

# Investec Bank (Australia) Limited

ABN 55 071 292 594

Annual Financial Report  
For the year ended 31 March 2008



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The directors of Investec Bank (Australia) Limited ("Group") submit the following report for the year ended 31 March 2008.

### 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 AC B Com LLB FAICD FCPA** Chairman

David Gonski is the 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 The Australian Securities Exchange Ltd, Singapore Airlines Ltd and Westfield Group. David is Chancellor of the University of New South Wales and Chairman of the Trustees of Sydney Grammar School. David was appointed a Companion of the Order of Australia in June 2007.

#### **Geoffrey Levy AO B Com LLB F FIN** Deputy Chairman

Geoff Levy retired as Executive Chairman of Investec Bank (Australia) Limited on 1 January 2008 and has, since that date, assumed the non-executive position of Deputy Chairman. Geoff was previously CEO of IBAL, 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 a non-executive Chairman of listed entities the Specialty Fashion Group Limited and Cromwell Group limited as well as a non-executive director of 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 2005.

#### **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 of Insurance Australia Group, 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** Chief Financial Officer

Alan Chonowitz has been the Chief Financial Officer of Investec Bank (Australia) Limited for 7 years. His responsibilities include finance, risk, 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 C.A. (SA)** 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 of 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 the Managing Director of Investec Wentworth Private Equity Limited and in this capacity is a board member of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited and Gale Pacific Limited. John Murphy is also a non-executive director of First Opportunity Fund Limited and an executive director of Investec Bank (Australia) Limited. During the last 3 years, Mr Murphy was a non-executive director of the following listed companies: Kids Campus Limited (2004-2006), Southcorp Limited (2003-2005), Invocare Limited (2001-2005), SMS Management and Technology Limited (2001-2004), Fone Zone Group Limited (2005 -2006) and Australian Pharmaceutical Industries Limited (2004-2007).

#### **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. She was

Names, qualifications, experience and special responsibilities (continued)

recently appointed chairman of the Accounting Professional and Ethical Standards Board. Since moving to Melbourne, she has been appointed to the boards of IOOF, Pacific Hydro, Transfield Services Infrastructure Limited and ColInvest. Her public interests include being a director of the NeuroSciences Victoria.

**Peter Thomas C.A. (SA)**

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 and Metcash Limited. He was a 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 Deputy Chairman of Allco Finance Group 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**  
Group Chief Executive Officer

Stephen joined Investec in 1980. Stephen is the Chief Executive Officer of Investec Limited and Investec plc. His directorships include Investec Bank (UK) Limited, Investec Limited, Investec plc and Bidvest Group 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, professional finance and investment advisory), investment banking activities (including corporate advisory, private equity and direct investments), capital markets (including commodities and resource finance and project finance) and property private equity. Other than the acquisition of the Experien Group (refer below), there have been no significant changes in the nature of these activities during the year ended 31 March 2008.

Review of Operations

During the year, the Group acquired the Experien Group ("Experien"), a specialist provider of finance to healthcare and accounting professionals. The results presented include the consolidation of Experien from 1 October 2007.

Our strategy of maintaining a balanced business model has stood us in good stead with growth in profitability over the prior year notwithstanding the impact of the global credit crisis and volatile equity markets. Trading conditions have however steadily weakened during the course of the financial year resulting in second half performance lower than the first half. A disciplined approach to risk, capital and liquidity management remain key areas of focus.

Operating Results

During the year the Group continued to grow, with total assets increasing by \$787.4 million to \$3,921.4 million, and total revenue increasing by \$46.6 million to \$219.7 million.

Profit before (loss)/gain on the acquisition and income tax increased from \$67.2 million to \$76.5 million.

Profit after income tax for the year was \$61.7 million (2007: \$258.8 million). The prior year included a gain on acquisition of \$211.9m.

Summary of profit before (loss)/gain on acquisition and income tax by segment:

Segment	Mar-08 \$'m	Mar-07 \$'m
Private client activities	42.1	36.8
Investment banking	11.1	15.5
Capital markets	20.1	16.8
Property private equity	0.3	-
Finance, Risk and Central	2.9	(1.9)
Profit before (loss)/gain on acquisition and income tax	76.5	67.2

### 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 2008, other than for the acquisition of the Experien Group set out above.

### Significant Events after the Balance Date

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

### Likely Developments and Expected Results

Notwithstanding the challenging 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 was as follows:

	Meetings eligible to attend	Meetings attended
<b>Board Meetings</b>		
David Gonski	4	4
Geoffrey Levy	4	3
Brian Schwartz	4	4
Alan Chonowitz	4	3
Bradley Tapnack	4	4
John Murphy	4	4
Kathryn Spargo	4	4
Peter Thomas	4	3
Richard Longes	4	3
Robert Mansfield	4	4
Stephen Koseff	4	4
<b>Audit and Compliance Committee</b>		
Bradley Tapnack	4	2
Peter Thomas	4	4
Kathryn Spargo	4	4
<b>Remuneration Committee</b>		
David Gonski	1	1
Robert Mansfield	1	1
Bernard Kantor	1	1
<b>Board Australian Risk and Capital Committee</b>		
Richard Longes	4	4
Kathryn Spargo	4	4
Peter Thomas	4	4
Bradley Tapnack	4	1
Brian Schwartz	4	2
Alan Chonowitz	4	4

Auditors independence

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



Ernst & Young Centre  
465 George Street  
Sydney NSW 2000 Australia  
GPO Box 26446 Sydney NSW 2001  
Tel: +61 2 9248 6000  
Fax: +61 2 9248 5999  
www.ey.com/au

Signed in accordance with a resolution of the directors.

Brian Schwartz  
Director  
Sydney  
17 June 2008

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 2008, 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 professional conduct.

Ernst & Young

Jeff Chamberlain  
Partner  
17 June 2008

Alan Chonowitz  
Director  
Sydney  
17 June 2008

Liability limited by a scheme approved under Professional Standards Legislation

**Income Statement**  
For the year ended 31 March 2008

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
Interest and similar income	3	313.0	209.6	277.7	206.3
Interest expense and similar charges	3	(184.0)	(115.0)	(156.3)	(115.4)
<b>Net interest income</b>		<b>129.0</b>	94.6	<b>121.4</b>	90.9
Fee and commission income	3	53.5	61.9	34.8	20.6
Fee and commission expense	3	(3.2)	(0.2)	(1.7)	(0.2)
Dividend income	3	0.3	0.4	-	3.6
Net gains or losses on trading securities and derivatives	3	28.9	13.1	28.9	12.9
Net gains or losses on dealing in foreign currencies	3	(1.0)	(0.1)	(1.0)	(0.1)
Net gains or losses on available-for-sale investments	3	6.7	1.4	3.5	(0.5)
Other operating income	3	5.5	2.1	8.2	23.7
Impairment losses on financial assets	3	(15.3)	(6.7)	(14.3)	(3.9)
Other operating expenses	3	(130.9)	(99.0)	(120.9)	(97.9)
Operating profit		<b>73.5</b>	67.5	<b>58.9</b>	49.1
Share of profit/(loss) of investments accounted for using the equity method	14	3.0	(0.3)	-	-
<b>Profit before (loss)/gain on acquisition and income tax</b>		<b>76.5</b>	67.2	<b>58.9</b>	49.1
Gain on acquisition	26	(1.5)	211.9	(1.5)	211.9
<b>Profit before income tax</b>		<b>75.0</b>	279.1	<b>57.4</b>	261.0
Income tax expense	4	(13.3)	(20.3)	(9.5)	(14.4)
<b>Profit attributable to members</b>	23	<b>61.7</b>	258.8	<b>47.9</b>	246.6

**Balance Sheet**  
As at 31 March 2008

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>Assets</b>					
Cash and liquid assets	5	937.0	893.1	900.2	892.2
Bullion	6	-	9.2	-	9.2
Derivative financial instruments	9	148.5	168.5	141.9	168.5
Financial investments - available-for-sale	7	50.6	172.4	38.1	155.4
Financial assets held for trading	8	27.0	157.6	24.4	153.9
Loans and advances to customers	10	2,583.3	1,634.7	1,842.5	1,622.2
Investments accounted for using the equity method	14	19.8	16.3	16.3	16.3
Other financial assets	11	9.0	-	120.3	66.8
Property, plant and equipment	15	9.3	5.8	8.7	5.8
Deferred tax assets	4	14.3	9.3	21.3	9.0
Other assets	16	18.2	18.0	10.1	10.1
Goodwill	12	89.4	49.1	-	-
Intangible assets	13	3.3	-	3.0	-
<b>Total assets</b>		<b>3,909.7</b>	<b>3,134.0</b>	<b>3,126.7</b>	<b>3,109.4</b>
<b>Liabilities</b>					
Customer accounts	17	1,305.2	1,093.2	1,305.2	1,093.2
Derivative financial instruments	9	117.5	94.2	117.2	94.2
Debt issued and other borrowed funds	18	1,655.9	1,194.4	931.5	1,196.8
Other liabilities	21	76.6	56.6	55.8	53.4
Subordinated loans	19	100.5	100.5	100.5	100.5
<b>Total liabilities</b>		<b>3,255.7</b>	<b>2,538.9</b>	<b>2,510.2</b>	<b>2,538.0</b>
<b>Total equity</b>		<b>654.0</b>	<b>595.1</b>	<b>616.5</b>	<b>571.4</b>
<b>Equity</b>					
Share capital	22	291.7	291.7	291.7	291.7
Retained earnings	23	344.6	283.6	307.8	260.6
Other reserves	24	17.7	19.8	17.0	19.1
<b>Total equity</b>		<b>654.0</b>	<b>595.1</b>	<b>616.5</b>	<b>571.4</b>



**Statement of Changes in Equity**  
For the year ended 31 March 2008

	Notes	Consolidated				Investec Bank (Australia) Limited			
		Share capital	Other reserves	Retained earnings	Total	Share capital	Other reserves	Retained earnings	Total
		\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>Balance at 1 April 2006</b>		291.7	8.9	33.7	<b>334.3</b>	291.7	7.8	22.9	<b>322.4</b>
Appropriation for unforeseeable risks and future losses	24	-	8.9	(8.9)	-	-	8.9	(8.9)	-
Share-based payment	24	-	0.9	-	<b>0.9</b>	-	0.9	-	<b>0.9</b>
Net change in available-for-sale investments, net of tax	24	-	1.1	-	<b>1.1</b>	-	1.5	-	<b>1.5</b>
Net income recognised directly to equity		-	10.9	(8.9)	<b>2.0</b>	-	11.3	(8.9)	<b>2.4</b>
Profit for the period		-	-	258.8	<b>258.8</b>	-	-	246.6	<b>246.6</b>
<b>At 31 March 2007 / 1 April 2007</b>		291.7	19.8	283.6	<b>595.1</b>	291.7	19.1	260.6	<b>571.4</b>
Appropriation for unforeseeable risks and future losses	24	-	0.7	(0.7)	-	-	0.7	(0.7)	-
Net unrealised gains/(losses) on foreign exchange, net of tax	24	-	(1.6)	-	<b>(1.6)</b>	-	(1.6)	-	<b>(1.6)</b>
Fair value movement on cash flow hedge, net of tax	24	-	0.8	-	<b>0.8</b>	-	-	-	-
Net change in available-for-sale investments, net of tax	24	-	(2.0)	-	<b>(2.0)</b>	-	(1.2)	-	<b>(1.2)</b>
Net income recognised directly to equity		-	(2.1)	(0.7)	<b>(2.8)</b>	-	(2.1)	(0.7)	<b>(2.8)</b>
Profit for the period		-	-	61.7	<b>61.7</b>	-	-	47.9	<b>47.9</b>
<b>At 31 March 2008</b>		291.7	17.7	344.6	<b>654.0</b>	291.7	17.0	307.8	<b>616.5</b>

**Cash Flow Statement**  
For the year ended 31 March 2008

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>Cash flows from operating activities</b>					
Interest and similar income		281.2	175.7	245.0	171.9
Interest expense and similar charges		(183.0)	(109.3)	(156.7)	(109.7)
Fees, income and receipts from customers		87.9	71.1	65.3	31.1
Trust distribution received		0.8	2.3	0.1	0.5
Payments to suppliers and employees		(118.9)	(66.8)	(126.1)	(61.1)
	25	68.0	73.0	27.6	32.7
(Increase) decrease in operating assets and liabilities:					
Net increase in loans and other receivables		(285.9)	(48.4)	(232.6)	(46.4)
Net proceeds from gold bullion		12.9	5.2	12.9	5.2
Purchase of available-for-sale investments		(61.5)	(129.1)	(59.1)	(132.7)
Proceeds from sale or maturity of available-for-sale investments		199.9	402.6	187.1	402.7
Net proceeds of trading securities and derivatives		171.2	(3.7)	180.4	-
Net proceeds from deposits		208.5	(145.6)	208.5	(145.6)
Net cash from operating activities before income tax		313.6	154.0	324.9	115.9
Income tax paid		(29.2)	(27.7)	(29.7)	(21.1)
<b>Net cash flows from operating activities</b>		<b>284.4</b>	<b>126.3</b>	<b>295.2</b>	<b>94.8</b>
<b>Cash flows from investing activities</b>					
Net cash acquired on acquisition		33.1	355.3	-	355.3
Acquisition of Subsidiary		(3.6)	-	(3.6)	-
Dividend received		0.3	0.4	-	-
Purchase of equity accounted investments		(2.7)	(14.6)	-	(14.1)
Acquisition of notes		-	-	(18.6)	-
Expenditure on intangible assets		(3.0)	-	(3.0)	-
Acquisition of plant and equipment		(4.6)	(1.5)	(4.6)	(1.5)
<b>Net cash flows from investing activities</b>		<b>19.5</b>	<b>339.6</b>	<b>(29.8)</b>	<b>339.7</b>
<b>Cash flows from financing activities</b>					
Advances (to)/from related parties		1.1	(5.9)	30.7	25.5
Proceeds from issue/(repayment) of notes		(259.9)	-	(286.8)	-
Repayments of borrowings by related parties		(1.1)	(1.0)	(1.1)	(1.0)
<b>Net cash flows (to)/from financing activities</b>		<b>(259.9)</b>	<b>(6.9)</b>	<b>(257.2)</b>	<b>24.5</b>
Net increase in cash and cash equivalents		44.0	459.1	8.2	459.0
Cash and cash equivalents at beginning of the year		891.7	432.6	890.8	431.8
<b>Cash and cash equivalents at end of year</b>	5, 25	<b>935.7</b>	<b>891.7</b>	<b>899.0</b>	<b>890.8</b>

## 1. Corporate Information

The financial report of Investec Bank (Australia) Limited for the year ended 31 March 2008 was authorised for issue in accordance with a resolution of the directors on 7 May 2008.

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 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 and International Financial Reporting Standards.

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 2008. These are outlined in the table below.

