33.7**	16.1	**22.9**	16.2
Net profit for the year	**262.8**	25.8	**250.6**	14.9
Tranfer to general reserve for credit losses	**(8.9)**	(8.2)	**(8.9)**	(8.2)
Balance 31 March	**287.6**	33.7	**264.6**	22.9

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Consolidated				Investec Bank (Australia) Limited			
	Net unrealised gains reserve	Employee benefits reserve	General reserve for credit losses	Total	Net unrealised gains reserve	Employee benefits reserve	General reserve for credit losses	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
24. Other Reserves								
Movements in reserves were as follows:								
Balance 1 April 2005	-	-	-	**-**	-	-	-	**-**
Net unrealised gains / (losses) on available-for-sale investments net of tax effect	0.7	-	-	**0.7**	(0.4)	-	-	**(0.4)**
Transfer from retained earnings	-	-	8.2	**8.2**	-		8.2	**8.2**
Balance 31 March 2006	0.7	-	8.2	**8.9**	(0.4)	-	8.2	**7.8**
Net unrealised gains / (losses) on available-for-sale investments net of tax effect	(1.5)	-	-	**(1.5)**	0.8	-	-	**0.8**
Impairment of available-for-sale investments net of tax effect	2.6	-	-	**2.6**	0.7	-	-	**0.7**
Share based payments	-	0.9	-	**0.9**	-	0.9	-	**0.9**
Transfer from retained earnings	-	-	8.9	**8.9**	-	-	8.9	**8.9**
Balance 31 March 2007	1.8	0.9	17.1	**19.8**	1.1	0.9	17.1	**19.1**

Net unrealised gains reserve

This reserve records fair value changes on available-for-sale investments. Also recorded here is the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Amounts are recorded net of tax.

General reserve for credit losses

The general reserve for credit losses represents transfers from retained earnings to meet requirements under relevant banking legislation. The Group makes an appropriation to the general reserve for credit losses for unforeseeable risks and future losses.

Employee benefits reserve

The Employee benefits reserve represents equity settled share-based payments in respect of services received from employees.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

25. Change in composition of entity

Acquisition of Rothschild's banking business

On 7 July 2006 Investec Bank (UK) Limited ("IBUK") acquired NM Rothschild and Sons (Australia) Limited ("Rothschild") at which time Rothschild changed its name to Investec Australia Limited ("IAL").

On 29 September 2006 all the assets and liabilities of IAL were transferred to Investec Bank (Australia) Limited ("IBAL") for zero consideration. This transfer resulted in an acquisition profit for IBAL of $215.9m (nil tax). From the date of acquisition by IBUK to the date of transfer IAL contributed net profits to the IBUK Group of $0.1m. This amount has not been included in the results of IBAL group but have been consolidated at IBUK level.

Prior to being acquired by IBUK, Rothschild transferred those business units not being sold into separate legal entities. Due to the unbundling of these entities, the accounting information for the period prior to acquisition is not comparable with the businesses acquired by IBUK, and subsequently transferred to IBAL. Accordingly IBAL has not disclosed the effect on profits had it acquired IAL on 1 April 2006, being the beginning of its the financial year.

The fair value of the identifiable assets and liabilities of the Rothschild's banking business as at the date of acquisition are:

	Consolidated	
	Recognised on acquisition $'m	**Carrying value $'m**
Cash and liquid assets	**355.3**	355.3
Bullion	**4.0**	4.0
Derivative financial instruments	**201.3**	201.3
Available-for-sale investments	**0.3**	0.3
Trading securities	**493.5**	493.5
Loans and receivables	**561.0**	576.4
Property, plant and equipment	**0.5**	0.9
Deferred income tax assets	**7.2**	2.9
Other assets	**2.9**	2.9
	1,626.0	1,637.5
Deposits and other public borrowings	**1,174.9**	1,174.9
Derivative financial instruments	**123.8**	123.8
Subordinated loan capital	**101.0**	101.0
Other liabilities	**6.2**	1.1
Current income tax liabilities	**2.0**	2.0
	1,407.9	1,402.8
Fair value of net assets	**218.1**	234.7
Costs associated with the acquisition	**(2.2)**	
Gain on acquisition	**215.9**	

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated		Investec Bank (Australia) Limited	
		2007 $'m	2006 $'m	2007 $'m	2006 $'m
26. Notes to the Statement of Cash Flow					
(a) Reconciliation of profit for the year to net cash flows from operating activities					
Net profit before income tax		**283.1**	37.2	**265.0**	21.7
Net (increase) in assets at fair value through the Income Statement		**(12.9)**	(8.5)	**(12.7)**	(8.4)
Gain on acquisition		**(215.9)**	-	**(215.9)**	-
Non cash revenue					
Amortisation of leasehold improvements		**0.4**	0.4	**0.4**	0.4
Asset expense		**1.1**	1.0	**1.1**	1.0
(Gain)/loss on sale property plant and equipment		**0.2**	-	**0.2**	-
Net loss/(gains) on disposal of available-for-sale investments		**1.4**	-	**(0.5)**	-
Impairment of available-for-sale investments		**(3.8)**	(1.3)	**(1.1)**	-
Management fees received from subsidiaries		**-**	-	**(23.4)**	(18.0)
Dividends received		**(0.4)**	-	**(3.6)**	-
Share of net loss of associate accounted for using the equity method		**0.3**	0.5	**-**	0.5
Increase in capitalisation of net fees and interest relating to an integral part of a loan		**(2.3)**	(5.5)	**(2.3)**	(5.5)
Increase in interest payable on deposits		**4.3**	2.9	**4.3**	2.9
Increase in provision for employee entitlements		**22.7**	4.8	**22.7**	4.8
Decrease/(increase) in net receivables		**(16.4)**	0.2	**(15.1)**	3.4
Decrease/(increase) in prepayments		**(2.1)**	0.3	**(2.0)**	0.2
Increase in trade and other creditors		**10.8**	(0.1)	**13.2**	(1.2)
Increase in provision for impairments		**2.5**	2.0	**2.5**	2.0
		73.0	33.8	**32.7**	3.8
(b) Reconciliation of Cash					
For the purpose of the statement of cash flows, cash includes money at short call, bills, at call deposits with other financial institutions and settlement account balances with other banks.					
Cash at bank		**90.2**	156.3	**89.3**	155.6
Bank bills - with less than three months' maturity		**691.4**	230.8	**691.4**	230.8
Short term deposits		**90.4**	40.9	**90.4**	40.9
Due from other financial institutions - at call		**19.8**	4.6	**19.8**	4.6
		891.7	432.6	**890.8**	431.8

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

	Note	Consolidated		Investec Bank (Australia) Limited	
		2007 $'m	2006 $'m	2007 $'m	2006 $'m
26. Notes to the Statement of Cash Flow (continued)					
(c) Financing facilities					
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities					
- Bank overdraft		**0.5**	0.5	**0.5**	0.5
- Standby facilities		**-**	-	**-**	-
- Bill acceptance/discount facilities		**20.0**	20.0	**20.0**	20.0
Facilities used at reporting date					
- Bank overdraft		**-**	-	**-**	-
- Standby facilities		**-**	-	**-**	-
- Bill acceptance/discount facilities		**-**	-	**-**	-
Facilities unused at reporting date					
- Bank overdraft		**0.5**	0.5	**0.5**	0.5
- Standby facilities		**-**	-	**-**	-
- Bill acceptance/discount facilities		**20.0**	20.0	**20.0**	20.0

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

27. Capital adequacy

Entities within the Group are subject to regulation by a variety of regulators.