## 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 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 <i>Service Concession Arrangements</i> .	1 January 2008	Unless the Group enters into service concession arrangements or public-private partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 April 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 January 2009	AASB 8 has been early adopted by the Group. The adoption of this standard has resulted in the Group no longer being required to report information about its operating segments in the annual financial report.	1 April 2007
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 April 2008
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 <i>Borrowing Costs</i> .	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 April 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 April 2008

\*designates the beginning of the applicable annual reporting period unless otherwise stated

**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 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amending standard issued as a consequence of revisions to AASB 101 <i>Presentation of Financial Statements</i>	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 April 2009
AASB 101 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	Refer to AASB 2007-8 above.	1 April 2009
AASB 123 (revised)	Borrowing Costs	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 April 2009
AASB Interpretation 4 (revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB 2007-2 above.	1 April 2008
AASB Interpretation 12	Service Concession Arrangements	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Refer to AASB 2007-2 above.	1 April 2008
AASB Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 April 2009

\*designates the beginning of the applicable annual reporting period unless otherwise stated

**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 Interpretation 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have any defined benefit plans and as such this interpretation is not expected to have any impact on the Group's financial report.	1 April 2008
AASB Interpretation 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB 2007-2 above.	1 April 2008
AASB Interpretation 1003	Australian Petroleum Resource Rent Tax	Requires Australian Petroleum Resource Rent Tax to be accounted for within the scope of AASB 112.	Ending 30 June 2008	The Group does not engage in petroleum projects that would fall under AASB Interpretation 1003 and as such this interpretation is not expected to have any impact on the Group's financial report.	1 April 2009

\*designates the beginning of the applicable annual reporting period unless otherwise stated

## **2. Summary of Significant Accounting Policies (continued)**

### **(c) Statement of compliance (continued)**

#### *Adoption of new accounting standard*

The Group has adopted AASB 7 Financial Instruments; Disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

The Group has elected to early adopt AASB 8 Operating Segments (which supersedes AASB 114 Segment Reporting) and all consequential amendments which become applicable on 1 January 2009 for the year ended 31 March 2008. The adoption of this standard has resulted in the Group no longer being required to report information about its operating segments in the annual financial report for the following reasons:

- The Group does not issue any debt or equity instruments which are traded on a public markets; and
- The Group does not file financial statements with a regulatory organisation for the purpose of issuing instruments in a public market.

### **(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 2008. 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.

### **(e) Business combinations**

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, shares 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 assets 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.

## 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 is 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 or 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.

The assets and liabilities of foreign equity accounted investments are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve.



## 2. Summary of Significant Accounting Policies (continued)

### (h) Cash and liquid assets

#### *Cash and cash equivalents*

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.

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 overdrafts.

### (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 Group 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 Group 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.

### (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

## 2. Summary of Significant Accounting Policies (continued)

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

- 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 Group 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) 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 payments 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".

### (o) 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 recognised in equity is recognised in the income statement in "Gains less losses arising from available-for-sale investments". Where the Group 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.

### (p) 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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group's continuing involvement in the asset.

## **2. Summary of Significant Accounting Policies (continued)**

### **(p) Derecognition of financial assets and financial liabilities (continued)**

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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group'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 Group 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. Interests in the securitised financial assets may be retained by the Group 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 existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### **(q) 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.

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

### **(r) Impairment of financial assets**

The Group 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 Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group 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).

## **2. Summary of Significant Accounting Policies (continued)**

### **(r) Impairment of financial assets (continued)**

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 Group. 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 Group'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.

### *(ii) held-to-maturity financial investments*

For held-to-maturity investments the Group 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 Group assesses at each balance sheet date whether there is 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 decline 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 Group 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.

## 2. Summary of Significant Accounting Policies (continued)

### (s) Hedge accounting

The Group 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 Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group 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 Group assesses whether the transactions is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

#### (i) 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".

#### (ii) Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedge derivative is recognised in the income statement in "Gains less losses arising from trading securities". 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 statements in "Gains less losses arising from trading securities".

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

#### (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.

### (t) 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.

### (u) 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.



## 2. Summary of Significant Accounting Policies (continued)

### (u) Leases (continued)

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.

### (v) 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.

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 associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

### (w) 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.

	2008	2007
Office furniture and equipment	5 to 10 yrs	5 to 10 yrs
Computer equipment	2 to 3 yrs	2 to 3 yrs
Leasehold Improvements	5 to 10 yrs	5 to 10 yrs

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.

## 2. Summary of Significant Accounting Policies (continued)

### (x) 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:

- 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.

### (y) Intangible assets

Intangible assets include the value of computer software, wind farms development assets and brand names acquired in a business combination. All intangible assets acquired separately are measured on initial recognition at cost.

The useful live of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated on a straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	2008	2007
Wind farms	-	-
Computer software	7 yrs	-
Brand name	3 yrs	-

### (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.

## 2. Summary of Significant Accounting Policies (continued)

### (z) Impairment of assets (continued)

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) Customer accounts

Are brought to account at fair value plus directly attributable transaction costs at inception. Customer accounts 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) Debt issued, subordinated loans and other borrowed funds

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.

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.

### (ac) Other liabilities

#### (i) 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.

#### (ii) 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.



## 2. Summary of Significant Accounting Policies (continued)

### (ad) Employee benefits (continued)

#### (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.

#### (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.

## **2. Summary of Significant Accounting Policies (continued)**

### **(ae) Income tax (continued)**

#### *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.

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.

Commitments 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 32.

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 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.

### **(aj) Deferred acquisition**

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the effective date of acquisition. The discount rate used is the entity's incremental borrowing rate.

### **(ak) Comparatives**

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

The prior year's figures have been amended for a \$25m loan component of an investment in associate reclassified from investments accounted for using the equity accounted method to loans and advances to customers.

The gain on acquisition of Rothschild Banking business recorded and the deferred tax asset acquired in the prior year were both reduced by \$4m as a result of the change in tax treatment of assets acquired.

### 3. Revenue and Expenses

	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>Interest and similar income</b>				
Cash and liquid assets	64.7	44.4	63.3	44.3
Available-for-sale investments	1.2	7.9	1.2	7.9
Trading securities	5.1	4.3	5.1	4.3
Loans and receivables	237.0	152.5	205.9	147.2
Related entities	4.8	-	2.0	2.0
Other	0.2	0.5	0.2	0.6
	<b>313.0</b>	<b>209.6</b>	<b>277.7</b>	<b>206.3</b>
<b>Interest expense and similar charges</b>				
Customer accounts				
- On demand and short-time deposits	26.4	18.1	26.4	18.1
- Term deposits	48.9	31.8	48.9	31.8
Debt issued and other borrowed funds				
- Interest bearing notes payable	28.4	-	-	-
- Debt issued	71.9	59.8	71.9	59.8
- Related entities - wholly owned group	0.5	1.2	0.5	1.2
Subordinated loans	7.7	3.8	7.7	3.8
Other	0.2	0.3	0.9	0.7
	<b>184.0</b>	<b>115.0</b>	<b>156.3</b>	<b>115.4</b>
<b>Fee and commission income</b>				
Corporate finance fees	37.5	44.3	23.9	7.8
Structuring and arrangement fees	9.5	10.5	8.2	10.5
Asset management and related fees	4.2	4.6	0.4	0.3
Other fees	2.3	2.5	2.3	2.0
	<b>53.5</b>	<b>61.9</b>	<b>34.8</b>	<b>20.6</b>
<b>Fee and commission expense</b>				
Brokerage fees paid	3.2	0.2	1.7	0.2
	<b>3.2</b>	<b>0.2</b>	<b>1.7</b>	<b>0.2</b>
<b>Dividend income</b>				
Related entities - wholly owned group	-	-	-	3.6
Available-for-sale securities	0.3	0.4	-	-
	<b>0.3</b>	<b>0.4</b>	<b>-</b>	<b>3.6</b>

**3. Revenue and Expenses (continued)**

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>Gains less losses arising from trading securities and derivatives</b>					
Foreign exchange and commodities		13.1	6.0	13.1	6.0
Interest rate instruments		(9.3)	1.1	(9.3)	1.1
Equities	(a)	25.1	6.9	25.1	6.7
Other		-	(0.9)	-	(0.9)
		<b>28.9</b>	<b>13.1</b>	<b>28.9</b>	<b>12.9</b>
<b>Gains less losses arising from dealing in foreign currencies</b>					
Foreign exchange:					
- translation gains less losses on non-trading activities		(1.0)	(0.1)	(1.0)	(0.1)
		<b>(1.0)</b>	<b>(0.1)</b>	<b>(1.0)</b>	<b>(0.1)</b>
<b>Gains less losses arising from available-for-sale investments</b>					
Disposal of available-for-sale investments		6.7	1.4	3.5	(0.5)
		<b>6.7</b>	<b>1.4</b>	<b>3.5</b>	<b>(0.5)</b>
<b>Other operating income</b>					
Disposal of property, plant and equipment		(0.2)	(0.2)	(0.2)	(0.2)
Trust distribution		0.8	2.3	0.1	0.5
Profit on sale of wind farms		3.5	-	3.5	-
Management fees received from subsidiaries		-	-	3.4	23.4
Reversal of Rothschild Acquisition related accruals		1.4	-	1.4	-
		<b>5.5</b>	<b>2.1</b>	<b>8.2</b>	<b>23.7</b>
<b>Total revenue</b>					
Net interest income		129.0	94.6	121.4	90.9
Net fee and commission income		50.3	61.7	33.1	20.5
Dividend income		0.3	0.4	-	3.6
Gains less losses arising from trading securities and derivatives		28.9	13.1	28.9	12.9
Gains less losses arising from dealing in foreign currencies		(1.0)	(0.1)	(1.0)	(0.1)
Gains less losses arising from available-for-sale investments		6.7	1.4	3.5	(0.5)
Other operating income		5.5	2.1	8.2	23.7
		<b>219.7</b>	<b>173.1</b>	<b>194.1</b>	<b>150.9</b>

(a) Gains less losses arising from equities includes \$20.4m from the revaluation of the warrant held over 64.5% of equity in the Experien Group prior to the purchase.

**3. Revenue and Expenses (continued)**

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>Impairment losses on financial assets</b>					
Specific impairment		14.1	2.3	13.9	2.3
Impairment of available-for-sale investments		0.5	3.8	-	1.1
Bad debts written off		0.7	0.6	0.4	0.6
		<b>15.3</b>	<b>6.7</b>	<b>14.3</b>	<b>3.9</b>
<b>Other operating expenses</b>					
Employee benefit expenses	(a)	94.7	77.4	87.9	78.1
Occupancy expenses	(b)	5.8	4.3	5.5	4.3
Asset expenses	(c)	1.1	1.1	1.0	1.1
Advertising and marketing		4.3	1.7	3.6	1.6
Travel and accommodation		5.1	2.5	4.7	2.0
Legal, compliance, consultancy and audit		10.0	6.6	9.3	5.7
Insurance		1.1	0.8	1.0	0.8
Printing, postage and stationery		0.9	0.6	0.8	0.5
Communication and information technology		1.7	0.8	1.5	0.7
Other expenses		6.2	3.2	5.6	3.0
		<b>130.9</b>	<b>99.0</b>	<b>120.9</b>	<b>97.9</b>
<b>(a) Employee benefit expenses</b>					
Remuneration		73.9	62.1	68.7	63.3
Annual leave and long service leave		0.7	1.3	1.1	1.3
Superannuation		3.9	2.4	3.2	2.4
Workers' compensation costs		0.6	0.1	0.6	0.1
Termination benefits		0.9	0.3	0.9	0.3
Share-based payments expense		4.0	2.4	3.9	2.0
Payroll tax		4.3	4.2	4.0	4.3
Other		6.4	4.6	5.5	4.6
		<b>94.7</b>	<b>77.4</b>	<b>87.9</b>	<b>78.1</b>
<b>(b) Occupancy expenses</b>					
Maintenance and repairs		0.8	0.6	0.7	0.6
Rental on operating leases		4.5	3.3	4.3	3.3
Depreciation					
- Leasehold improvements		0.5	0.4	0.5	0.4
		<b>5.8</b>	<b>4.3</b>	<b>5.5</b>	<b>4.3</b>
<b>(c) Asset expenses</b>					
Depreciation					
- Property, plant and equipment		1.1	1.1	1.0	1.1
		<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.1</b>

#### 4. Income tax

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
The major components of income tax expense are:					
<b>Income Statement</b>					
<i>Current income tax</i>					
Current income tax charge		22.9	20.7	17.6	14.8
<i>Deferred income tax</i>					
Relating to origination and reversal of temporary differences		(9.6)	(0.4)	(8.1)	(0.4)
Income tax expense reported in the income statement		13.3	20.3	9.5	14.4
<b>Statement of recognised change in equity</b>					
<i>Deferred income tax related to items charged or credited directly to equity</i>					
Unrealised gain/(loss) on foreign currency translation reserve		(0.7)	-	(0.7)	-
Unrealised gain/(loss) on cash flow hedge reserve		0.4	-	-	-
Unrealised gain/(loss) on available-for-sale investments		(0.9)	0.5	(0.5)	0.6
Income tax expense reported in equity		(1.2)	0.5	(1.2)	0.6
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		75.0	279.1	57.4	261.0
At the Group's statutory income tax rate of 30%		22.5	83.7	17.2	78.3
Non taxable income - Gain on acquisition		0.5	(63.6)	0.5	(63.6)
Adjustments in respect of current income tax of previous years		(4.2)	(1.1)	(3.3)	(1.1)
Investments accounted for using the equity method		(0.9)	0.1	-	0.2
Non taxable income		(5.2)	-	(5.2)	-
Other non deductible expenditure		0.2	0.8	0.2	0.8
Other		0.4	0.4	0.1	(0.2)
		13.3	20.3	9.5	14.4

#### **4. Income tax (continued)**

##### **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. During the year Experien Pty Limited and its subsidiaries were added to the Group's 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 34).

##### **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' inter-company 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.

##### **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.

**4. Income tax (continued)**

<b>Deferred income tax</b>	<b>Consolidated</b>			
	<b>Balance Sheet</b>		<b>Income Statement</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>
Deferred income tax at 31 March relates to the following:				
Deferred tax assets				
Revaluations of available-for-sale investments to fair value	-	0.2	0.2	(1.1)
Loans and receivables	5.1	(1.7)	(2.8)	4.1
Employee entitlements	11.0	12.0	1.0	(6.9)
Fair value of derivative instruments	(1.1)	(3.9)	(4.6)	3.4
Unearned income	0.5	0.5	-	(0.1)
Specific provisions	5.8	1.2	(4.2)	(0.6)
Other provisions and accrual	1.9	0.8	(0.3)	0.7
Share based payments	-	-	-	0.1
Capital losses carried forward	0.3	-	(2.0)	-
Operating lease	0.7	0.2	(0.2)	-
Instalment credit agreements	(9.9)	-	3.3	-
	<b>14.3</b>	<b>9.3</b>	<b>-</b>	<b>-</b>
Deferred tax income			<b>(9.6)</b>	<b>(0.4)</b>

<b>Deferred income tax</b>	<b>Investec Bank (Australia) Limited</b>			
	<b>Balance Sheet</b>		<b>Income Statement</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>
Deferred income tax at 31 March relates to the following:				
Deferred tax assets				
Revaluations of available-for-sale investments to fair value	-	0.5	0.5	(0.3)
Loans and receivables	5.1	(1.7)	(2.8)	4.1
Employee entitlements	11.0	12.0	1.0	(6.9)
Fair value of derivative instruments	0.6	(4.0)	(4.6)	2.4
Specific provisions	5.4	1.2	(4.2)	(0.6)
Other provisions and accrual	(0.9)	0.8	1.8	0.8
Share based payments	-	-	-	0.1
Operating lease	0.1	0.2	0.2	-
	<b>21.3</b>	<b>9.0</b>	<b>-</b>	<b>-</b>
Deferred tax income			<b>(8.1)</b>	<b>(0.4)</b>



	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>5. Cash and liquid assets</b>				
Cash at bank	47.2	90.2	16.5	89.3
Reserve Bank of Australia Settlement Account	13.5	19.8	13.5	19.8
Bank Bills - with less than three months' maturity	622.6	691.4	622.6	691.4
Short term deposits	252.4	90.4	246.3	90.4
Included in cash and cash equivalents (Note 25 (b))	<b>935.7</b>	891.8	<b>898.9</b>	890.9
Short term deposits not available for Group's day to day operations	1.3	1.3	1.3	1.3
	<b>937.0</b>	893.1	<b>900.2</b>	892.2
<b>6. Bullion</b>				
Gold bullion at fair value	-	9.2	-	9.2
	-	9.2	-	9.2
<b>7. Available-for-sale investments</b>				
Commercial paper	-	4.0	-	4.0
Bank Bills - with greater than three months' maturity	-	60.2	-	60.2
Floating rate notes	8.4	88.9	8.4	88.9
Equity securities at fair value:				
- listed	7.5	12.8	3.8	1.8
- unlisted	34.7	6.5	25.9	0.5
	<b>50.6</b>	172.4	<b>38.1</b>	155.4
Impairment of available-for-sale investments are included in Note 3				
<b>8. Trading securities</b>				
Floating rate notes	24.4	153.9	24.4	153.9
Listed equity securities at fair value	2.6	3.7	-	-
	<b>27.0</b>	157.6	<b>24.4</b>	153.9

## 9. Derivative financial instruments

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

### Year ended 31 March 2008

	Consolidated			Investec Bank (Australia) Limited		
	Contract/ notional amount \$'m	Fair values		Contract/ notional amount \$'m	Fair values	
		Assets \$'m	Liabilities \$'m		Assets \$'m	Liabilities \$'m
<b>Derivatives held for hedging</b>						
Derivatives designated as fair value hedges						
- Interest rate swaps	161.9	1.7	(1.4)	161.9	1.7	(1.4)
Derivatives designated as cashflow hedges						
- Interest rate swaps	643.4	6.7	(0.3)	-	-	-
	<b>805.3</b>	<b>8.4</b>	<b>(1.7)</b>	<b>161.9</b>	<b>1.7</b>	<b>(1.4)</b>
<b>Derivatives not held for hedging</b>						
- Forward exchange contracts	1,118.2	89.4	(41.7)	1,118.2	89.4	(41.7)
- Currency swaps	235.8	2.0	(7.0)	235.8	2.0	(7.0)
- Interest rate option	12.3	0.0	-	12.3	0.0	-
- Interest rate swaps	4,779.2	13.0	(13.2)	4,779.2	13.0	(13.2)
- Interest rate exchange traded futures	871.8	0.6	(2.0)	871.8	0.6	(2.0)
- Commodity options	410.2	9.4	(9.4)	410.2	9.4	(9.4)
- Commodity swaps and forwards	72.9	17.0	(42.5)	72.9	17.0	(42.5)
- Equity options	29.5	8.7	-	29.5	8.7	-
	7,529.9	140.1	(115.7)	7,529.9	140.1	(115.7)
<b>Total derivatives assets/(liabilities)</b>	<b>8,335.2</b>	<b>148.5</b>	<b>(117.5)</b>	<b>7,691.8</b>	<b>141.9</b>	<b>(117.2)</b>

### Year ended 31 March 2007

	Consolidated			Investec Bank (Australia) Limited		
	Contract/ notional amount \$'m	Fair values		Contract/ notional amount \$'m	Fair values	
		Assets \$'m	Liabilities \$'m		Assets \$'m	Liabilities \$'m
<b>Derivatives held for hedging</b>						
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)
<b>Derivatives not held for hedging</b>						
- 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)
<b>Total derivatives assets/(liabilities)</b>	<b>5,377.5</b>	<b>168.5</b>	<b>(94.2)</b>	<b>5,377.5</b>	<b>168.5</b>	<b>(94.2)</b>

**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2008**

**9. Derivative financial instruments (continued)**

**Cash flow hedges**

The Group is exposed to variability in future interest cash flows on non-trading liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks.

	Year ended 31 March 2008				Year ended 31 March 2007			
	Consolidated		Investec Bank (Australia) Limited		Consolidated		Investec Bank (Australia) Limited	
	Asset \$'m	Liabilities \$'m	Asset \$'m	Liabilities \$'m	Asset \$'m	Liabilities \$'m	Asset \$'m	Liabilities \$'m
Fair value of hedge instrument	6.7	(0.3)	-	-	-	-	-	-
Amount recognised in equity during the period	2.9	(1.5)	-	-	-	-	-	-
Amount removed from equity and included in P&L during the period	(0.3)	-	-	-	-	-	-	-
Period cash flow expected to occur	1 to 5 yrs	1 to 5 yrs	-	-	-	-	-	-
Period cash flow expected to affect profit or loss	1 to 5 yrs	1 to 5 yrs	-	-	-	-	-	-

**Fair value hedges**

Fair value hedges are used by the group to protect it against changes in fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include loans, available-for-sale debt securities, debt issued and other borrowed funds. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks, and interest rate swaps, interest rate futures and options to hedge interest rate risk.

	Year ended 31 March 2008				Year ended 31 March 2007			
	Consolidated		Investec Bank (Australia) Limited		Consolidated		Investec Bank (Australia) Limited	
	Asset \$'m	Liabilities \$'m	Asset \$'m	Liabilities \$'m	Asset \$'m	Liabilities \$'m	Asset \$'m	Liabilities \$'m
Fair value of hedge instrument	1.7	(1.4)	1.7	(1.4)	1.5	(0.5)	1.5	(0.5)
Life to date cumulative gains and losses on hedging instrument	1.7	(1.4)	1.7	(1.4)	1.5	(0.5)	1.5	(0.5)
Year to date current year gains and losses on hedging instrument	1.0	(0.3)	1.0	(0.3)	1.6	(0.9)	1.6	(0.9)
Fair value of hedged item	(1.6)	1.2	(1.6)	1.2	(0.6)	0.9	(0.6)	0.9
Life to date cumulative gains and losses on hedged item	(1.6)	1.2	(1.6)	1.2	(1.6)	0.9	(1.6)	0.9
Year to date current year gains and losses on hedged item	(1.0)	(0.3)	(1.0)	(0.3)	(1.6)	0.9	(1.6)	0.9

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>10. Loans and receivables</b>					
Term lending	(i)	2,516.8	1,583.0	1,774.8	1,581.4
Loans - related parties	(ii)	85.7	55.8	85.7	44.9
		<b>2,602.5</b>	<b>1,638.8</b>	<b>1,860.5</b>	<b>1,626.3</b>
Less: Specific impairment for loan impairments		(19.2)	(4.1)	(18.0)	(4.1)
		<b>2,583.3</b>	<b>1,634.7</b>	<b>1,842.5</b>	<b>1,622.2</b>
<b>Impairment allowance for losses on loans and advances</b>					
Balance at 1 April		4.1	3.4	4.1	3.4
Increase in specific impairment for loan impairment		14.9	2.3	14.3	2.3
Arising from acquisition		0.9	0.4	-	0.4
Amounts utilised (written off) during the year		(0.7)	(2.0)	(0.4)	(2.0)
Balance at 31 March		<b>19.2</b>	<b>4.1</b>	<b>18.0</b>	<b>4.1</b>

The group does not currently maintain a collective provision for loan impairment.

- (i) Term lending maturity analysis is contained in Note 27
- (ii) Details of the terms of conditions of related party receivables are set out in Notes 34 and 35

Loans and advances by category Year ended 31 March 2008	Consolidated			Investec Bank (Australia) Limited		
	Term Lending \$'m	Impaired Loans \$'m	Specific Impairment \$'m	Term Lending \$'m	Impaired Loans \$'m	Specific Impairment \$'m
Commercial property loans	741.3	10.1	10.1	552.6	10.1	10.1
Residential property development loans	560.9	24.9	7.4	560.8	24.9	7.4
Residential mortgages (not developments)	51.3	-	-	36.0	-	-
Leases and instalment debtors	373.4	0.8	0.7	-	-	-
Growth and acquisition finance	235.4	-	-	235.4	-	-
Professional lending	185.9	0.4	0.3	-	-	-
Other private bank loans	119.8	-	-	141.2	0.4	0.3
Financial products	133.3	0.5	0.5	133.3	-	-
Project finance	95.8	-	-	95.8	-	-
Commodities and resource finance	74.9	0.8	0.2	74.9	0.8	0.2
Other	30.5	-	-	30.5	-	-
	<b>2,602.5</b>	<b>37.5</b>	<b>19.2</b>	<b>1,860.5</b>	<b>36.1</b>	<b>18.0</b>

## 10. Loans and receivables (continued)

Loans and advances by category Year ended 31 March 2007	Consolidated			Investec Bank (Australia) Limited		
	Term Lending	Impaired Loans	Specific Impairment	Term Lending	Impaired Loans	Specific Impairment
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
Commercial property loans	515.5	-	-	503.1	-	-
Residential property development loans	494.9	14.4	1.3	494.9	14.4	1.3
Residential mortgages (not developments)	25.0	-	-	25.0	-	-
Growth and acquisition finance	140.3	1.0	1.0	140.3	1.0	1.0
Other private bank loans	110.5	1.5	0.9	110.5	1.5	0.9
Financial products	138.2	-	-	138.2	-	-
Project finance	95.3	6.1	0.5	95.3	6.1	0.5
Commodities and resource finance	89.3	0.2	0.4	89.3	0.2	0.4
Other	29.8	-	-	29.8	-	-
	<b>1,638.8</b>	<b>23.1</b>	<b>4.1</b>	<b>1,626.3</b>	<b>23.1</b>	<b>4.1</b>

Notes	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>Finance lease receivables</b>				
Minimum lease payments receivable:				
No later than one year	64.7	2.0	2.7	2.0
Later than one year but not later than five years	186.6	1.1	7.9	1.1
Later than five years	8.3	-	0.3	-
	<b>259.6</b>	<b>3.1</b>	<b>10.9</b>	<b>3.1</b>
Unearned future finance income on finance leases	(45.5)	(0.5)	(2.3)	(0.5)
Net investment in finance leases	<b>214.1</b>	<b>2.6</b>	<b>8.6</b>	<b>2.6</b>
<b>11. Other financial assets</b>				
Investments in controlled entities	-	-	120.3	66.8
Loans to parent entity	9.0	-	-	-
(i)	<b>9.0</b>	<b>-</b>	<b>120.3</b>	<b>66.8</b>

(i) Details of the terms of conditions of related party transactions are set out in Note 34

## 12. Goodwill

Goodwill acquired through business combinations has been allocated to two individual cash generating units, which are reportable segments for impairment testing as follows:

- Investment banking; and
- Experien

The carrying amount allocated to each of the cash generating units is as follows:

	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
Investment banking	49.1	49.1	-	-
Experien	40.3	-	-	-
	<b>89.4</b>	<b>49.1</b>	<b>-</b>	<b>-</b>

### Impairment testing of goodwill

Goodwill is subject to annual impairment testing. No impairment loss was considered necessary in the 2008 financial year.

#### Investment banking

Goodwill acquired through business combinations has been allocated to investment banking, 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. 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.

#### Experien

Experien was acquired through a business combination during the year – Refer to Note 26.

The goodwill amount is derived from the estimated purchase consideration taking into account an upfront payment plus future expected earn-out payments. These payments are contingent on achieving loan book, margin and profit targets over a three year period. Management believe that these targets are highly likely of being achieved.

### 13. Intangible assets

	Consolidated				Investec Bank (Australia) Limited			
	Brand name \$'m	Wind farms \$'m	Computer software \$'m	Total \$'m	Brand name \$'m	Wind farms \$'m	Computer software \$'m	Total \$'m
Balance as at 1 April 07	-	-	-	-	-	-	-	-
Additions	-	1.7	1.3	3.0	-	1.7	1.3	3.0
Acquisition of Experien Group	0.4	-	-	0.4	-	-	-	-
Balance as at 31 March 08	0.4	1.7	1.3	3.4	-	1.7	1.3	3.0
Amortisation:								
Balance as at 1 April 07	-	-	-	-	-	-	-	-
Amortisation and impairment	(0.1)	-	-	(0.1)	-	-	-	-
Balance as at 31 March 08	(0.1)	-	-	(0.1)	-	-	-	-
Net balance 1 April 2007	-	-	-	-	-	-	-	-
Net balance 31 March 2008	0.3	1.7	1.3	3.3	-	1.7	1.3	3.0

#### Intangible assets

Brand name represents the value attributed to the "Experien" brand name on acquisition. Windfarms include costs incurred in developing windfarm assets prior to the commencement of the construction. Computer Software comprises the cost of developing a new banking system. All costs acquired separately are measured on initial recognition at cost.