The Consolidated Entity is subject to regulation by the Australian Prudential Regulation Authority (APRA) and is required to maintain certain minimum ratios of capital to assets.
These ratios are applied to the Bank as a stand-alone entity and on a consolidated basis to the Group.
The minimum capital ratio required is currently 15% of risk weighted assets.

Under APRA Prudential Standards, capital falls into two categories, known as Tier 1 and Tier 2. Tier 1 capital consists of shareholders funds and certain capital instruments that meet the standards set by APRA. Intangible assets and future income tax benefits are deducted to arrive at Tier 1 capital.

Tier 2 capital is divided into Upper Tier 2 capital (consisting of revaluation reserves, general provisions for doubtful debts, cumulative irredeemable preference shares and other hybrid capital instruments approved by APRA), and Lower Tier 2 capital (consisting of mandatory convertible notes, term subordinated debt, limited life redeemable preference shares and other capital instruments approved by APRA). Tier 2 capital may not exceed Tier 1 capital and Lower Tier 2 capital may not exceed 50% of Tier 1 capital.

Risk weighted capital ratios	2007 %	2006 %
Tier one	**19%**	18%
Tier two	**5%**	1%
Total	**24%**	19%

Regulatory capital	2007 $'m	2006 $'m
Tier one capital		
Paid-up ordinary share capital	**291.7**	291.7
Retained earnings	**24.8**	14.7
Current year's earnings net of expected dividends and tax expenses	**262.8**	25.8
Less: Goodwill	**(49.1)**	(49.1)
Less: Loan and lease origination fees and commissions paid to mortgage originators and brokers	**(6.6)**	(0.7)
Less: Deferred tax assets	**(13.3)**	(7.4)
Less: Equity investments in non-subsidiary entities exceeding prescribed limits	**(51.0)**	(14.8)
Less: Other tier 1 capital deductions as advised by APRA	**(10.0)**	-
Total tier one capital	**449.3**	260.2
Tier two capital		
Asset Revaluation Reserves - Quoted readily marketable securities	**1.8**	0.5
General reserve for credit losses	**17.1**	8.2
Term subordinated debt	**100.0**	-
Subordinated debt related expenses capitalised	**(0.4)**	-
Total Tier two capital	**118.4**	8.7
Total tier one and tier two capital	**567.7**	**268.9**

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

27. Capital Adequacy (continued)

Risk-weighted assets	Face Value 2007 $'m	Face Value 2006 $'m	Risk Weights %	Risk-Weighted Balance 2007 $'m	Risk-Weighted Balance 2006 $'m
(a) On balance sheet assets					
Cash, claims on Reserve Bank, and other zero-weighted assets	**28.0**	7.5	0	**-**	-
Claims on, or claims guaranteed by, ADIs in Australia	**1,146.6**	489.6	20	**229.3**	97.9
Advances secured by residential property (i)	**62.9**	56.8	50	**31.4**	28.4
All other assets	**1,599.1**	981.2	100	**1,599.1**	981.2
Total on balance sheet assets - credit risk (ii)	**2,836.6**	1,535.1		**1,859.8**	1,107.5

	Face Value 2007 $'m	Face Value 2006 $'m	Credit Equivalent 2007 $'m	Credit Equivalent 2006 $'m	Risk-Weighted Balance 2007 $'m	Risk-Weighted Balance 2006 $'m
(b) Off-balance sheet exposures						
Banking book derivative activities	**1,914.8**	313.4	**72.7**	11.3	**20.9**	3.2
Trading book derivative activities	**2,426.8**	-	**156.1**	-	**47.1**	-
Commitments	**626.6**	358.4	**460.9**	317.0	**424.1**	310.9
Total off balance sheet risk weighted assets - credit risk	**4968.2**	671.8	**689.7**	328.3	**492.1**	314.1
Market risk charge					**31.0**	-
Total risk weighted assets					**2,383.0**	1421.6

(i) For loans secured by residential property, a risk weight of 100% is applied where the loan to valuation ratio is in excess of 80%. Loans that are risk weighted at 100% are reported under "All other assets".

(ii) The difference between total on balance sheet assets and the Group's balance sheet reflects the alternative treatment of some assets and provisions as prescribed in APRA's capital adequacy guidelines; principally goodwill, and general reserve for credit losses.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

28. Average Balances and Related Interest

The table following lists the major categories of interest earning assets and interest bearing liabilities of the Consolidated Entity with the respective interest earned or paid and the average interest rates for the period. Averages used were predominately daily averages. Interest is accounted for based on product yield, while all trading gains and losses are disclosed as trading income within other banking income.

Where assets or liabilities are hedged, the amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates.

Average Balances (Consolidated)

	Year ended 31 March 2007			Year ended 31 March 2006		
	Average balance	Interest and similar income	Average rate	Average balance	Interest and similar income	Average rate
	$'m	$'m	%	$'m	$'m	%
Interest earning assets						
Cash and liquid assets	**719.5**	**43.9**	**6.10%**	385.6	21.7	5.64%
Bullion	**4.7**	**-**	**-**	-	-	-
Receivables due from other financial institutions	**7.4**	**0.5**	**6.35%**	3.9	0.2	5.13%
Trading securities	**93.3**	**4.3**	**4.61%**	-	-	-
Other financial instruments at fair value through the income statement	**196.1**	**7.9**	**4.04%**	83.7	4.9	5.87%
Related entities - wholly owned group	**-**	**-**	**-**	25.0	1.4	5.68%
Loans and advances to customers	**1294.6**	**152.5**	**11.78%**	869.6	91.1	10.47%
Other	**-**	**0.5**	**-**	-	0.1	-
Total interest earning assets	**2,315.6**	**209.6**	**9.05%**	1,367.8	119.5	8.73%
Non interest earning assets	**175.0**			74.0		
Total average assets	**2,490.6**			1,441.8		
Interest bearing liabilities						
On demand and short-term deposits	**316.7**	**18.1**	**5.72%**	158.8	8.8	5.56%
Term deposits	**577.8**	**31.8**	**5.50%**	431.0	24.8	5.75%
Certificates of deposits	**948.1**	**59.8**	**6.31%**	506.8	30.0	5.91%
Subordinated loans	**54.0**	**3.8**	**6.95%**	-	-	-
Related entities - wholly owned group	**18.2**	**1.2**	**6.48%**	8.5	0.4	5.03%
Other	**-**	**0.3**	**-**	-	0.1	-
Total interest bearing liabilities	**1914.8**	**115.0**	**6.00%**	1105.1	64.1	5.79%
Non interest bearing liabilities	**112.0**			15.8		
Total average liabilities	**2,026.8**			1120.9		