**14. Investments accounted for using the equity method**

Investment in associates

Notes	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
	19.8	16.3	16.3	16.3
	<b>19.8</b>	16.3	<b>16.3</b>	16.3

Details of associate	Balance Date	Ownership interest held	Place of incorporation	Principal activity
924 Pacific Highway Unit Trust (i)	30 June	33.3%	Australia	Development and leasing of a commercial property
Viridis Energy Capital Pty Limited (i)	30 June	35.3%	Australia	Development of a commercial property
Rozelle Bay Unit Trust (i)	30 June	25.1%	Australia	Development of a commercial property
Global Ethanol Holdings Limited (i)	30 June	20.5%	Australia	Holding investments in various ethanol plants
Canberra Estates Consortium No 19 (i)	30 June	25%	Australia	Development of a residential property
Spinnakers Lake Macquarie (i)	30 June	50%	Australia	Development of a commercial property
Apollo Hotel (land) Pty Limited (i)	30 June	50%	Australia	Development of a commercial property
Apollo Hotel (business) Pty Limited (i)	30 June	50%	Australia	Development of a commercial property
Tall Trees Motel (business) Pty Limited (i)	30 June	50%	Australia	Development of a commercial property
Tall Trees Motel (land) Pty Limited (i)	30 June	50%	Australia	Development of a commercial property
Hotel Townsville Pty Limited (i)	30 June	50%	Australia	Development of a commercial property
Experien Insurance Services Pty Limited (i)	30 June	33%	Australia	Insurance broker

(i) Associate was not consolidated due to the Group not having control over the entity



**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2008

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

	924 Pacific Highway Unit Trust	Viridis Energy Capital Pty Limited	54 Miller Street Unit Trust	Rozelle Bay Unit Trust	Spinnakers Lake Macquarie	Global Ethanol Holdings Limited	Canberra Estates Consortium No 19	Apollo Hotel (land) Pty Limited	Apollo Hotel (business) Pty Limited	Tall Trees Motel (business) Pty Limited	Tall Trees Motel (land) Pty Limited	Hotel Townsville Pty Limited	Experien Insurance Services Pty Limited	Consolidated
<b>Balance 1 April 2006</b>	0.4	-	0.1	2.5	-	-	-	-	-	-	-	-	-	3.0
New investments	-	-	-	0.4	0.1	14.1	-	-	-	-	-	-	-	14.6
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)
<b>Balance 31 March 2007</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>2.5</b>	<b>0.1</b>	<b>13.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.3</b>
New investments	-	0.1	-	-	-	-	2.1	0.2	0.1	0.2	0.1	0.8	-	3.6
Share of profits/(losses)	0.6	(0.1)	-	-	0.1	4.3	(0.1)	(0.1)	-	0.1	(0.1)	(0.1)	-	4.6
Share of income tax	(0.2)	-	-	-	(0.1)	(1.3)	-	-	-	-	-	-	-	(1.6)
Disposals	(0.8)	-	-	-	-	-	-	-	-	-	-	-	-	(0.8)
Foreign Exchange translation	-	-	-	-	-	(2.3)	-	-	-	-	-	-	-	(2.3)
<b>Balance 31 March 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.5</b>	<b>0.1</b>	<b>14.0</b>	<b>2.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>-</b>	<b>0.7</b>	<b>-</b>	<b>19.8</b>
Groups proportionate share of assets & liabilities:														
Current assets	1.3	0.4	-	-	-	15.0	-	-	-	-	-	-	-	16.6
Non-current assets	-	0.1	-	2.6	0.1	66.6	-	-	-	-	-	-	-	69.3
Current liabilities	(0.9)	(0.2)	-	(0.1)	-	(5.9)	-	-	-	-	-	-	-	(7.0)
Non-current liabilities	-	-	-	-	-	(24.3)	-	-	-	-	-	-	-	(24.3)
<b>Net assets/(liabilities) 31 March 2007</b>	<b>0.4</b>	<b>0.3</b>	<b>-</b>	<b>2.5</b>	<b>0.1</b>	<b>51.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54.7</b>
Current assets	-	0.5	-	0.1	-	14.1	-	0.9	0.1	0.1	-	0.3	0.03	16.1
Non-current assets	-	-	-	2.2	0.2	58.4	13.2	3.3	1.0	2.6	3.8	4.2	-	88.9
Current liabilities	-	(0.2)	-	(0.3)	-	(3.9)	-	-	(0.1)	-	-	(0.3)	-	(4.8)
Non-current liabilities	-	-	-	-	-	(40.1)	(13.6)	(3.7)	(0.9)	(2.5)	(3.3)	(3.5)	-	(67.6)
<b>Net assets/(liabilities) 31 March 2008</b>	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>2.0</b>	<b>0.2</b>	<b>28.5</b>	<b>(0.4)</b>	<b>0.5</b>	<b>0.1</b>	<b>0.2</b>	<b>0.5</b>	<b>0.7</b>	<b>0.03</b>	<b>32.6</b>

## 15. Property, plant and equipment

31 March 2008	Consolidated				Investec Bank (Australia) Limited			
	Lease- hold improve- ments	Office equipment and furniture and fittings	Computer equipment	Total	Lease- hold improve- ments	Office equipment and furniture and fittings	Computer equipment	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
At 1 April 2007, net of accumulated depreciation and impairment	3.6	0.7	1.5	5.8	3.6	0.7	1.5	5.8
Additions	1.9	0.8	1.9	4.6	1.9	0.8	1.9	4.6
Reclassification	-	-	-	-	-	-	-	-
Acquired on acquisition	-	0.7	-	0.7	-	-	-	-
Disposals	-	-	(0.2)	(0.2)	-	-	(0.2)	(0.2)
Impairment	-	-	-	-	-	-	-	-
Depreciation charge for the year	(0.5)	(0.3)	(0.8)	(1.6)	(0.5)	(0.2)	(0.8)	(1.5)
<b>At 31 March 2008, net of accumulated depreciation and impairment</b>	<b>5.0</b>	<b>1.9</b>	<b>2.4</b>	<b>9.3</b>	<b>5.0</b>	<b>1.3</b>	<b>2.4</b>	<b>8.7</b>
At 31 March 2008								
Cost or fair value	6.6	2.7	6.4	15.7	6.6	2.0	6.4	15.0
Accumulated depreciation and impairment	(1.6)	(0.8)	(4.0)	(6.4)	(1.6)	(0.7)	(4.0)	(6.3)
<b>Net carrying amount</b>	<b>5.0</b>	<b>1.9</b>	<b>2.4</b>	<b>9.3</b>	<b>5.0</b>	<b>1.3</b>	<b>2.4</b>	<b>8.7</b>

31 March 2007	Consolidated				Investec Bank (Australia) Limited			
	Lease- hold improve- ments	Office equipment and furniture and fittings	Computer equipment	Total	Lease- hold improve- ments	Office equipment and furniture and fittings	Computer equipment	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
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)
<b>At 31 March 2007, net of accumulated depreciation and impairment</b>	<b>3.6</b>	<b>0.7</b>	<b>1.5</b>	<b>5.8</b>	<b>3.6</b>	<b>0.7</b>	<b>1.5</b>	<b>5.8</b>
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)
<b>Net carrying amount</b>	<b>3.6</b>	<b>0.7</b>	<b>1.5</b>	<b>5.8</b>	<b>3.6</b>	<b>0.7</b>	<b>1.5</b>	<b>5.8</b>

	Notes	Consolidated		Investec Bank (Australia) Limited	
		2008	2007	2008	2007
		\$'m	\$'m	\$'m	\$'m
<b>16. Other Assets</b>					
Trade debtors		11.5	10.5	5.7	4.0
Sundry debtors		2.4	5.2	1.8	3.8
Prepayments		4.3	2.3	2.6	2.3
		<b>18.2</b>	<b>18.0</b>	<b>10.1</b>	<b>10.1</b>
<b>17. Customer accounts</b>					
On demand and short-term deposits *		312.8	492.1	312.8	492.1
Term deposits *		992.4	601.1	992.4	601.1
(a)		<b>1,305.2</b>	<b>1,093.2</b>	<b>1,305.2</b>	<b>1,093.2</b>
(a) The maturity analysis is contained in Note 27					
<b>18. Debt Issued and other borrowed funds</b>					
Interest bearing notes payable *		762.5	-	-	-
Debt issued *		870.8	1,157.7	870.8	1,157.7
Unsecured loans from related entities (a)		14.4	26.1	17.3	26.1
Loans from controlled entities (a)		-	-	36.1	7.9
Loans from parent entity (a)		8.2	10.6	7.3	5.0
(b)		<b>1,655.9</b>	<b>1,194.4</b>	<b>931.5</b>	<b>1,196.8</b>
(a) Details of the terms of conditions of related party payables are set out in Note 34					
(b) The maturity analysis is contained in Note 27					
<b>19. Subordinated loans</b>					
Fixed rate subordinated notes (6.75%) *		20.9	21.5	20.9	21.5
Floating rate subordinated notes *		79.6	79.0	79.6	79.0
(a)		<b>100.5</b>	<b>100.5</b>	<b>100.5</b>	<b>100.5</b>

(a) 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 2014 and 10 August 2005 (\$25m) maturing August 2015.

\* Items flagged are included in the Concentration of Risk disclosure in Note 20

## 20. Concentration of Risk

The consolidated entity has an exposure to grouping of individual deposits & debt issuances ( including subordinated debt) which concentrate risk and create exposure to particular segments as follows:

Private client

Corporate and institutional

Consolidated		Investec Bank (Australia) Limited	
2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
930.9	655.4	930.9	655.4
2,108.2	1,696.0	1,345.7	1,696.0
<b>3,039.1</b>	<b>2,351.5</b>	<b>2,276.6</b>	<b>2,351.5</b>

## 21. Other liabilities

Trade payables

Other payables

Employee benefits

Notes	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
	2.4	0.7	1.8	0.7
	36.7	15.8	17.1	12.5
	37.5	40.1	36.9	40.1
	<b>76.6</b>	<b>56.6</b>	<b>55.8</b>	<b>53.4</b>
	291.7	291.7	291.7	291.7
	<b>291.7</b>	<b>291.7</b>	<b>291.7</b>	<b>291.7</b>

## 22. Share capital

291,697,616 Ordinary shares fully paid

(i)

(i) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Group, 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 Group.

## 23. Retained earnings

Movements in retained earnings were as follows:

Balance 1 April

Net profit for the year

Transfer to general reserve for credit losses

Balance 31 March

Notes	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
	283.6	33.7	260.6	22.9
	61.7	258.8	47.9	246.6
	(0.7)	(8.9)	(0.7)	(8.9)
	<b>344.6</b>	<b>283.6</b>	<b>307.8</b>	<b>260.6</b>

**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2008**

**24. Other Reserves**

	Consolidated					Investec Bank (Australia) Limited						
	Net unrealised gains reserve	Employee benefits reserve	Foreign currency translation reserve	Cash flow hedge reserve	General reserve for credit losses	Total	Net unrealised gains reserve	Employee benefits reserve	Foreign currency translation reserve	Cash flow hedge reserve	General reserve for credit losses	Total
Balance 1 April 2006	0.7	-	-	-	8.2	<b>8.9</b>	(0.4)	-	-	-	8.2	7.8
Net unrealised gains / (losses) on available-for-sale investments net of tax effect	(1.5)	-	-	-	-	<b>(1.5)</b>	0.8	-	-	-	-	0.8
Impairment of available-for-sale investments net of tax effect	2.6	-	-	-	-	<b>2.6</b>	0.7	-	-	-	-	0.7
Share based payments	-	0.9	-	-	-	<b>0.9</b>	-	0.9	-	-	-	0.9
Transfer from retained Earnings	-	-	-	-	8.9	<b>8.9</b>	-	-	-	-	8.9	8.9
<b>Balance 31 March 2007</b>	<b>1.8</b>	<b>0.9</b>	-	-	<b>17.1</b>	<b>19.8</b>	<b>1.1</b>	<b>0.9</b>	-	-	<b>17.1</b>	<b>19.1</b>
Net unrealised gains / (losses) on available-for-sale investments net of tax effect	(2.3)	-	-	-	-	<b>(2.3)</b>	(1.2)	-	-	-	-	(1.2)
Impairment of available-for-sale investments net of tax effect	0.3	-	-	-	-	<b>0.3</b>	-	-	-	-	-	-
Net unrealised gains / (losses) on foreign exchange net of tax effect	-	-	(1.6)	-	-	<b>(1.6)</b>	-	-	(1.6)	-	-	(1.6)
Fair value movement on cash flow hedges net of tax effect	-	-	-	0.8	-	<b>0.8</b>	-	-	-	-	-	-
Transfer from retained Earnings	-	-	-	-	0.7	<b>0.7</b>	-	-	-	-	0.7	0.7
<b>Balance 31 March 2008</b>	<b>(0.2)</b>	<b>0.9</b>	<b>(1.6)</b>	<b>0.8</b>	<b>17.8</b>	<b>17.7</b>	<b>(0.1)</b>	<b>0.9</b>	<b>(1.6)</b>	-	<b>17.8</b>	<b>17.0</b>

## **24. Other Reserves (continued)**

### **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.

### **Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

### **Cash flow hedge reserve**

This reserve comprises the portion of gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

### **Employee benefits reserve**

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

**25. Notes to the Statement of Cash Flow**

Notes	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>(a) Reconciliation of profit for the year to net cash flows from operating activities</b>				
Net profit before income tax	75.0	279.1	57.4	261.0
Net (increase) in assets at fair value through the Income Statement	(27.9)	(12.9)	(27.9)	(12.7)
(Gain)/loss on acquisition	1.5	(211.9)	1.5	(211.9)
Amortisation of leasehold improvements	0.5	0.4	0.5	0.4
Amortisation of intangibles	0.1	-	-	-
Asset expense	1.1	1.1	1.0	1.1
(Gain)/loss on sale property plant and equipment	0.2	0.2	0.2	0.2
Net loss/(gains) on disposal of available-for-sale investments	(6.7)	1.4	(3.5)	(0.5)
Impairment of available-for-sale investments	(0.5)	(3.8)	-	(1.1)
Management fees received from subsidiaries	-	-	(3.5)	(23.4)
Dividends received	(0.3)	(0.4)	-	(3.6)
Share of net loss of associate accounted for using the equity method	(3.0)	0.3	-	-
Increase in capitalisation of net fees and interest relating to an integral part of a loan	(5.2)	(2.3)	(5.2)	(2.3)
Increase in interest payable on deposits	4.0	4.3	4.0	4.3
Increase in provision for employee entitlements	(2.6)	22.7	(3.2)	22.7
Decrease/(increase) in net receivables	(0.4)	(16.4)	(8.3)	(15.1)
Decrease/(increase) in prepayments	(2.0)	(2.1)	(0.3)	(2.0)
Increase in trade and other creditors	19.0	10.8	0.6	13.2
Increase in provision for impairments	15.3	2.5	14.3	2.5
	<b>68.0</b>	<b>73.0</b>	<b>27.6</b>	<b>32.7</b>
<b>(b) Reconciliation of Cash</b>				
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	47.2	90.2	16.5	89.3
Bank bills - with less than three months' maturity	622.6	691.4	622.6	691.4
Short term deposits	252.4	90.4	246.4	90.4
Due from other financial institutions - at call	13.5	19.8	13.5	19.8
(a)	<b>935.7</b>	<b>891.7</b>	<b>899.0</b>	<b>890.8</b>

(a) Of this balance \$130m (2007 \$99m) relates to a commitment to hold a pool of assets at a quality specified by the RBA in relation to its gold deposit with the Group. This pool of assets is classified as a cash equivalent on the basis that it is readily convertible to known amounts of cash and is subject to an insignificant risk of changes in value.

**25. Notes to the Statement of Cash Flow (continued)**

	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<b>(c) Financing facilities</b>				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities				
- Bank overdraft	-	0.5	-	0.5
- Standby facilities	-	-	-	-
- Bill acceptance/discount facilities	20.0	20.0	20.0	20.0
- Securitisation warehouse	1,519.9	-	-	-
Facilities used at reporting date				
- Bank overdraft	-	-	-	-
- Standby facilities	-	-	-	-
- Bill acceptance/discount facilities	5.3	-	5.3	-
- Securitisation warehouse	757.6	-	-	-
Facilities unused at reporting date				
- Bank overdraft	-	0.5	-	0.5
- Standby facilities	-	-	-	-
- Bill acceptance/discount facilities	14.7	20.0	14.7	20.0
- Securitisation warehouse	762.3	-	-	-



## 26. Change in composition of entity

### Acquisition of Experien Pty Limited

On 1 October 2007, Investec Bank (Australia) Limited acquired 100% of the voting shares of Experien Pty Limited, an unlisted company based in Australia specialising in finance to healthcare and accounting professionals.

Loss for the period 1 October 2007 to 31 March 2008 included within the Group's consolidated financial results was \$659,639 (pre income tax \$923,339). For the period 1 April 2007 to 31 March 2008 the Experien Group's loss was \$1,097,055 (pre income tax \$1,539,577).

The total cost of the combination was \$31,679,609 and comprised of the payment of cash \$3,150,000, future earn-out payments of \$8,096,261 and the reclassification of option previously held.

The contingent consideration comprises the present value of future payments to be made to the previous owners of the business if certain annual and cumulative loan book, margin and profit targets are achieved. The earn-out is payable in instalments over a three year period.

Goodwill represents the difference between the net fair value of assets and liabilities acquired and the present value of the estimated purchase consideration. The value of goodwill is attributed to the future growth potential under the Investec stewardship.

The fair value of the identifiable assets and liabilities of Experien Pty Limited as at the date of acquisition are:

	<b>Consolidated</b>	
	<b>Recognised on acquisition</b>	<b>Carrying Value at date of acquisition</b>
	<b>\$'m</b>	<b>\$'m</b>
Cash and liquid assets	33.1	33.1
Loans and receivables	693.7	698.7
Property, plant and equipment	0.5	0.5
Goodwill	40.2	-
Intangible assets	0.4	-
Deferred income tax assets	9.8	1.7
Other assets	4.9	4.8
	<b>782.6</b>	<b>738.8</b>
Interest bearing liabilities	731.0	731.0
Other liabilities	11.5	11.5
Current income tax liabilities	8.4	8.4
	<b>750.9</b>	<b>750.9</b>
Fair value of net assets	<b>31.7</b>	<b>(12.1)</b>
Purchase price	<b>31.7</b>	

## 26. Change in composition of entity (continued)

### Acquisition of Rothschild's banking business

During the prior year (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 \$210.4m (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 has 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:

	<b>Consolidated</b>	
	<b>Recognised on acquisition</b>	<b>Carrying value</b>
	<b>\$'m</b>	<b>\$'m</b>
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	3.2	2.9
Other assets	1.4	2.9
	<b>1,620.5</b>	<b>1,637.5</b>
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
	<b>1,407.9</b>	<b>1,402.8</b>
Fair value of net assets	<b>212.6</b>	<b>234.7</b>
Costs associated with the acquisition	<b>(2.2)</b>	
Gain on acquisition	<b>210.4</b>	

Acquisition accounting guidelines allow a 12 month period to finalise the accounting and recognition of businesses and assets acquired. As part of this process we have reduced the value of loans and receivables by \$1.5 million and reduced the value of the deferred tax assets by \$4.0 million. This adjustment results in a decrease in the gain on acquisition from \$215.9 million to \$210.4 million.

## 27. Maturity analysis of assets and liabilities

The following tables 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. Refer to Note 31 for the Group's contractual undiscounted repayment obligations.

### Consolidated

#### Maturity Period at 31 March 2008

	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
<b>Assets</b>							
Cash and liquid assets	841.8	78.8	15.1		1.3		937.0
Derivative financial instruments	5.1	4.1	70.3	67.0	2.0		148.5
Available-for-sale investments				41.9	8.7		50.6
Trading securities	2.6		15.0	9.4			27.0
Loans and receivables	455.6	164.7	597.5	1,211.9	153.6		2,583.3
Investments accounted for using the equity method					19.8		19.8
Other assets						143.5	143.5
<b>Total assets</b>	<b>1,305.1</b>	<b>247.6</b>	<b>697.9</b>	<b>1,330.2</b>	<b>185.4</b>	<b>143.5</b>	<b>3,909.7</b>
<b>Liabilities</b>							
Customer accounts (1)	724.5	283.0	215.7	72.0	10.0		1,305.2
Derivative financial instruments	15.0	4.8	58.9	38.4	0.4		117.5
Debt issued and other borrowed funds	313.5	123.2	477.4	738.1	3.7		1,655.9
Other liabilities	5.9	3.7	66.7	0.4	-		76.6
Subordinated loans					100.5		100.5
<b>Total liabilities</b>	<b>1,058.7</b>	<b>414.7</b>	<b>818.7</b>	<b>848.9</b>	<b>126.3</b>	<b>-</b>	<b>3,255.7</b>

(1) Includes substantial "core" deposits that are contractually at call and are represented as such in this disclosure, but history demonstrates such accounts provide a stable source of long term funding for the Group.

The above maturity analysis reflects the Group's 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.

**27. Maturity analysis of assets and liabilities (continued)**

<b>Consolidated</b>							
<b>Maturity Period at 31 March 2007</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Not Specified</b>	<b>Total</b>
	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>
<b>Assets</b>							
Cash and liquid assets	454.9	438.2					893.1
Bullion	9.2						9.2
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	173.0		1,634.7
Investments accounted for using the equity method					16.6		16.6
Other assets				18.0	9.3	54.9	82.2
<b>Total assets</b>	<b>653.6</b>	<b>691.1</b>	<b>548.2</b>	<b>980.2</b>	<b>210.0</b>	<b>54.9</b>	<b>3,134.0</b>
<b>Liabilities</b>							
Customer accounts	783.0	103.1	66.6	140.5			1,093.2
Derivative financial instruments	7.8	8.4	32.0	46.0			94.2
Debt issued and other borrowed funds	219.9	62.5	612.7	299.3			1,194.4
Other liabilities					56.6		56.6
Subordinated loans					100.5		100.5
<b>Total liabilities</b>	<b>1,010.7</b>	<b>174.0</b>	<b>711.3</b>	<b>485.8</b>	<b>157.1</b>	<b>-</b>	<b>2,538.9</b>

## 28. Fair value of financial instruments

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

	Carrying value 2008 \$'m	Fair value 2008 \$'m	Unrecognised Gain/(loss) 2008 \$'m	Carrying value 2007 \$'m	Fair value 2007 \$'m	Unrecognised Gain/(loss) 2007 \$'m
<b>Financial assets</b>						
Cash and liquid assets	937.0	937.0	-	893.1	893.1	-
Bullion	-	-	-	9.2	9.2	-
Derivative financial instruments	148.5	148.5	-	168.5	168.5	-
Financial investments - available-for-sale	50.6	50.6	-	172.1	172.1	-
Financial assets held for trading	27.0	27.0	-	157.6	157.6	-
Loans and advances to customers	2,583.3	2,568.4	(14.9)	1,634.7	1,622.9	(11.8)
<b>Financial liabilities</b>						
Customer accounts	1,305.2	1,305.8	(0.6)	1,093.2	1,093.2	-
Derivative financial instruments	117.5	117.5	-	94.2	94.2	-
Debt issued and other borrowed funds	1,655.9	1,655.9	-	1,194.4	1,194.4	-
Subordinated loans	100.5	101.1	(0.6)	100.5	100.5	-
Total unrecognised change in unrealised fair value			(16.1)			(11.8)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

### Assets of which fair value approximates carrying value

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

### Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on current interest rate yield curve appropriate for the remaining term.

**29. Commitments and contingencies**

	Consolidated		Investec Bank (Australia) Limited	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
<i>Operating lease commitments - As lessee</i>				
- not later than one year	9.7	8.6	9.3	8.6
- later than one year and not later than five years	26.1	28.0	25.7	28.0
- longer than five years	3.8	8.0	3.8	8.0
(a)	<b>39.6</b>	44.6	<b>38.8</b>	44.6
<i>Operating lease commitments - As lessor</i>				
- not later than one year	3.9	3.8	3.9	3.8
- later than one year and not later than five years	4.9	8.8	4.9	8.8
- longer than five years	-	-	-	-
	<b>8.8</b>	12.6	<b>8.8</b>	12.6
<i>Capital commitments</i>				
- not later than one year	14.7	-	4.8	-
- later than one year and not later than five years	2.8	2.9	0.7	-
	<b>17.5</b>	2.9	<b>5.5</b>	-

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		Credit Equivalent	
	2008 \$'m	2007 \$'m	2008 \$'m	2007 \$'m
Guarantees entered into in the normal course of business	102.1	102.4	102.1	102.4
Commitments to provide credit:				
- One year or less	465.0	524.2	352.2	524.2
- Over one year	-	-	-	-
	<b>567.1</b>	626.6	<b>454.3</b>	626.6

## **29. 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**

The Group is presently engaged in litigation arising from the sale of security property pursuant to the recovery of a loan. The trial commenced on 13 June 2007 and concluded on 26 June 2007. Judgement was awarded against the Group. The parties attended the Court ordered mediation on 27 February 2008. This process was terminated and the Group has lodged an appeal which is scheduled for 10 June 2008. A provision of \$3.0m has been recognised in these financial statements.

There are no other outstanding material legal claims as at 31 March 2008.

## **30. Events after the balance date**

There have been no significant events which have occurred subsequent to 31 March 2008.

### 31. Risk management

#### Philosophy and approach

The Bank recognises that an effective risk management function is fundamental to its business. Taking best practice into account, our comprehensive risk management process, involves identifying, understanding and managing the risks associated with each of our businesses. Risk awareness, control and compliance are embedded in our day-to-day activities.

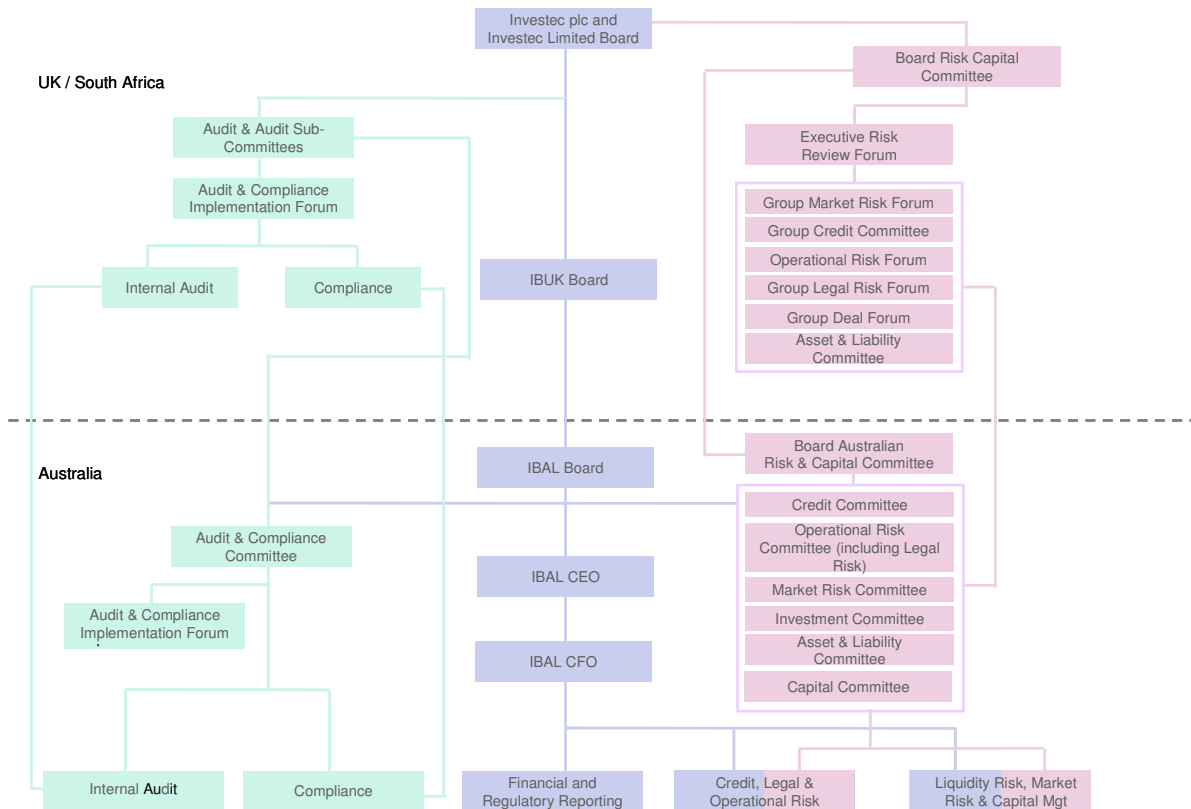
Risk management (part of central services) independently monitors manages and reports on our risk as mandated by the board of directors through the Investec Board Australian Risk and Capital Committee. Business units are ultimately responsible for managing risks that arise. We monitor and control risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue growth across our business.

Risk management operates as a series of specialist teams, in line with our management approach, to promote sound risk management practices and to ensure that the appropriate processes are used to address all risks across the Group. Risk management continually seeks new ways to enhance its techniques. However, no Group can completely or accurately predict or fully assure the effectiveness of its policies and procedures for managing risk.

In our ordinary course of business, we are exposed to various risks, including credit, market, interest rate and liquidity, operational, legal and reputational risks.

This section provides an overview of these types of risks.

#### Risk and compliance structure





### 31. Risk management (continued)

#### Market risk management

Market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting in changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel II and policies determined by the board.

#### Traded market risk

Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making to our clients, arbitrage, and investments in the commodity, foreign exchange, equity, capital and money markets. The focus of these businesses is on supporting client activity. Our philosophy is that trading should be conducted largely to facilitate clients in deal execution.

Measurement techniques used to quantify the market risk arising from our trading activities include sensitivity analysis and Value at Risk (VaR). Stress testing is also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored at the 99% confidence interval. All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the actual trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a "back testing breach" is considered to have occurred. There were no back testing breaches for the past financial year.

VaR is calculated using a variance covariance model. Historical data used to calculate the variances and covariance's is exponentially weighted using a lambda of 0.97. Volatility limits are used when needed to compensate for data quality.

#### Group VaR 99% (one-day)

	<b>2008</b>	<b>2007</b>
	<b>\$'m</b>	<b>\$'m</b>
Position	<b>0.030</b>	0.030
Option	<b>0.000</b>	0.072
Interest Rate	<b>0.343</b>	0.132
Consolidated	<b>0.373</b>	0.234
High	<b>0.373</b>	0.500
Low	<b>0.059</b>	0.105
Average	<b>0.178</b>	0.279

### 31. Risk management (continued)

#### Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity due to a reasonably possible change in equity indices held over a one year time horizon with all other variables held constant, is as follows:

	<b>Change in equity price</b>	<b>Effect on equity</b>	<b>Change in equity price</b>	<b>Effect on equity</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
<b>Market Indices</b>	<b>%</b>	<b>\$'m</b>	<b>%</b>	<b>\$'m</b>
ASX small cap	+ / - 54.2	12.5 / (8.4)	+ / - 54.8	1.5 / (1.5)

#### Balance sheet risk management

Balance sheet risk management encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

#### Non-trading interest rate risk description

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

Sources of interest rate risk include volatility and changes in interest rate levels, yield curves and spreads. These affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios.