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

29. Financial risk management

Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

Hedge accounting

Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in AASB 139, the Group applies fair value hedge accounting or cash flow hedge accounting as appropriate to the risks being hedged.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.
Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(a) Derivatives

The Group maintains strict control limits on net open derivative positions (ie, the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit – which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties – carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

29. Financial risk management (continued)

Market risk

The Group takes on limited exposure to market risks as a result of activities from its money market and commodity & resource trading desks, along with principal activities in respect of equity investments. Market risks arise from open positions in interest rate, currency, commodity and equity products, all of which are exposed to general and specific market movements.

The Group applies a combination of methodologies to manage its exposure to market risk, including a 'value at risk' methodology to estimate the market risk of positions held and the maximum expected losses to a defined level of confidence over a defined period, based upon a number of assumptions for various changes in market conditions, various sensitivity methodologies utilised to estimate the impact of defined changes to a given variable or group of variables, and volume based limits to constrain overall exposure to certain types of market risk The Board sets limits on the value of risk that may be accepted along with limits on the risk under certain sensitivity measures and volume limits, which are monitored on a daily basis.

Traded market risk

The primary focus of the trading desk is to facilitate client trades in the commodities and resource sector and manage the associated market risk within approved limits in the foreign exchange, interest rates and commodities markets.

The trading desk is not an active market maker in these markets, with its main focus the facilitation and hedging of client initiated transactions. The control framework is structured so that proprietary trading while allowed is closely monitored. These proprietary positions arise from the execution of client transactions and/or from the active management of the legacy book.

The market risk is measured using a combination of value at risk, stress testing and position limits. These limits are set by the Board and delegated to the Market Risk Forum. Limits are reviewed at least annually to ensure that they remain appropriate. Limits may also be reviewed during or following periods of high volatility in the traded markets or at any other time when senior management are concerned about the risks. All limits are monitored and reported on a daily basis.

Currency risk

The Group does take on foreign currency exchange rate risk within tight limits set by the Board. Currency exposure arises predominantly from profits relating to foreign currency assets and liabilities as well as foreign currency payments and fees. These exposures are managed as they arise to prevent significant positions from accumulating. The limits for both overnight and intra-day positions are monitored daily. The Bank has a net short exposure of AUD $30m as at 31 March 2007.

Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, and from margin and other calls on cash-settled derivatives. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group measures its exposure to Liquidity risk through the measurement of the cumulative mismatch of expected cashflows across various forward looking time buckets. The Board sets limits on the degree to which such cashflow mismatches can occur, and sets limits on the minimum proportion of assets that must be held as highly quality liquid assets to cover withdrawals at unexpected levels of demand.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

29. Financial risk management (continued)

The tables following analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

							Consolidated
					Maturity Period at 31 March 2007		
	Up to 1 month $'m	1 to 3 months $'m	3 to 12 months $'m	1 to 5 years $'m	> 5 years $'m	Not Specified $'m	Total $'m
Assets							
Cash and liquid assets	435.1	438.2					873.3
Bullion	9.2						9.2
Receivables due from other financial institutions	19.8						19.8
Derivative financial instruments	13.4	14.4	55.0	85.7			168.5
Available-for-sale investments	4.0		42.5	118.5	7.1		172.1
Trading securities	6.2		23.1	128.3			157.6
Loans and receivables	165.9	238.5	427.6	629.7	148.0		1,609.7
Investments accounted for using the equity method					41.6		41.6
Other assets				18.0	13.3	54.9	86.2
Total assets	653.6	691.1	548.2	980.2	210.0	54.9	3,138.0
Liabilities							
Deposits and other public borrowings	998.1	152.5	667.9	432.4			2,250.9
Derivative financial instruments	7.8	8.4	32.0	46.0			94.2
Other borrowed funds	4.8	13.1	11.4	7.4			36.7
Other liabilities					56.6		56.6
Subordinated loans					100.5		100.5
Total liabilities	1,010.7	174.0	711.4	485.8	157.1	-	2,538.9

(i) The above maturity analysis reflects the Group's tangible financial assets and liabilities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

29. Financial risk management (continued)

Liquidity risk (continued)

							Consolidated Maturity Period at 31 March 2006
	Up to 1 month $'m	1 to 3 months $'m	3 to 12 months $'m	1 to 5 years $'m	> 5 years $'m	Not Specified $'m	Total $'m
Assets							
Cash and liquid assets	315.1	114.1					429.2
Receivables due from other financial institutions	4.6						4.6
Available-for-sale investments	10.1		9.8	47.5	29.6		97.0
Loans and receivables	111.7	82.0	361.9	419.9	8.4		983.9
Investments accounted for using the equity method					3.2		3.2
Other assets	4.5	0.1	1.4	13.7		61.0	80.7
Total assets	446.0	196.2	373.1	481.1	41.2	61.0	1,598.6
Liabilities							
Deposits and other public borrowings	462.6	201.8	247.2	308.8	0.1		1,220.5
Other borrowed funds	1.5	0.2	6.5	5.6	1.3		15.1
Other liabilities	8.6	17.0	0.8	2.3			28.7
Total liabilities	472.7	219.0	254.5	316.7	1.4	-	1,264.3

* Due to materiality derivative financial instruments have been included in other assets and liabilities

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest rate movements, are included in 'other assets' and 'other liabilities' under the heading 'Non-interest bearing'.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

29. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

Consolidated
Contractual repricing period from 31 March 2007

	Up to 1 month $'m	1 to 3 months $'m	3 to 12 months $'m	1 to 5 years $'m	> 5 years $'m	Non interest bearing $'m	Total $'m	Weighted average effective interest rate %
Interest earning assets								
Cash and liquid assets	481.4	391.9					873.3	6.41%
Bullion	9.2						9.2	
Due from other financial institutions	19.8						19.8	6.00%
Derivative financial instruments	13.4	14.4	12.9	42.1	85.7		168.5	
Available-for-sale investments			106.1	39.0	7.8	19.1	172.1	5.86%
Trading securities			105.5	52.1			157.6	5.86%
Loans and receivables	490.2	871.7	77.4	144.2	26.2		1,609.7	9.72%
Total interest earning assets	1,014.0	1,278.0	301.9	277.4	119.7	19.1	3,010.2	
Non interest earning assets						127.8	127.8	
Total assets	1,014.0	1,278.0	301.9	277.4	119.7	146.9	3,138.0	
Interest bearing liabilities								
Deposits and other public borrowings	1,432.0	557.9	92.8	160.4	7.8		2,250.9	6.22%
Derivative financial instruments	7.8	8.4	7.5	24.5	46.0		94.2	
Other borrowed funds	35.2					1.5	36.7	4.63%
Subordinated loans		78.9			21.6		100.5	7.22%
Total interest bearing liabilities	1,475.0	645.2	100.3	184.9	75.4	1.5	2,482.3	
Non interest bearing liabilities						56.6	56.6	
Total liabilities	1,475.0	645.2	100.3	184.9	75.4	58.1	2,538.9	
Equity						599.1	599.1	
Net mismatch	(461.0)	632.8	201.6	92.5	44.3	(510.3)		
Cumulative mismatch	(461.0)	171.8	373.4	465.9	510.3	-		

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

29. Financial risk management (continued)

Cash flow and fair value interest rate risk (continued)

Consolidated
Contractual repricing period from 31 March 2006

	Up to 1 month $'m	1 to 3 months $'m	3 to 12 months $'m	1 to 5 years $'m	> 5 years $'m	Non interest bearing $'m	Total $'m	Weighted average effective interest rate %
Interest earning assets								
Cash and liquid assets	264.4	114.1	50.7				429.2	5.65%
Due from other financial institutions	4.6						4.6	5.25%
Available-for-sale investments	46.4	15.1				35.5	97.0	6.35%
Derivative financial instruments				12.1			12.1	
Loans and receivables	360.6	557.7	13.6	47.6	4.0	0.4	983.9	9.05%
Total interest earning assets	676.0	686.9	64.3	59.7	4.0	35.9	1,526.8	
Non interest earning assets						71.8	71.8	
Total assets	676.0	686.9	64.3	59.7	4.0	107.7	1,598.6	
Interest bearing liabilities								
Deposits and other public borrowings	680.6	342.0	162.4	35.4	0.1		1,220.5	5.78%
Derivative financial instruments				2.7			2.7	
Other borrowed funds	0.1	0.2	0.8	5.6	1.3	7.1	15.1	6.18%
Total interest bearing liabilities	680.7	342.2	163.2	43.7	1.4	7.1	1,238.3	
Non interest bearing liabilities						26.0	26.0	
Total liabilities	680.7	342.2	163.2	43.7	1.4	33.1	1,264.3	
Equity						334.3	334.3	
Net mismatch	(4.7)	344.7	(98.9)	16.0	2.6	(259.7)		
Cumulative mismatch	(4.7)	340.0	241.1	257.1	259.7	-		

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

30. Financial instruments

Fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

Market values have been used to determine the fair value of listed available-for-sale investments, trading securities and derivative financial instruments. The fair value of floating rate assets and liabilities approximates carrying value. The Group has no material unhedged fixed rate assets or liabilities with contractual repricing terms greater than 12 months. Accordingly, fair value approximates carrying value.

	Consolidated			
	Carrying amount		Fair value	
	2007	2006	2007	2006
Financial assets				
Cash and liquid assets	**873.3**	429.2	**873.3**	429.2
Bullion	**9.2**	-	**9.2**	-
Receivables due from other financial institutions	**19.8**	4.6	**19.8**	4.6
Derivative financial instruments	**168.5**	12.1	**168.5**	12.1
Available-for-sale investments	**172.1**	97.0	**172.1**	97.0
Trading securities	**157.6**	-	**157.6**	-
Loans and receivables	**1609.7**	983.9	**1609.7**	983.9
Investments accounted for using the equity method	**41.6**	3.2	**41.6**	3.2
Total financial assets	**3,051.8**	1,530.0	**3,051.8**	1,530.0
Other non-financial assets	**86.2**	68.6		
Total assets	**3,138.0**	1,598.6		
Financial liabilities				
Deposits and other public borrowings	**2,250.9**	1,220.5	**2,250.9**	1,220.5
Derivative financial instruments	**94.2**	2.7	**94.2**	2.7
Other borrowed funds	**36.7**	15.1	**36.7**	15.1
Subordinated loans	**100.5**	-	**100.5**	-
Total financial liabilities	**2,482.3**	1,238.3	**2,482.3**	1,238.3
Other non-financial liabilities	**56.6**	26.0		
Total liabilities	**2,538.9**	1,264.3		

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

	Note	Consolidated 2007 $'m	Consolidated 2006 $'m	Investec Bank (Australia) Limited 2007 $'m	Investec Bank (Australia) Limited 2006 $'m
31. Commitments and contingencies					
Operating lease commitments - As lessee					
- not later than one year		**8.6**	2.7	**8.6**	2.7
- later than one year and not later than five years		**28.0**	7.7	**28.0**	7.7
- longer than five years		**8.0**	9.1	**8.0**	9.1
	(a)	**44.6**	19.5	**44.6**	19.5
Operating lease commitments - As lessor					
- not later than one year		**3.8**	-	**3.8**	-
- later than one year and not later than five years		**8.8**	-	**8.8**	-
- longer than five years		**-**	-	**-**	-
		12.6	-	**12.6**	-
Capital commitments		**2.9**	6.2	**-**	0.8
- later than one year and not later than five years		**2.9**	6.2	**-**	0.8

There are no restrictions imposed on the Group's lease of space other than those forming part of the negotiated lease arrangements for each specific premise.

(a) The commitment is mainly in respect of an operating lease arrangement entered into for the rental of office space in The Chifley Tower, Sydney.

Guarantees and commitments to provide credit

Investec Bank (Australia) Limited is involved in a range of transactions that give rise to contingent and/or future liabilities. These transactions meet the financing requirements of customers and include guarantees and commitments to provide credit.

These transactions combine varying levels of credit, interest rate and liquidity risk. In accordance with Group policy, exposure to any of these transactions is not carried at a level that would have a material effect on the financial condition of the Group and its controlled entities.

Details of contingent liabilities and off balance sheet business (excluding derivatives) are:

	Consolidated Carrying amount 2007 $'m	Consolidated Carrying amount 2006 $'m	Consolidated Credit equivalent 2007 $'m	Consolidated Credit equivalent 2006 $'m
Guarantees entered into in the normal course of business	**102.4**	38.7	**102.4**	38.7
Commitments to provide credit:				
- One year or less	**214.8**	157.7	**136.4**	135.9
- Over one year	**309.4**	162.0	**222.1**	142.4
	626.6	358.4	**460.9**	317.0

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

31. Commitments and contingencies (continued)

Guarantees represent unconditional undertakings by Investec Bank (Australia) Limited to support the obligations of its customers to third parties.