The Group utilises a number of measures to monitor and control interest rate risk in the Banking Book, including static gap analysis, % of a balance sheet limits, Earnings at Risk measures and limits, and Economic Value at Risk sensitivity.

Non-traded interest rate risk is stress tested on a monthly basis utilising an Economic Value at Risk ("EVAR") sensitivity. The calculation involves measuring the present value of cashflows in the Banking Book, then recalculating the present value of cashflows having stressed the interest rate curve by 2%. The difference between the two is the measured EVAR. The table below shows the Group's stress sensitivity to interest rates in the Banking Book utilising

	<b>High for the year Mar 08</b>	<b>Low for the year Mar 08</b>	<b>Average for the year Mar 08</b>	<b>As at Mar 08</b>	<b>As at Mar 07 *</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Economic Value at Risk (EVAR)	3.1	0.1	1.7	3.0	1.9

\* We commenced using the EVAR methodology from 31 March 2007. Comparative high, low and average EVAR numbers are not available for the prior year.

Banking Book constitutes all assets on Group's balance sheet including (but not limited to) loans, investments, deposits, debt securities issued etc. but excluding those exposures that are arising specifically within the trading book.

The Group's interest sensitivity to earnings risk (EAR) and economic value exposure (EVAR) in relation to the Experien Trusts arises in relation to various note holdings that the Group has in these Trusts. These notes are liabilities of the relevant trusts and treated as assets in the Group's balance sheet. As the notes form part of the assets in the Group's balance sheet they are treated in the same manner and using the same methodologies as are used for all assets in the Banking Book the calculation of the EAR and EVAR.

### 31. Risk management (continued)

The Group also measures, on a monthly basis, the stress sensitivity of earnings to interest rate movements, utilising an Earnings at Risk ("EaR") sensitivity. The calculation involves the measuring of the static interest rate repricing gaps arising as a result of the varying interest rate repricing characteristics of assets, liabilities and capital, and the impact, over a 12 month period, of a 1% interest rate movement on earnings arising from the static gap position

The table below shows the Group's stress sensitivity to interest rates in the Banking Book utilising the EaR methodology as described above.

	High for the year Mar 08	Low for the year Mar 08	Average for the year Mar 08	As at Mar 08	High for the year Mar 07	Low for the year Mar 07	Average for the year Mar 07	As at Mar 07
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Earnings at Risk	4.9	2.3	3.7	4.9	4.5	1.8	2.8	2.5

#### Liquidity risk description

Liquidity risk is the risk that we do not have sufficient cash to meet our financial obligations, especially in the short term, at acceptable costs. Sources of liquidity risk include unforeseen withdrawals of demand deposits, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset timeously with minimal risk of capital loss, unpredicted customer non-payment of a loan obligation and a sudden increased demand for loans.

#### Analysis of financial liabilities by remaining undiscounted contractual flows

##### 31 March 2008

	Consolidated					Total \$'m
	Up to 1 Month \$'m	1 to 3 months \$'m	3 to 12 months \$'m	1 to 5 years \$'m	> 5 years \$'m	
Customer accounts	729.0	292.1	215.8	72.0	10.0	1,318.8
Derivative financial instruments	137.8	(115.2)	58.7	(212.2)	(2.4)	(133.2)
Debt issued and other borrowed funds	323.6	145.5	598.4	872.2	1.9	1,941.7
Subordinated loans	-	2.5	5.7	31.4	115.1	154.7
<b>Total undiscounted financial liabilities</b>	<b>1,190.4</b>	<b>324.9</b>	<b>878.6</b>	<b>763.4</b>	<b>124.6</b>	<b>3,282.0</b>

##### 31 March 2007

	Consolidated					Total \$'m
	Up to 1 Month \$'m	1 to 3 months \$'m	3 to 12 months \$'m	1 to 5 years \$'m	> 5 Years \$'m	
Customer accounts	840.3	108.1	34.2	111.0	10.3	1,103.8
Derivative financial instruments	10.3	(1.1)	(9.3)	4.5	(14.0)	(9.6)
Debt issued and other borrowed funds	155.8	63.3	716.8	305.7	-	1,241.7
Subordinated loans	-	2.1	5.2	29.4	121.7	158.4
<b>Total undiscounted financial liabilities</b>	<b>1,006.4</b>	<b>172.4</b>	<b>746.9</b>	<b>450.6</b>	<b>118.0</b>	<b>2,494.3</b>

### 31. Risk management (continued)

#### Liquidity risk (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

	Consolidated					Total \$'m
	Up to 1 Month \$'m	1 to 3 months \$'m	3 to 12 months \$'m	1 to 5 years \$'m	> 5 years \$'m	
	Contingent liabilities	0.8	1.6	7.0	25.7	
Loan commitments	465.0	-	-	-	-	465.0
Guarantees	102.0	-	-	-	-	102.0
<b>Total</b>	<b>567.8</b>	<b>1.6</b>	<b>7.0</b>	<b>25.7</b>	<b>3.8</b>	<b>605.9</b>

	Consolidated					Total \$'m
	Up to 1 Month \$'m	1 to 3 months \$'m	3 to 12 months \$'m	1 to 5 years \$'m	> 5 years \$'m	
	Contingent liabilities	0.7	1.4	6.5	28.0	
Loan commitments	524.2	-	-	-	-	524.2
Guarantees	102.4	-	-	-	-	102.4
<b>Total</b>	<b>627.3</b>	<b>1.4</b>	<b>6.5</b>	<b>28.0</b>	<b>8.0</b>	<b>671.2</b>

The above disclosure includes the representation of loan commitments and guarantees as being immediately available for drawdown. History has demonstrated that such commitments generally drawdown over an extended period of time and may not draw down to the full value of the commitment as represented above.

#### Hedges

The Group uses derivatives for management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the central Treasury in the Capital Markets business. Once aggregated and netted, Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges, cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the Group manages its risk exposure.

## 31. Risk management (continued)

### Balance sheet and Liquidity risk key actions during the year in review

The Group successfully embarked on several term debt funding initiatives. This allowed us to maintain liquidity well above internal and external liquidity targets, while growing our profitable lending portfolios. These initiatives were designed to further diversify sources of funding and maintain surplus medium-term liquidity at low rates to facilitate asset growth. Key initiatives included the following:

- The Group completed a bilateral bank loan facility in April 2007. The facility provided 3 year term funding for an amount of USD 25 million at a spread of 40 basis points over three-month USD LIBOR.
- The Group established a new Debt Issuance Programme, with a programme limit of AUD2.5billion, and with multi-currency, onshore and offshore issuance capabilities and the ability to issue in the form of fixed or floating rate Transferable Deposits, or fixed or floating rate Notes of various types (including "MTNs", "Notes", "Bonds", "Instruments", "Indexed Notes", "Amortising Notes", "Credit Linked Notes", "FRNs", "Zero Coupon Notes", "Subordinated Notes")
- The Group launched an inaugural domestic bond issue in June 2007 to raise medium-term funding and continue to develop the Group's profile in the domestic and regional debt markets, while building new and deepening existent wholesale funding relationships. The launch raised AUD250million in total split between an AUD100million 3year tranche priced at 35 basis points above the 3 month Bank Bill Swap Rate, and an AUD150million 5year tranche priced at 45 basis points above the 3 month Bank Bill Swap Rate. The transaction attracted 19 separate investor placements across Australia and Asia.
- As part of the Group's acquisition of Experien, it has gained access to existing warehouse funding facilities utilised for the professional lending business. Additionally, during the year the Group established a new warehouse funding facility provided by a major (unrelated) banking group to support continued expansion of the professional lending business.

### Operational risk management

#### Operational risk definition

Operational risk is defined as the risk of loss or earnings volatility arising from failed or inadequate internal processes, people and technology, or from external events. We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of sound operational risk management practices.

#### Operational risk governance structure

A common understanding of the definition of operational risk and its impact throughout the organisation is key to the successful management of operational risk.

The governance structure for Operational Risk Management is outlined below.

#### Board

The board reviews and monitors operational risk through the Board Australian Risk and Capital Committee. An Operational Risk Committee has been established to ensure the consistent implementation of the Operational Risk Management Framework.

#### Operational Risk Management

An independent specialist Operational Risk Management function promotes consistent and sound operational risk management practices and processes across the group, including enterprise risk programmes, e.g. business continuity and financial crime. In addition, subject matter experts focus on information security and change management.

#### Senior management

Senior management is responsible for the implementation and management of operational risk at business unit level.

## 31. Risk management (continued)

### Operational risk management framework

We have implemented an operational risk management framework as well as policies, practices and a technology system to provide a comprehensive means of promoting operational risk management throughout the group. The framework sets out a structured and consistent approach to implementing a systematic, effective and efficient process across the organisation to manage operational risk and thereby improve business performance and regulatory compliance.

- Operational risk identification and risk assessments

The risk assessment process is central to the operational risk management framework. A qualitative risk assessment is conducted using an identified universe of operational risks contained in a risk assessment framework, as a first step to promote consistency.

The assessment of risks and controls is conducted at individual business unit and review levels. Risk assessments are subject to treatment and escalation in terms of our operational risk appetite policy.

- Operational risk events

We respond to risk events with appropriate analysis and actions to correct and minimise losses and improve controls. Thresholds are in place for the monitoring and escalation of recorded events, which are in line with the risk appetite policy.

- Operational risk indicators

Indicators provide information that allows management to assess the effectiveness of the controls and to highlight potential issues.

### Credit risk management

#### Credit risk

Credit risk is assumed through transacting with target private and corporate clients, project and resource finance and the placement of surplus liquidity with highly rated domestic banks and financial institutions.

#### Credit risk description

Credit risk represents the potential loss to the group as a result of:

- A counterparty being unable or unwilling to meet its obligations.
- A deterioration in the credit quality of third parties to whom we are exposed.

Credit risk arises from two types of transactions:

- Lending transactions and positions in debt instruments (the risk that a counterparty to a transaction will be unable or unwilling to repay capital and interest on loans and advances as they fall due).
- Derivative transactions giving rise to settlement and replacement risk. Settlement risk is the risk that the settlement of a transaction does not take place as expected, with us effecting required settlements as they fall due but not receiving settlements to which we are entitled.

Replacement risk is the risk that a derivative instrument needs to be replaced following default by the original counterparty and that such replacement is done at a cost which equates to the mark-to-market of the trade at the date of replacement. The nature and degree of credit risk vary depending on the type of business transactions entered.

#### Credit risk governance structure

To manage, measure and mitigate credit risk, we have an independent credit function and committee, which operate under board approved delegated limits, policies and procedures. These are consistent with those of the group and comply with the prudential standards issued by the Australian Prudential Regulatory Authority.

The IBAL credit function has significant interaction with Group Credit, which includes the requirement for Group Credit approval for all transactions outside of local delegated limits. Regular credit reporting to Group Risk management fora and periodic on site credit reviews by members of Group Credit. There is a high level of executive and non-executive involvement in credit decision making forums. All decisions to enter a transaction are based on unanimous consent.

### 31. Risk management (continued)

#### Management and measurement of credit risk

We use the following fundamental principles to manage credit risk:

- A clear definition of our target market.
- A quantitative and qualitative assessment of the creditworthiness of our counterparties.
- Appropriate credit granting criteria.
- An analysis of all related risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty, and geographical concentration).
- Prudential limits.
- Regular monitoring of existing and potential exposures once facilities have been approved.
- A high level of executive involvement in and non-executive awareness of decision-making and review.

Consistent, regular reporting of credit risk exposures to management, the executives and the board. The board regularly reviews the appetite for credit risk, which is documented in risk appetite statements and policy documents and implemented by our Credit division.

#### Credit risk – maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	<b>Consolidated</b>	
	<b>Gross Maximum Exposure 2008 \$'m</b>	<b>Gross Maximum Exposure 2007 \$'m</b>
Cash and liquid assets	937.0	873.3
Bullion	-	9.2
Derivative financial instruments	148.5	19.8
Financial investments - available-for-sale	50.6	162.0
Financial assets held for trading	27.0	153.0
Loans and advances to customers	2,583.3	1,612.3
<b>Total</b>	<b>3,746.4</b>	<b>2,983.6</b>
Guarantees entered into in the normal course of business	102.1	102.4
Commitments to provide credit	465.0	524.2
<b>Total</b>	<b>567.1</b>	<b>626.6</b>
<b>Total credit risk exposure</b>	<b>4,313.5</b>	<b>3,610.1</b>

### 31. Risk management (continued)

#### Credit risk (continued)

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group's credit risk is predominantly focussed on the Australian market with in excess of 95% of committed exposures to this geography.

#### Risk concentration of the maximum exposure to credit risk

	Consolidated	
	Gross Maximum Exposure 2008 \$'m	Gross Maximum Exposure 2007 \$'m
High net worth and professional individuals	954.4	151.6
Agriculture, forestry and fishing	102.6	139.2
Electricity, gas and water (utility services)	97.4	185.5
Public and non-business services	151.0	49.3
Business service	81.1	27.3
Finance and insurance	1,170.1	1,293.3
Retailers and wholesalers	13.6	9.9
Manufacturing and commerce	34.7	66.6
Construction and real estate	1,506.9	1,346.4
Mining and resources	132.6	309.1
Leisure, entertainment and tourism	2.5	4.3
Transport and communication	66.7	27.7
<b>Total</b>	<b>4,313.5</b>	<b>3610.1</b>

#### Collateral and other credit enhancements

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

The bulk of collateral taken by the Group is within the Private Bank division which makes up a substantial portion of our on balance sheet assets. This tends to be residential and commercial real estate. Other forms of security are cash, motor vehicles, cash and shares.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during the adequacy of the allowance for impairment losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.



### 31. Risk management (continued)

#### Aging analysis of past due but not impaired loans per class of financial assets

	Consolidated				Total \$'m
	Up to 1	1 to 3	3 to 12	1 to 5	
	month	months	months	years	
	\$'m	\$'m	\$'m	\$'m	
- Commercial property loans	20.1	10.1	-	-	30.1
- Residential property development loans	33.8	11.8	4.1	-	49.7
- Other private bank loans	2.1	8.8	-	-	10.9
- Commodities and resource finance		-	-	-	-
- Financial Products	10.2	-	5.2	-	15.4
<b>Total</b>	<b>66.2</b>	<b>30.7</b>	<b>9.3</b>	<b>-</b>	<b>106.1</b>

	Consolidated				Total \$'m
	Up to 1	1 to 3	3 to 12	1 to 5	
	month	months	months	years	
	\$'m	\$'m	\$'m	\$'m	
- Commercial property loans	3.1	9.3	-	-	12.4
- Residential property development loans	27.1	-	-	-	27.1
- Other private bank loans	9.3	-	3.8	-	13.1
- Commodities and resource finance	12.2	-	-	-	12.2
- Financial Products	-	-	-	-	-
<b>Total</b>	<b>51.6</b>	<b>9.3</b>	<b>3.8</b>	<b>-</b>	<b>64.8</b>

#### Impairment assessment

Impaired facilities include any facility (on balance sheet or off balance sheet) where there is doubt over the timely collection of the full amounts of cash flows contracted to be received by the Group.