Commitments to provide credit include all obligations on the part of Investec Bank (Australia) Limited to provide credit facilities.

The transactions are categorised and credit equivalents calculated under APRA guidelines for the risk based measurement of capital adequacy.

The credit equivalent exposure from direct credit substitutes (guarantees) is the face value of the transaction. The exposure to commitments to provide credit is calculated by applying given credit conversion factors to the face value to reflect the duration, the nature and the certainty of the contractual undertaking to provide the facility.

Where the potential loss depends on the performance of a counterparty, Investec Bank (Australia) Limited utilises the same credit policies and assessment criteria for off balance sheet business as it does for on balance sheet business and if it is deemed necessary, collateral is obtained based on management's credit evaluation of the counterparty. If a probable loss is identified, suitable provisions are raised.

Remuneration commitments

Investec Bank (Australia) Limited has a commitment to make certain performance based payments in future years to two employees. The amount of these payments is not readily determinable and therefore has not been accrued but is not considered material.

Legal claims

There are no outstanding material legal claims as at 31 March 2007.

32. Events after the balance date

There have been no significant events which have occurred subsequent to 31 March 2007.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

33. Fiduciary activities

The Consolidated Entity conducts investment management and other fiduciary activities for numerous investment funds and trusts. The aggregate amounts of funds concerned, which are not included in the Consolidated Entity's balance sheet, are as follows:

	Consolidated		Investec Bank (Australia) Limited	
	2007 $'m	2006 $'m	2007 $'m	2006 $'m
Funds managed and committed	**739.7**	585.6	**-**	-
	739.7	585.6	**-**	-

34. Auditor's remuneration

The auditor of Investec Bank (Australia) Limited is Ernst & Young.

	Consolidated		Investec Bank (Australia) Limited	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Amounts received or due and receivable by Ernst & Young (Australia) for:				
• Audit of the Financial report of the entity and other entities within the group	**537**	229	**537**	229
• Other services in relation to the entity and any other entity in the consolidated group				
- Audit-related fees	**59**	40	**59**	40
- Tax fees	**164**	117	**164**	117
- All other fees	**-**	11	**-**	11
	760	397	**760**	397

The Audit and Compliance Committee has considered the non-audit services provided by Ernst & Young and is satisfied that the services and the level of fees are compatible with maintaining the auditor's independence.

Audit fees consist of fees for the audit of the annual consolidated financial statements of the Group, the audit of the annual financial statements of the Bank and each of its controlled entities that are required to prepare financial statements, and review and audit opinions to the head office auditor of the ultimate controlling entity.

Audit-related fees consist of (i) fees for services required by statute or regulation that are reasonably related to the performance of the audit or review of the Group's financial statements and which are traditionally performed by the external auditor, and (ii) fees for other assurance services reasonably related to the audit or review of the Group's financial statetments, including accounting and regulatory consultations.

Tax fees consist of fees for tax advisory and tax compliance services.

All other fees consist of advice regarding revised regulatory requirements.

Ernst & Young are also auditors of a number of funds and trusts that the Group conduct investment management and other fiduciary activities. These funds and trusts are not consolidated into the Consolidated Entity's balance sheet. The audit fees for these funds and trusts in the period were $51,000 (2006: $26,000).

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

35. Related party disclosure

The consolidated financial statements include the financial statements of Investec Bank (Australia) Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	% Equity Interest		Investment ($)	
		2007	2006	2007	2006
Parent Entity:					
Investec Bank (Australia) Limited	Australia	-	-	-	-
Subsidiaries of Investec Bank (Australia) Limited:					
Wentworth Associates Pty Limited	Australia	100%	100%	64,176,015	64,176,015
Investec Wentworth Pty Limited	Australia	100%	100%	-	-
Investec Wentworth Private Equity Limited	Australia	100%	100%	5	5
Investec Nominees Pty Limited	Australia	100%	100%	-	24
IWPE Nominees Pty Limited	Australia	100%	100%	12	12
Investec Australia Direct Investments Pty Limited	Australia	100%	100%	12	12
Investec Wentworth Property Limited	Australia	100%	100%	1,750,000	1,000,000
Investec Private Advisers Pty Limited	Australia	100%	100%	862,456	862,456
Dartgrove Pty Limited	Australia	100%	100%	24	24
Global Ethanol Holdings Limited [1]	Australia	-	100%	-	-
				66,788,524	66,038,548

[1] Global Ethanol Holdings Limited is now an associate - refer to Note 14.

Investec Bank (Australia) Limited's ultimate Australian parent entity is Investec Holdings Australia Limited. Its ultimate parent is Investec plc, incorporated in the United Kingdom.

The following provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Wholly owned group transactions

Loans

1. Interest free loans were made between Investec Bank (Australia) Limited to wholly owned subsidiaries with no fixed repayment date.

2. On entering into tax consolidation, an interest free loan was made between Investec Bank (Australia) Limited and Investec Holdings Australia Limited (parent entity) with no fixed repayment date.

Management fees

1. Investec Bank (Australia) Limited receives management fees from wholly owned subsidiaries in respect of services provided by personnel employed by the Chief Entity.

Other related party transactions

Loans

Related party	Balance Mar 07	Balance Mar 06	Interest rate	Term	Interest expense	Repay-ments
Investec Limited	$48,439	$(3,404)	0%	no fixed repayment date	-	-
Investec Bank Mauritius	$3,800,000	$0	5.36%	90 day term	$57,468	-
Investec Bank Mauritius	$13,850,000	$0	6.55%	90 day term	$598,877	-
Investec Bank (UK) Limited	$1,409,459	$1,377,100	0%	no fixed repayment date	-	-
Investec Bank (UK) Limited	$6,967,103	$8,015,987	6.18%	10 year amortising loan - started in 2002 financial year	$518,364 (2006: $525,870)	$1,033,982 (2006: $1,499,832)

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

35. Related party disclosure (continued)

Other related party transactions (continued)

Loans to associates

Related party	Interest rate	Term	Balance Mar 07	Balance Mar 06
Viridis Energy Capital Pty Limited	3%	1 year guarantee facility	$0	$75,839
Viridis Investment Management Limited	2%	1 year guarantee facility	$9,398	$0
Viridis Investment Management Limited	9%	10 month interest capitalising facility	$7,898,749	$0
924 Pacific Highway Unit Trust	0%	3.7 year interest free facility	$839,510	$1,796,447
Gorehill Industrial Park Pty Limited	20%	2.7 year interest capitalising facility	$10,929,219	$9,264,028

Credit Linked Notes

1. The Bank provided Investec Bank (UK) Limited with a unfunded Credit Linked Note facility of € 1,000,000 (AUD $1,652,422). The Credit Linked Notes issued under this facility indemnify Investec Bank (UK) Limited against half of the exposure on a guarantee facility provided by Investec Bank (UK) Limited for € 2,000,000. Credit Linked Notes issued by the Bank under this facility at 31 March 2007 are € 1,000,000 (2006: € 649,706). Investec Bank (UK) Limited pays the Bank a fee calculated as a percentage of the value of Credit Linked Notes issued.

36. Director & relevant executive disclosure

(a) Details of director & relevant executives

Directors	
David Gonski	Non-Executive Chairman
Geoffrey Levy	Executive Director
Brian Schwartz	Chief Executive Officer
Alan Chonowitz	Chief Financial Officer
John Murphy	Executive Director
Bradley Tapnack	Non-Executive Director
Kathryn Spargo	Non-Executive Director
Peter Thomas	Non-Executive Director
Richard Longes	Non-Executive Director
Robert Mansfield	Non-Executive Director
Stephen Koseff	Non-Executive Director

Executives
Garry Hounsell
Jose de Nobrega
Stephen Chipkin

Certain directors are directors of other companies in the Investec plc and Investec Limited Group.

(b) Compensation of director & relevant executives

(i) Compensation by category

	Consolidated		Investec Bank (Australia) Limited	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Short-term employee benefits	**18,247,074**	13,081,214	**14,684,455**	9,432,524
Post-employment benefits	**625,065**	295,707	**474,216**	168,834
Other long-term benefits	**241,993**	156,755	**129,036**	92,470
Termination benefits	**-**	243,108	**-**	243,108
Share-based payments	**1,780,693**	1,101,386	**1,513,820**	963,131
	20,894,825	14,878,170	**16,801,527**	10,900,067

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

Director & relevant executive disclosure (continued)

(c) Loans to director & relevant executives

Loans

Related party	Balance Mar 07	Balance Mar 06	Interest rate	Facilty Limit	Terms
Alan Chonowitz	$1,497,980	$1,011,983	7.89%	$3,432,500	Normal commercial terms
Alan Chonowitz	$159,701	-	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (5)
Brian Schwartz	$403,069	$403,069	0.00%	$403,069	This loan may be forgiven in December 2007 if certain preconditions have been satisfied.
Brian Schwartz	$159,701	-	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (5)
Gooinda Pty Limited (2)	$535,726	$501,782	8.11%	$2,100,000	Normal commercial terms
GDL Investments Pty Ltd (4)	$1,030,079	$0	8.42%	$1,084,100	Normal commercial terms
Geoffrey Levy	$1,154,420	$602,461	9.51%	$2,000,000	Normal commercial terms
Geoffrey Levy	$159,701	-	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (5)
David Gonski	$159,701	-	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (5)
Seargant Pacific Pty Ltd (1)	$0	$9,010,000	7.92%	$9,010,000	Normal commercial terms
John Murphy	$5,242,417	$4,695,933	6.18%	$6,600,000	Normal commercial terms
John Murphy	$144,060	-	0.00%	$144,060	Interest free, 3 yr bullet non-revolving cash advance facility (5)
APM Enterprises Pty Ltd (3)	$190,261	$162,388	9.47%	$300,000	Normal commercial terms
Stephen Chipkin	$205,800	-	0.00%	$205,800	Interest free, 3 yr bullet non-revolving cash advance facility (5)
Jose de Nobrega	$96,314	-	0.00%	$96,314	Interest free, 3 yr bullet non-revolving cash advance facility (5)

(1) David Gonski is a director of Gallium Pty Limited. Gallium Pty Limited is party to a real estate owning joint venture with Seargant Pacific Pty Limited.

(2) Brian Schwartz is a director of Gooinda Pty Limited.

(3) APM Enterprises Pty Limited is an investor in the MGB Equity Growth Unit Trust (MGB) and the Investec Wentworth Specialised Property Trust (IWSPT). Investec Wentworth Private Equity Limited (formerly Investec Wentworth Private Equity Pty Limited) (subsidiary of the Chief Entity) acts as manager of MGB and IWSPT. John Murphy is a director of Investec Wentworth Private Equity Limited (formerly Investec Wentworth Private Equity Pty Limited). John Murphy's wife is a director of APM Enterprises Pty Limited.

(4) Geoffrey Levy is a director of GDL Investments Pty Limited.

(5) Loan provided in connection with and part of the Bank's long term incentive plan.

Guarantees

Related party	Balance Mar 07	Balance Mar 06	Term
Stridecorp Pty Limited (1)	$272,253	$272,253	Back to back guarantee under normal commercial terms, guarantee is fully secured by a cash deposit.

(1) Alan Chonowitz is a director of Stridecorp Pty Limited.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

36. Director & relevant executive disclosure (continued)

(d) Other transactions and balances with director & relevant executives

Investments by related parties in funds under management

Related party	Details
Alan Chonowitz	Alan Chonowitz is an investor in the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust No.2, Toga Accommodation Fund, Investec Wentworth Private Equity Fund 3, Investec Wentworth Specialised Property Trust and Investec Wentworth Private Equity Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust No.2, and as Responsible Entity of Investec Wentworth Private Equity Fund 3, Investec Wentworth Specialised Property Trust and Investec Wentworth Private Equity Fund. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund. Alan Chonowitz is a director of both Investec Wentworth Private Equity Limited and Investec Wentworth Property Limited.
Brian Schwartz	Brian Schwartz is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. Brian Schwartz is a director of Investec Wentworth Private Equity Limited.
Robert Mansfield	Robert Mansfield is an investor in the Investec Wentworth Private Equity Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as Responsible Entity of Investec Wentworth Private Equity Fund.
Kathryn Spargo	Kathryn Spargo is an investor in the Investec Wentworth Specialised Property Trust. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as Responsible Entity of Investec Wentworth Specialised Property Trust.
Geoffrey Levy	Geoffrey Levy is an investor in the Toga Accommodation Fund. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund. Geoffrey Levy is a director of Investec Wentworth Property Limited.
Gallium Pty Limited	Gallium Pty Limited is an investor in the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust, MGB Equity Growth Unit Trust No.2, Investec Wentworth Private Equity Fund 3 and the Toga Accommodation Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust and the MGB Equity Growth Unit Trust No.2. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund. David Gonski is a director of Gallium Pty Limited, Investec Wentworth Private Equity Limited and Investec Wentworth Property Limited.
Alney Pty Limited	Alney Pty Limited is an investor in the Investec Wentworth Private Equity Fund and Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund. Geoffrey Levy is a director of Alney Pty Limited, Investec Wentworth Private Equity Limited and Investec Wentworth Property Limited.
Patjon Pty Limited	Patjon Pty Limited is an investor in the Investec Wentworth Specialised Property Trust. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as Responsible Entity of Investec Wentworth Specialised Property Trust. David Gonski is a director of Patjon Pty Limited and Investec Wentworth Private Equity Limited.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