As a minimum, the following events constitute doubt and require a facility to be regarded as impaired.

- a facility 90 days past due unless otherwise well secured
- an entity to which facilities have been provided is subject to administration or bankruptcy proceedings, unless the facilities are otherwise well secured
- a write off has been taken on the facility even if the facility is not in breach of contractual requirements. This does not apply in the case of some restructured facilities and assets acquired through enforcement of security; and
- with respect to off-balance sheet facilities IBAL is unlikely to receive timely payment of the full amounts which it has exchanged or is contracted to advance

The Group's policy is to assess at each quarterly watch list meeting whether there is objective evidence that a financial asset, or a portfolio of financial assets, is impaired should such as portfolio with identical credit risk characteristics exist.

### 31. Risk management (continued)

#### Impairment assessment (continued)

An impairment only arises if:

- There is objective evidence of factors affecting the collectability of facilities as a result of one or more loss events that occurred after the initial asset was recognised on balance sheet
- That loss event has had an impact on the estimated future cash flows of the financial asset or the portfolio.

Examples of factors affecting the collectability of facilities include but are not limited to:

- Indications of significant financial difficulty of a party to a facility;
- Breach of contract, such as default or delinquency in interest or principal;
- Likelihood of bankruptcy or other financial reorganisation of a party to a facility;
- Concessions in terms of a facility (eg interest or principal payments) granted to a party to a facility relating to such a party's financial difficulties;
- Changes or trends in default rates on categories of facilities which might be assessed for impairment on a collective basis;
- Any identified changes in the value of collateral or other sources of security which might bear on the collectability of facilities;
- Disappearance of an active market in assets (including derivatives) held by IBAL relating to a given counterparty;
- Any other matter which might reasonably suggest to IBAL that a party to a facility may be unlikely to meet their contractual obligations

It is the duty of the Watch List Committee (a sub-committee of the Credit Committee) to apply experienced credit judgement in deciding if a facility is impaired but any discretion in assessing impairment must be prudently limited and documented.

#### Asset quality of non-impaired banking assets

The table below provides details of the categorisation of on balance sheet banking assets for which the Group rates individual exposures. The basis used for determining grading of non-impaired banking assets are:

Performing – graded 1 to 6	- Facilities graded 1-6 inclusive of all Experien Group facilities (equivalent to S&P AAA -> B-)
Performing – graded 7 and above	- Facilities graded 7 and above (equivalent to S&P CCC -> C)
Un-graded	- Grading not yet determined

	Neither past due nor impaired			Total \$'m
	Performing – graded 1 to 6 \$'m	Performing – graded 7 and above \$'m	Un-graded \$'m	
<b>As at 31 March 2008:</b>				
Financial investments - available-for-sale	8.4	-	42.2	<b>50.6</b>
Loans and advances to customers	2,203.6	236.1	-	<b>2,439.7</b>
Investments accounted for using the equity method	-	-	19.8	<b>19.8</b>
<b>As at 31 March 2007:</b>				
Financial investments - available-for-sale	153.1	-	19.3	<b>172.4</b>
Loans and advances to customers	1,178.7	368.1	-	<b>1,546.8</b>
Investments accounted for using the equity method	-	-	16.3	<b>16.3</b>

### **31. Risk management (continued)**

#### **Capital management**

The management of the capital at our disposal is paramount to our success. Strategically, we focus on ensuring that we only enter business activities that are expected to earn appropriate returns on our capital and satisfy the demands of our shareholders. Our objective is to increase shareholder value through a discipline that links capital allocation and structuring, performance measurement, investment decisions, risk management and capital-based incentive compensation into one integrated framework. The board of directors are ultimately responsible for capital management. At the highest level, the board has, through the Investec Board Australian Risk and Capital Committee, delegated direct responsibility for capital management to the IBAL Capital Committee to oversee the components contributing to effective control and use of capital.

The Group has successfully implemented identification, monitoring, measurement and reporting requirements for Basel II which became effective from 1 January 2008.

The Group has also implemented (in line with the wider Investec Group) a three year capital planning framework as a mechanism to achieve effective forecasting and management of capital demands over the medium term under both expected conditions and positive and negative stress scenarios.

The Group is well capitalised and capital adequacy ratios exceed the minimum regulatory requirements.

#### **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 Group 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.

### 31. Risk management (continued)

#### Capital adequacy (continued)

	<b>Basel II</b>	<b>Basel I</b>
	<b>2008</b>	<b>2007</b>
	%	%
<b>Risk Weighted Capital Ratios</b>		
Tier 1	15.7%	18.9%
Tier 2	3.1%	5.0%
Less Deductions	0%	0%
<b>Capital base</b>	<b>18.8%</b>	<b>23.9%</b>

	<b>Basel II</b>	<b>Basel I</b>
	<b>2008</b>	<b>2007</b>
	\$'m	\$'m
<b>Regulatory capital</b>		
<b>Tier one capital</b>		
Paid-up ordinary share capital	291.7	291.7
Retained earnings	281.8	24.8
Current year's earnings net of expected dividends and tax expenses	61.2	262.8
Reserves	(1.6)	-
Less: Goodwill	(83.4)	(49.1)
Less: Capitalised Expenses	(1.6)	-
Less: Other deductions	(87.6)	(80.9)
<b>Total tier one capital</b>	<b>460.5</b>	<b>449.3</b>
<b>Tier two capital</b>		
General reserve for credit losses	17.8	17.1
Other Reserves	0.1	1.8
Deductions	(25.7)	(0.4)
Term subordinated debt	100.0	100.0
<b>Total tier two capital</b>	<b>92.2</b>	<b>118.4</b>
<b>Total tier one and tier two capital</b>	<b>552.7</b>	<b>567.7</b>

**31. Risk management (continued)**

Capital adequacy (continued)

Risk Weighted Assets	Face Value		Risk Weights	Risk-Weighted Balance	
	2008	2007		2008	2007
	\$'m	\$'m		\$'m	\$'m
(a) On balance sheet assets	Basel II	Basel I	%	Basel II	Basel I
Zero-weighted assets	-	28.0	0	-	-
Assets eligible for 20% risk weight	896.4	1,146.6	20	179.3	229.3
Assets eligible for 35% risk weight	17.0	-	35	5.9	-
Assets eligible for 50% risk weight	44.3	62.9	50	22.2	31.4
Assets eligible for 75% risk weight	4.7	-	75	3.5	-
Assets eligible for 100% risk weight	1,763.1	1,599.1	100	1,763.1	1,599.1
Assets eligible for 150% risk weight	17.8	-	150	26.7	-
Assets eligible for 300% risk weight	7.9	-	300	23.7	-
Assets eligible for 400% risk weight	18.9	-	400	75.6	-
<b>Total on balance sheet assets - credit risk (i)</b>	<b>2,770.1</b>	<b>2,836.6</b>		<b>2,100.0</b>	<b>1,859.8</b>

(b) Off-balance sheet exposures	Face Value		Credit Equivalent		Risk-Weighted Balance	
	2008	2007	2008	2007	2008	2007
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
	Basel II	Basel I	Basel II	Basel I	Basel II	Basel I
Banking book derivative activities	785.2	1,914.8	22.2	72.7	8.6	20.9
Trading book derivative activities	2,693.6	2,426.8	154.2	156.1	78.3	47.1
Commitments	567.6	626.6	457.7	460.9	433.1	424.1
Total off balance sheet risk weighted assets - credit risk	<b>4,046.4</b>	<b>4,968.2</b>	<b>634.1</b>	<b>689.7</b>	<b>520.0</b>	<b>492.1</b>
Risk weighted assets – market risk					18.4	31.0
Risk weighted assets – operational risk					303.6	-
<b>Total risk weighted assets</b>					<b>2,941.9</b>	<b>2,383.0</b>

(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.

### 32. 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	
	2008	2007	2008	2007
	\$'m	\$'m	\$'m	\$'m
Funds under advice	689.3	739.7	-	-
Funds under management	711.9	392.5	-	-
Funds managed and committed	1,401.2	1,132.2	-	-

### 33. Auditor's remuneration

The auditor of Investec Bank (Australia) Limited is Ernst & Young. The auditor of the Experien Group is Deloitte Touche Tohmatsu.

	Consolidated		Investec Bank (Australia) Limited	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>The following amounts were paid to the auditors:</i>				
• Audit fees	756	538	530	538
• Audit related fees	158	59	158	59
• Tax fees	373	164	373	164
• Other services	71	-	-	-
	1,358	760	1,061	760
<i>Audit Fees by audit firm:</i>				
Ernst & Young	1,061	760	1,061	760
Deloitte Touche Tohmatsu	297	-	-	-
	1,358	760	1,061	760

The Audit and Compliance Committee has considered the non-audit services provided by the auditors 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 Group 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 statements, including accounting and regulatory consultations.

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

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 \$158,000 (2007: \$51,000).

**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2008**

**34. 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	% Beneficial Interest		Investment (\$)	
		2008	2007	2008	2007
<i>Parent Entity:</i>					
Investec Bank (Australia) Limited	Australia	-	-	-	-
<i>Subsidiaries of Investec Bank (Australia) Limited:</i>					
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%	-	-
IWPE Nominees Pty Limited	Australia	100%	100%	12	12
Investec Australia Direct Investments Pty Limited	Australia	100%	100%	12	12
Investec Property Limited (formerly Investec Wentworth Property Limited)	Australia	100%	100%	5,000,000	1,750,000
Investec Private Advisers Pty Limited	Australia	100%	100%	862,456	862,456
Dartgrove Pty Limited	Australia	100%	100%	24	24
Investec Australia Funds Management Limited	Australia	100%	-	100	-
Investec (Australia) Investment Management Pty Limited	Australia	100%	-	-	-
Investec Wind Farm Holdings Pty Limited	Australia	100%	-	-	-
Oaklands Hill Wind Farm Pty Limited	Australia	100%	-	-	-
Cooper's Gap Pty Limited	Australia	100%	-	-	-
Investec Investments Pty Limited	Australia	100%	-	-	-
Experien Pty Limited	Australia	100%	-	31,679,609	-
Experien Securitisation Trust	Australia	100%	-	-	-
Experien Securitisation Trust No. 2	Australia	100%	-	-	-
Experien Securitisation Trust No. 3	Australia	100%	-	-	-
Experien Warehouse Trust	Australia	100%	-	-	-
Impala Trust No. 1	Australia	100%	-	18,595,782	-
Experien Nominees Pty Limited	Australia	100%	-	-	-
MSN 1195 Pty Limited	Australia	100%	-	2	-
MSN 1438 Pty Limited	Australia	100%	-	2	-
<b>TOTAL</b>				<b>120,314,019</b>	<b>66,788,524</b>

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:

### 34. Related party disclosure (continued)

#### 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, interest free loans were made between Investec Holdings Australia Limited (parent entity) and its subsidiaries (the Group) with no fixed repayment date.
3. Investec Bank (Australia) Limited has provided Experien Pty Limited a variable line of credit. Balance as at 31 March 2008 is \$ 17,315,067. The facility is at normal commercial terms. \$1,896,702 interest was earned on the facility.

##### 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 payable

Related party	Balance Mar 08	Balance Mar 07	Interest rate	Term	Interest expense Mar 08	Interest expense Mar 07
Investec Limited	\$1,159,747	\$48,439	0.00%	no fixed repayment date	-	-
Investec Bank Mauritius	\$4,154,542	\$3,800,000	2.75%	90 day term USD facility	\$116,208	\$57,468
Investec Bank Mauritius	-	\$13,850,000	6.55%	90 day term	\$186,977	\$598,877
Investec Bank Mauritius	\$9,008,666	-	7.28%	90 day term	\$182,947	-
Investec Asset Management UK Limited	(\$48,440)	-	0.00%	no fixed repayment date	-	-
Investec Bank (UK) Limited	\$2,392,774	\$1,409,459	0.00%	no fixed repayment date	-	-
Investec Bank (UK) Limited	\$5,879,412	\$6,967,103	6.18%	10 year amortising loan - started in 2002 financial year. Repayments: \$1,024,043 (2007: \$1,033,982)	\$ 475,789	\$518,364



### 34. Related party disclosure (continued)

#### Loans to associates

Related party	Balance Mar 08	Balance Mar 07	Interest rate	Term
Viridis Investment Management Limited	-	\$9,398	2.00%	1 year guarantee facility
Viridis Investment Management Limited	\$9,797	-	2.25%	1 year guarantee facility
Viridis Investment Management Limited	-	\$7,898,749	9.00%	10 month interest capitalising facility
Viridis Investment Management Limited	\$15,898,749	-	10.66%	20 month interest only facility
Viridis Investment Management Limited	\$20,000,000	-	10.41%	20 month interest only facility
924 Pacific Highway Unit Trust	-	\$839,510	0.00%	3.7 year interest free facility
Global Ethanol Holding Limited	\$ 21,407,856	\$24,991,360	0.00%	Interest free facility
Canberra Estates Consortium No 19	\$4,834,797	-	20.00%	3 year interest capitalising facility
Spinnakers Lake Macquarie	\$1,580,000	\$1,580,000	13.66%	2 year interest only facility
Spinnakers Lake Macquarie	\$888,962	\$781,961	13.81%	2 year interest only facility
Apollo Hotel (land) Pty Limited	\$798,998	-	13.04%	2 year interest only facility
Apollo Hotel (land) Pty Limited	\$675,222	-	13.19%	2 year interest only facility
Apollo Hotel (business) Pty Limited	\$230,000	-	13.04%	2 year interest only facility
Apollo Hotel (business) Pty Limited	\$196,032	-	13.19%	2 year interest only facility
Tall Trees Motel (business) Pty Limited	\$935,866	-	13.02%	2 year interest only facility
Tall Trees Motel (business) Pty Limited	\$356,632	-	13.17%	2 year interest only facility
Tall Trees Motel (land) Pty Limited	\$163,343	-	13.17%	2 year interest only facility
Tall Trees Motel (land) Pty Limited	\$300,000	-	13.02%	2 year interest only facility
Hotel Townsville Pty Limited	\$1,548,000	-	10.40%	2 year interest only facility

### 34. Related party disclosure (continued)

#### Credit Linked Notes

- The Group provided Investec Bank (UK) Limited with a unfunded Credit Linked Note facility of € 1,000,000 (AUD \$1,722,653). 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 Group under this facility at 31 March 2008 are € 1,000,000 (2007: € 1,000,000). Investec Bank (UK) Limited pays the Group a fee calculated as a percentage of the value of Credit Linked Notes issued.

#### Derivatives

- The Group entered into an interest rate swap and commodity averaging contracts with Investec Bank (UK) Limited valued at a negative market value of AUD4,111,410 (USD3,766,875) in the current year.