36. Director & relevant executive disclosure (continued)

(d) Other transactions and balances with director & relevant executives (continued)

Related party	Details
J W Equity Consulting Pty Ltd	J W Equity Consulting Pty Limited is an investor in the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust and the MGB Equity Growth Unit Trust No 2. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust and the MGB Equity Growth Unit Trust No 2. John Murphy is a director of Investec Wentworth Private Equity Limited. John Murphy's wife is a director of J W Equity Consulting Pty Limited.
Levy Foundation Pty Ltd	Levy Foundation Pty Limited is an investor in the Investec Wentworth Private Equity Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund. Geoffrey Levy is a director of Levy Foundation Pty Limited and Investec Wentworth Private Equity Limited.
GDL Investments Pty Ltd	GDL Investments Pty Limited is an investor in the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust, MGB Equity Growth Unit Trust No. 2, and Investec Wentworth Specialised Property Trust. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the MG Private Equity Unit Trust No.1, MGB Equity Growth Unit Trust, and the MGB Equity Growth Unit Trust No. 2, and Responsible Entity of Investec Wentworth Specialised Property Trust. Geoffrey Levy is a director of GDL Investments Pty Limited and Investec Wentworth Private Equity Limited.
APM Enterprises Pty Ltd	APM Enterprises Pty Limited is an investor in the MGB Equity Growth Unit Trust, Investec Wentworth Specialised Property Trust, Investec Wentworth Private Equity Fund 3 and the Toga Accommodation Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the MGB Equity Growth Unit Trust, Investec Wentworth Private Equity Fund 3 and Responsible Entity of Investec Wentworth Specialised Property Trust. John Murphy is a director of Investec Wentworth Private Equity Limited. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund. John Murphy's wife is a director of APM Enterprises Pty Limited. John Murphy is a director of Investec Wentworth Private Equity Limited and Investec Wentworth Property Limited.
Gooinda Pty Limited	Gooinda Pty Limited is an investor in the MG Private Equity Unit Trust No.1, and the Toga Accommodation Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the MG Private Equity Unit Trust No.1. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund. Brian Schwartz is a director of Gooinda Pty Limited, Investec Wentworth Private Equity Limited and Investec Wentworth Property Limited.
Tuxulu Pty Limited	Tuxulu Pty Limited is an investor in the Investec Wentworth Private Equity Fund and Investec Wentworth Private Equity Fund No.2. Investec Wentworth Private Equity Pty Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund and Investec Wentworth Private Equity Fund No.2. Robert Mansfield is a director of Tuxulu Pty Limited.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

36. Director & relevant executive disclosure (continued)

(d) Other transactions and balances with director & relevant executives (continued)

Related party	Details
Eminence Grise Pty Limited	Eminence Grise Pty Limited is an investor in the Toga Accommodation Fund. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund. Kathryn Spargo is a director of Eminence Grise Pty Limited.
JAAR Pty Limited	JAAR Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. John Murphy is a director of JAAR Pty Limited.
Tuwele Pty Limited	Tuwele Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. John Murphy is a director of Tuwele Pty Limited.
Gemnet Pty Limited	Gemnet Pty Limited is an investor, both on its own behalf and on behalf of the Richard Longes Superannuation Fund, in the Investec Wentworth Private Equity Fund, MGB Private Equity Unit Trust No 2 and MG Private Equity Trust No 1, Investec Wentworth Private Equity Fund 3 and the Toga Accommodation Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund, Investec Wentworth Private Equity Fund 3 and the MGB Private Equity Unit Trust No.1. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund. Richard Longes is a director of Gemnet Pty Limited and a beneficiary of the Richard Longes Superannuation Fund. Richard Longes is a director of Investec Wentworth Property Limited.
Sarai Pty Limited	Sarai Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. David Gonski a director of Sarai Pty Limited.
Alsumary Pty Limited	Alsumary Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. Alan Chonowitz is a director of Alsumary Pty Limited and Investec Wentworth Private Equity Limited.
Beauguin Nominees Pty Limited	Beauguin Nominees Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. Bob Mansfield is a director of Beauguin Nominees Pty Limited.
Kinchip Pty Limited	Kinchip Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. Stephen Chipkin is a director of Kinchip Pty Limited.
The Kyle Trust	The Kyle Trust is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. Stephen Koseff is a discretionary beneficiary of the Kyle Trust.

Notes to the Financial Statements (continued)
For the year ended 31 March 2007

36. Director & relevant executive disclosure (continued)

(d) Other transactions and balances with director & relevant executives (continued)

Related party	Details
Plovers Nest Trust	The Plovers Nest Trust is an investor in the Investec Wentworth Private Equity Fund 3. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3. Peter Thomas is a potential beneficiary of the Plovers Nest Trust.
Garry Hounsell	Garry Hounsell is an investor in the MG Private Equity Unit Trust No.1. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the MG Private Equity Unit Trust No.1.
Stephen Chipkin	Stephen Chipkin is an investor in the Investec Wentworth Private Equity Fund, Investec Wentworth Private Equity Fund No.2, MG Private Equity Unit Trust No.1, and Toga Accommodation Fund. Investec Wentworth Private Equity Pty Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund, Investec Wentworth Private Equity Fund No.2, and MG Private Equity Unit Trust No.1. Investec Wentworth Property Limited (subsidiary of the Chief Entity) acts as Responsible Entity of the Toga Accommodation Fund.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

37. Share based payment plans

Investec plc Share Option Plan 2002 (unapproved plan)

Investec plc, the Company's ultimate parent listed on the London Stock Exchange grants share options to all Company employees. The exercise price of the options is equal to the market price of the shares on the date of grant. The options vest in tranches of 25% on each of the second, third, fourth and fifth anniversary of grant.

Under this scheme, options are granted, over Investec plc shares, at the prevailing market value and each tranche of the options may only be exercised if the committee is satisfied that the relevant performance conditions have been met.

These conditions require growth in headline earnings per share (EPS) over the relevant option period to equal or exceed the UK Retail Price Index (RPI), plus 3% compounded annually over the same period.

Any portion of the tranches that is not, or cannot, be exercised lapses on expiry of 90 days after each anniversary.

Investec Limited Security Purchase and Option Scheme 2002 Trust

Investec Limited, the Company's ultimate parent listed on the Johannesburg Securities Exchange granted share options to all Company employees. The exercise price of the options is equal to the market price of the shares on the date of grant. The options vest in tranches of 25% on each of the second, third, fourth and fifth anniversary of grant.

Under this scheme, options are granted, over Investec plc shares, at the prevailing market value and each tranche of the options may only be exercised if the committee is satisfied that the relevant performance conditions have been met

These conditions require growth in headline earnings per share (EPS) over the relevant option period to equal or exceed the UK Retail Price Index (RPI), plus 3% compounded annually over the same period.

Any portion of the tranches that is not, or cannot, be exercised lapses on expiry of 90 days after each anniversary

Investec plc and Investec Limited, the Company's ultimate parents, listed on the Johannesburg Securities Exchange and London Stock Exchange, granted share options to all Company employees. The exercise price of the options is equal to the market price of the shares on the date of grant. The options vest in tranches of 25% on each of the second, third, fourth and fifth anniversary of grant.

Performance conditions were not attached, as at the time this was not deemed appropriate, and the options lapse on the 10th anniversary of the grant.

Participants have ongoing rights in terms of the plan, on which the last grant was made on 20 June 2002. No further options will be granted under this plan.

Investec Limited Security Purchase and Option Scheme Trust

Investec Limited, the Company's ultimate parent, listed on the Johannesburg Securities Exchange granted share options to all Company employees. The exercise price of the options is equal to the market price of the shares on the date of grant. The options vest in tranches of 25% on each of the second, third, fourth and fifth anniversary of grant.

Performance conditions were not attached, as at the time this was not deemed appropriate, and the option allocations lapse on the 10th anniversary of the grant.

Participants have ongoing rights in terms of the plan, on which the last grant was made on 20 June 2002. No further options will be granted under this plan

Long Term Share Incentive Plan

Investec plc, the Company's ultimate parent listed on the London Stock Exchange grants share options to selected Company employees. The is no exercise price of the options. The options vest in tranches of 75% in year 4 and 25% in year 5.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 4.

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

37. Share based payment plans (continued)

The exercise price range and weighted average remainig contractual life for options outsanding at 31 March 2007, were as follows:

Exercise price range	£0 - £3.47
Weighted average remaining contractual life	3.16 years

The fair value of options granted were calculated using a Black-Scholes option pricing model. For options granted during the period, the inputs were as follows;

	2007	2006
- Share price at date of grant	£4.98 - £6.11	£3.41 - £4.99
- Exercise price	£0	£0 - £4.30
- Expected volatility	0.39	28% - 30%
- Option life	5 - 5.25 Years	5 Years
- Expected dividend yield	3.52% - 4.03%	3.15% - 4.27%
- Risk-free rate	3.98% - 5.10%	4.23% -4.69%

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

Investec plc Share Option Plan 2002 (unapproved plan)	**2007 No.**		**2007 WAEP**	**2006 No.**		**2006 WAEP**
Outstanding at the beginning of the year	**1,074,175**	**£**	**2.09**	1,369,340	£	1.96
Granted during the year	**-**	**£**	**-**	50,000	£	3.62
Exercised during the year	**(367,085)**	**£**	**1.89**	(315,165)	£	1.79
Lapsed during the year	**(88,760)**	**£**	**2.79**	(30,000)	£	1.92
Outstanding at the end of the year	**618,330**	**£**	**2.12**	1,075,175	£	2.09
Exercisable at the end of the year	**-**	**£**	**0.00**			

Investec Limited Security Purchase and Option Scheme 2002 Trust	**2007 No.**		**2007 WAEP**	**2006 No.**		**2006 WAEP**
Outstanding at the beginning of the year	**617,620**	**R**	**32.71**	925,310	R	32.69
Granted during the year	**-**	**R**	**-**	750	R	54.41
Exercised during the year	**(291,565)**	**R**	**32.67**	(308,440)	R	32.69
Lapsed during the year	**(30,000)**	**R**	**32.90**	-	R	-
Outstanding at the end of the year	**296,055**	**R**	**32.73**	617,620	R	32.71
Exercisable at the end of the year	**-**	**R**	**0.00**	-	R	0.00

Investec Group Limited UK Share Option Plan	**2007 No.**		**2007 WAEP**	**2006 No.**		**2006 WAEP**
Outstanding at the beginning of the year	**-**	**R**	**-**	2,220	R	49.20
Granted during the year	**-**	**R**	**-**	-	R	-
Exercised during the year	**-**	**R**	**-**	(2,220)	R	49.20
Lapsed during the year	**-**	**R**	**-**	-	R	-
Outstanding at the end of the year	**-**	**R**	**-**	-	R	-
Exercisable at the end of the year	-		-	-		-

Notes to the Financial Statements (continued)

For the year ended 31 March 2007

37. Share based payment plans (continued)

Investec Limited Security Purchase and Option Scheme Trust	2007 No.		2007 WAEP	2006 No.		2006 WAEP
Outstanding at the beginning of the year	**1,344,220**	**R**	**41.77**	1,421,360	R	41.45
Granted during the year	**-**	**R**	**-**	-	R	-
Exercised during the year	**(247,065)**	**R**	**41.07**	(44,560)	R	37.76
Lapsed during the year	**-**	**R**	**-**	(32,580)	R	33.32
Outstanding at the end of the year	**1,097,155**	**R**	**41.93**	1,344,220	R	41.77
Exercisable at the end of the year	**1,097,155**	**R**	**41.93**	1,118,630	R	42.24

Investec 1 Limited Share Incentive Plan - Nil Cost Option	2007 No.		2007 WAEP	2006 No.		2006 WAEP
Outstanding at the beginning of the year	**988,000**	**£**	**-**	937,500	£	-
Granted during the year	**1,376,725**	**£**	**-**	50,500	£	-
Exercised during the year	**-**	**£**	**-**	-	£	-
Lapsed during the year	**(9,135)**	**£**	**-**	-	£	-
Outstanding at the end of the year	**2,355,590**	**£**	**-**	988,000	£	-
Exercisable at the end of the year	**-**	**£**	**0.00**			

Directors' Declaration

In accordance with a resolution of the directors of Investec Bank (Australia) Limited, we state that:

1. In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2007 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 31 March 2007.

On behalf of the Board

Brian Schwartz	Alan Chonowitz
Director	Director
Sydney	Sydney
18 May 2007	18 May 2007

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Independent auditor's report to members of Investec Bank (Australia) Limited

We have audited the accompanying financial report of Investec Bank (Australia) Limited (the company) and the entities it controlled during the year, which comprises the balance sheet as at 31 March 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors[2], as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion
In our opinion:

the financial report of Investec Bank (Australia) Limited is in accordance with:

(a) the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Investec Bank (Australia) Limited and the consolidated entity at 31 March 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Jeff Chamberlain
Partner
Sydney
18 May 2007

Investec