### 35. Director and relevant executive disclosure

#### (a) Details of directors and relevant executives

Directors		Executives	
David Gonski	Chairman	José de Nobrega	
Geoffrey Levy	Deputy Chairman	Stephen Chipkin	
Brian Schwartz	Chief Executive Officer	Garry Hounsell	Period 1/4/06 to 31/3/07
Alan Chonowitz	Chief Financial Officer	Paul Siviour	Period 1/4/07 to 31/3/08
Bradley Tapnack	Non -Executive Director	Colin Jensen	Period 1/4/07 to 31/3/08
John Murphy	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		

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

#### (b) Compensation of director and relevant executives

	Consolidated		Investec Bank (Australia) Limited	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	18,306,676	20,672,074	13,931,180	16,949,455
Post-employment benefits	315,485	625,065	128,937	474,216
Other long-term benefits	56,335	241,993	24,596	129,036
Termination benefits	-	-	-	-
Share-based payments	2,087,386	1,750,198	1,642,159	1,486,713
	<b>20,765,885</b>	23,289,330	<b>15,726,872</b>	19,039,420

**Notes to the Financial Statements (continued)**  
For the year ended 31 March 2008

**35. Director and relevant executive disclosure (continued)**

(c) Loans and guarantees to director and relevant executives

Guarantees

Related party	Balance Mar 08	Balance Mar 07	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

Loans

Related party	Balance Mar 08	Balance Mar 07	Average Interest rate	Facility Limit	Term
Alan Chonowitz	\$3,081,807	\$1,497,980	9.17%	\$6,097,500	Normal commercial terms
Alan Chonowitz	\$159,701	\$159,701	0.00%	\$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
APM Enterprises Pty Ltd (1)	\$684,413	\$190,261	10.24%	\$2,550,000	Normal commercial terms
Brian Schwartz	-	\$403,069	0.00%	\$403,069	This loan was forgiven in December 2007 in accordance with his employment contract.
Brian Schwartz	\$159,701	\$159,701	0.00%	\$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Brian Schwartz	\$558,000	-	9.31%	\$3,000,000	Normal commercial terms
Colin Jensen	\$250,776	-	10.81%	\$800,000	Normal commercial terms
David Gonski	\$159,701	\$159,701	0.00%	\$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
GDL Investments Pty Ltd (2)	\$1,072,113	\$1,030,079	9.83%	\$1,084,100	Normal commercial terms
Geoffrey Levy	\$1,469,772	\$1,154,420	10.83%	\$2,000,000	Normal commercial terms
Geoffrey Levy	\$159,701	\$159,701	0.00%	\$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Gooinda Pty Limited (3)	\$1,288,021	\$535,726	10.35%	\$2,100,000	Normal commercial terms
John Murphy	\$4,278,231	\$5,242,417	6.27%	\$4,671,250	Normal commercial terms
John Murphy	\$144,000	\$144,000	0.00%	\$144,060	Interest free, 3 yr bullet non-revolving cash advance facility (4)
José de Nobrega	\$25,252	-	10.83%	\$200,000	Normal commercial terms
José de Nobrega	\$96,314	\$96,314	0.00%	\$96,314	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Paul Siviour	\$251,170	\$88,308	9.51%	\$400,000	Normal commercial terms
Stephen Chipkin	\$205,800	\$205,800	0.00%	\$205,800	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Tuwele Pty Limited (5)	\$1,715,324	-	10%	\$9,000,000	Normal commercial terms
Valan Pty Ltd (6)	\$139,221	\$53,435	9.33%	\$240,000	Normal commercial terms

1) APM Enterprises Pty Limited is an investor in the MGB Equity Growth Unit Trust (MGB) and the Investec Wentworth Property Opportunity Fund (IPOF). Investec Wentworth Private Equity Limited (formerly Investec Wentworth Private Equity Pty Limited) (subsidiary of the Chief Entity) acts as manager of MGB and IPOF. 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.

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

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

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

(5) John Murphy is a director of Tuwele Pty Limited

(6) Stephen Chipkin is a director of Valan Pty Ltd

**35. Director and relevant executive disclosure (continued)**

(d) Other transactions and balances with director and 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, Investec Wentworth Private Equity Fund, Investec Wentworth Private Equity Fund 2, Toga Accommodation Fund, Investec Wentworth Private Equity Fund 3A, and Investec Property Opportunity Fund. The managers' of these funds are Investec Wentworth Private Equity Limited and Investec Wentworth Property Limited both subsidiaries of the Chief Entity. Alan Chonowitz is a director of both 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.
Alsumary Pty Limited	Alsumary Pty Limited ATF Alsumary Superannuation Fund is an investor in Investec Wentworth Private Equity Fund 3 and Investec Property Opportunity Fund. The manager of these funds is Investec Wentworth Private Equity Limited a subsidiary of the Chief Entity. Alan Chonowitz is a director of Alsumary Pty Limited.
APM Enterprises Pty Ltd	APM Enterprises Pty Limited is an investor in the MGB Equity Growth Unit Trust, Investec Property Opportunity Fund, Investec Wentworth Private Equity Fund 3A 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 3A and Responsible Entity of Investec Property Opportunity Fund. 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.
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.
Brian Schwartz	Brian Schwartz is an investor in the Investec Wentworth Private Equity Fund 3, Investec Wentworth Private Equity Fund 3A and Investec Property Opportunity Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3 and Investec Wentworth Private Equity Fund 3A. Brian Schwartz is a director of Investec Wentworth Private Equity Limited.
Colin Jensen	Colin Jensen is an investor in the Investec Wentworth Private Equity Fund 3 and Investec Property Opportunity Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3.

**35. Director and relevant executive disclosure (continued)**

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

Investments by related parties in funds under management (continued)

Related party	Details
Danissa Pty Ltd	Danissa Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3 and MG Private Equity Unit Trust No. 1. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3 and MG Private Equity Unit Trust No. 1. Paul Siviour is a director of Danissa Pty Limited.
Danlaw Pty Limited	Danlaw Pty Limited is an investor in the MG Private Equity Unit Trust No.1, Investec Wentworth Private Equity Fund, MGB Equity Growth Unit Trust and the MGB Equity Growth Unit Trust No 2. Investec Wentworth Private Equity Limited acts as manager of the MG Private Equity Unit Trust No.1, Investec Wentworth Private Equity Fund, MGB Equity Growth Unit Trust and the MGB Equity Growth Unit Trust No 2. Gregory Robertson's wife is a director of Danlaw Pty Limited.
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.
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 3A 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.
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.
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 Property Opportunity 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, and Responsible Entity of Investec Property Opportunity Fund. Geoffrey Levy is a director of GDL Investments Pty Limited and Investec Wentworth Private Equity Limited.

**35. Director and relevant executive disclosure (continued)**

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

Investments by related parties in funds under management (continued)

Related party	Details
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.
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.
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 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.
JAAR Pty Limited	JAAR Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3A. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3A. John Murphy's wife is a director of JAAR Pty Limited.
José de Nobrega	José De Nobrega 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.
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.

**35. Director and relevant executive disclosure (continued)**

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

Investments by related parties in funds under management (continued)

Related party	Details
Kinchip Pty Limited	Kinchip Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3, Investec Wentworth Private Equity Fund No. 2, Investec Property Opportunity Fund and Toga Accommodation Fund. 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.
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.
Patjon Pty Limited	Patjon Pty Limited is an investor in the Investec Property Opportunity Fund. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as Responsible Entity of Investec Property Opportunity Fund. David Gonski is a director of Patjon Pty Limited and Investec Wentworth Private Equity Limited.
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 discretionary beneficiary of the Plovers Nest Trust.
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.
Sarai Pty Limited	Sarai Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3A. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3A. David Gonski a director of Sarai Pty Limited.
Stephen Chipkin	Stephen Chipkin is an investor in the Investec Wentworth Private Equity 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.
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.

### 35. Director and relevant executive disclosure (continued)

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

##### Investments by related parties in funds under management (continued)

Related party	Details
Tuwele Pty Limited	Tuwele Pty Limited is an investor in the Investec Wentworth Private Equity Fund 3A. Investec Wentworth Private Equity Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund 3A. John Murphy is a director of Tuwele Pty Limited.
Tuxulu Pty Limited	Tuxulu Pty Limited is an investor in the Investec Wentworth Private Equity Fund. Investec Wentworth Private Equity Pty Limited (subsidiary of the Chief Entity) acts as manager of the Investec Wentworth Private Equity Fund. Robert Mansfield is a director of Tuxulu Pty Limited.
Valan Pty Ltd	Valan Pty Limited is an investor in the Investec Wentworth Private Equity Fund 2 and MG Private Equity Unit Trust No. 1. 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 Valan Pty Limited.

### 36. Share based payment plans

The Investec Group operates internationally through a Dual Listed Company structure ("DLC"). Investec plc, the Group's ultimate parent company, is listed on the London Stock Exchange. Investec Limited is listed on the Johannesburg Securities Exchange. Investec plc and Investec Limited are linked by the DLC.

The employees of the Group in Australia are eligible to participate in the employee share schemes operated by Investec plc and Investec Limited. These schemes operate on an equity settled basis and were created to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance, and to provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the Group. From the perspective of Investec Bank (Australia) Limited and its consolidated Group, share based payments are reimbursed through cash settlement back to the issuing entity, and are therefore considered cash settled.

There are two types of plans in which employees may participate:

#### Security purchase and options plans

Investec plc or Investec Limited grant share options to selected 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. The portion of options granted under these plans that have not been exercised lapse as follows:

- Investec plc Share Option Plan 2002 (unapproved plan) - on expiry of 90 days after each vesting date
- Investec Limited Security Purchase and Option Scheme 2002 Trust - on the 10th anniversary of the grant
- Investec Limited Security Purchase and Option Scheme Trust- on the 10th anniversary of the grant

#### Long Term Share Incentive Plans

Investec plc or Investec Limited grant share options to selected Company employees. There is a zero exercise price of the options and they 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.



### 36. Share based payment plans (continued)

The exercise price range and weighted average remaining contractual life for options outstanding at 31 March 2008, were as follows:

Exercise price range	£0 - £4.99
Weighted average remaining contractual life	3.20 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;

	2008	2007
- Share price at date of grant	£4.89 - £6.52	£4.98 - £6.11
- Exercise price	£0	£0
- Expected volatility	0.30	0.39
- Option life	5 - 5.25 Years	5 - 5.25 Years
- Expected dividend yield	4.63% - 6.90%	3.52% - 4.03%
- Risk-free rate	5.18% - 6.14%	3.98% - 5.10%

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

<b>Investec plc Share Option Plan 2002 (unapproved plan)</b>	<b>2008</b>		<b>2007</b>	
	<b>No.</b>	<b>WAEP</b>	<b>No.</b>	<b>WAEP</b>
Outstanding at the beginning of the year	618,330	£ 2.12	1,074,175	£ 2.09
Granted during the year	-	£ -	-	£ -
Exercised during the year	(345,805)	£ 1.91	(367,085)	£ 1.89
Lapsed during the year	(54,190)	£ 2.36	(88,760)	£ 2.79
Outstanding at the end of the year	218,335	£ 2.40	618,330	£ 2.12
Exercisable at the end of the year	-	£ -	-	£ -

<b>Investec Limited Security Purchase and Option Scheme 2002 Trust</b>	<b>2008</b>		<b>2007</b>	
	<b>No.</b>	<b>WAEP</b>	<b>No.</b>	<b>WAEP</b>
Outstanding at the beginning of the year	296,055	R 32.73	617,620	R 32.71
Granted during the year	-	R -	-	R -
Re-allocation of employees during the year	71,250	R 28.90	-	R -
Exercised during the year	(363,404)	R 31.94	(291,565)	R 32.67
Lapsed during the year	(1,030)	R 54.41	(30,000)	R 32.90
Outstanding at the end of the year	2,871	R 29.55	296,055	R 32.73
Exercisable at the end of the year	-	R -	-	R -

**36. Share based payment plans (continued)**

<b>Investec Limited Share Incentive Plan - Nil Cost Option</b>	<b>2008 No.</b>	<b>2008 WAEP</b>	<b>2007 No.</b>	<b>2007 WAEP</b>
Outstanding at the beginning of the year	-	R -	-	R -
Granted during the year	-	R -	-	R -
Re-allocation of employees during the year	105,860	R -	-	R -
Exercised during the year	-	R -	-	R -
Lapsed during the year	-	R -	-	R -
Outstanding at the end of the year	105,860	R -	-	R -
Exercisable at the end of the year	-	-	-	-

<b>Investec Group Limited Share Option Plan</b>	<b>2008 No.</b>	<b>2008 WAEP</b>	<b>2007 No.</b>	<b>2007 WAEP</b>
Outstanding at the beginning of the year	-	R -	-	R -
Granted during the year	-	R -	-	R -
Re-allocation of employees during the year	8,475	R 2.30	-	R -
Exercised during the year	(6,255)	R 2.03	-	R -
Lapsed during the year	-	R -	-	R -
Outstanding at the end of the year	2,220	R 3.04	-	R -
Exercisable at the end of the year	2,220	R 3.04	-	R -

<b>Investec 1 Limited Share Incentive Plan - Nil Cost Option</b>	<b>2008 No.</b>	<b>2008 WAEP</b>	<b>2007 No.</b>	<b>2007 WAEP</b>
Outstanding at the beginning of the year	1,097,155	R 41.93	1,344,220	R 41.77
Granted during the year	-	R -	-	R -
Exercised during the year	(362,575)	R 46.77	(247,065)	R 41.07
Lapsed during the year	(1,030)	R 48.72	-	R -
Outstanding at the end of the year	733,550	R 39.52	1,097,155	R 41.93
Exercisable at the end of the year	733,550	R 42.46	1,097,155	R 41.93

<b>Investec 1 Limited Share Incentive Plan - Nil Cost Option</b>	<b>2008 No.</b>	<b>2008 WAEP</b>	<b>2007 No.</b>	<b>2007 WAEP</b>
Outstanding at the beginning of the year	2,355,590	£ -	988,000	£ -
Granted during the year	1,137,422	£ -	1,376,725	£ -
Re-allocation of employees during the year	231,695	£ -	-	£ -
Exercised during the year	-	£ -	-	£ -
Lapsed during the year	(147,990)	£ -	(9,135)	£ -
Outstanding at the end of the year	3,579,717	£ -	2,355,590	£ -
Exercisable at the end of the year	-	£ -	-	£ -

## Directors' Declaration

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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:

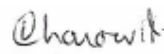
(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2008 and of their performance for the year ended on that date; and

(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.

On behalf of the Board

  
\_\_\_\_\_  
Brian Schwartz  
Director  
Sydney  
17 June 2008

  
\_\_\_\_\_  
Alan Chonowitz  
Director  
Sydney  
17 June 2008

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

We have audited the accompanying financial report of Investec Bank (Australia) Limited ("the company"), which comprises the balance sheet as at 31 March 2008, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *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 establishing 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. In note 2(c), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *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, 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:

1. the financial report of Investec Bank (Australia) Limited is in accordance with 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 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in note 2(c).

Ernst & Young

A handwritten signature in black ink, appearing to read 'Jeff Chamberlain'.

Jeff Chamberlain  
Partner  
Sydney  
17 June 2008

