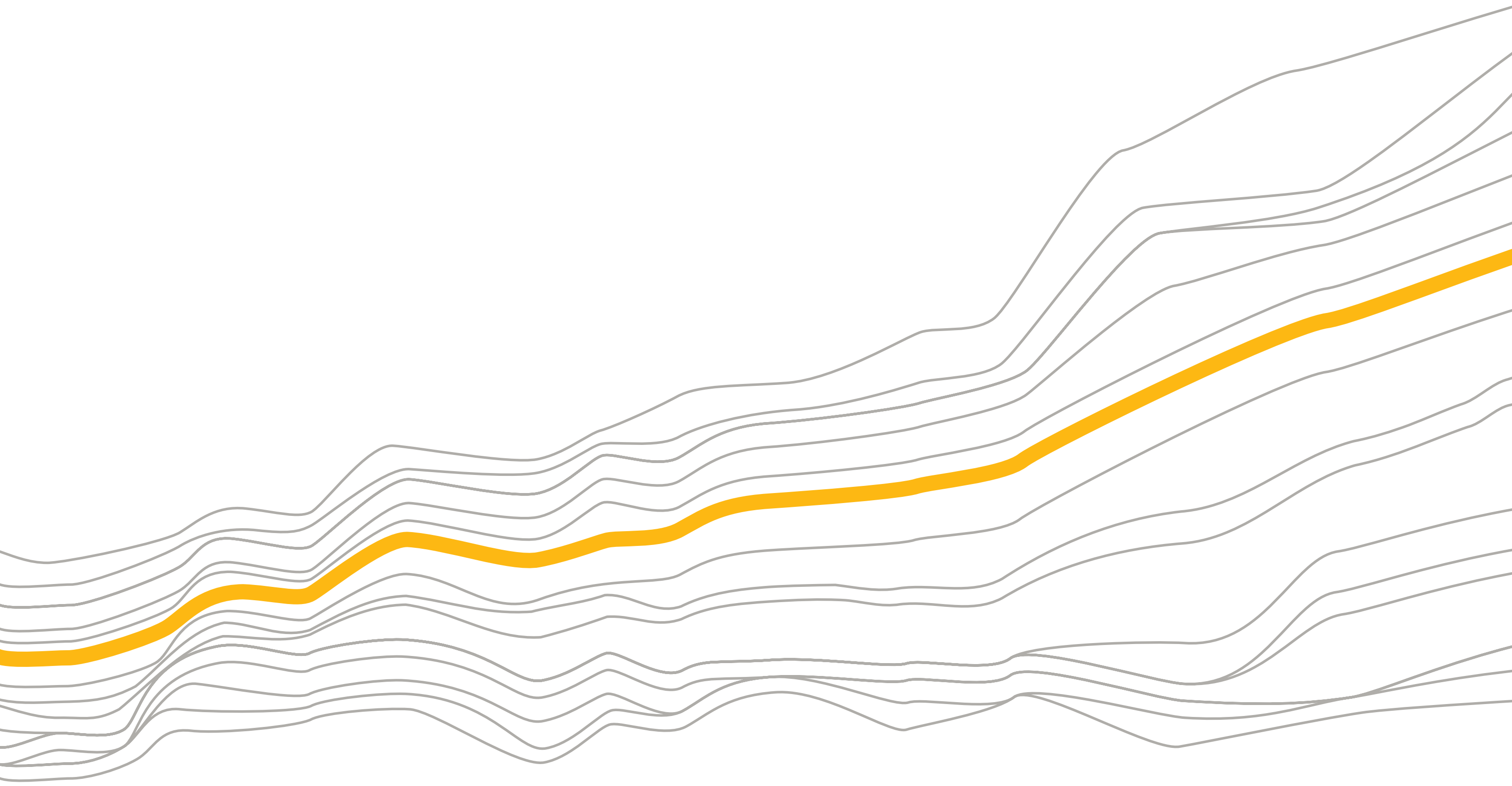
Investec



Investec Bank (UK) Limited Annual Financial Statements **2008**

Corporate information

Investec Bank (UK) Limited

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Investec in perspective

Overview of the Investec group

Who we are

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

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

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

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

What we do

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

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

Mission statement

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

Values

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

Distinctive Performance

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

Dedicated Partnerships

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

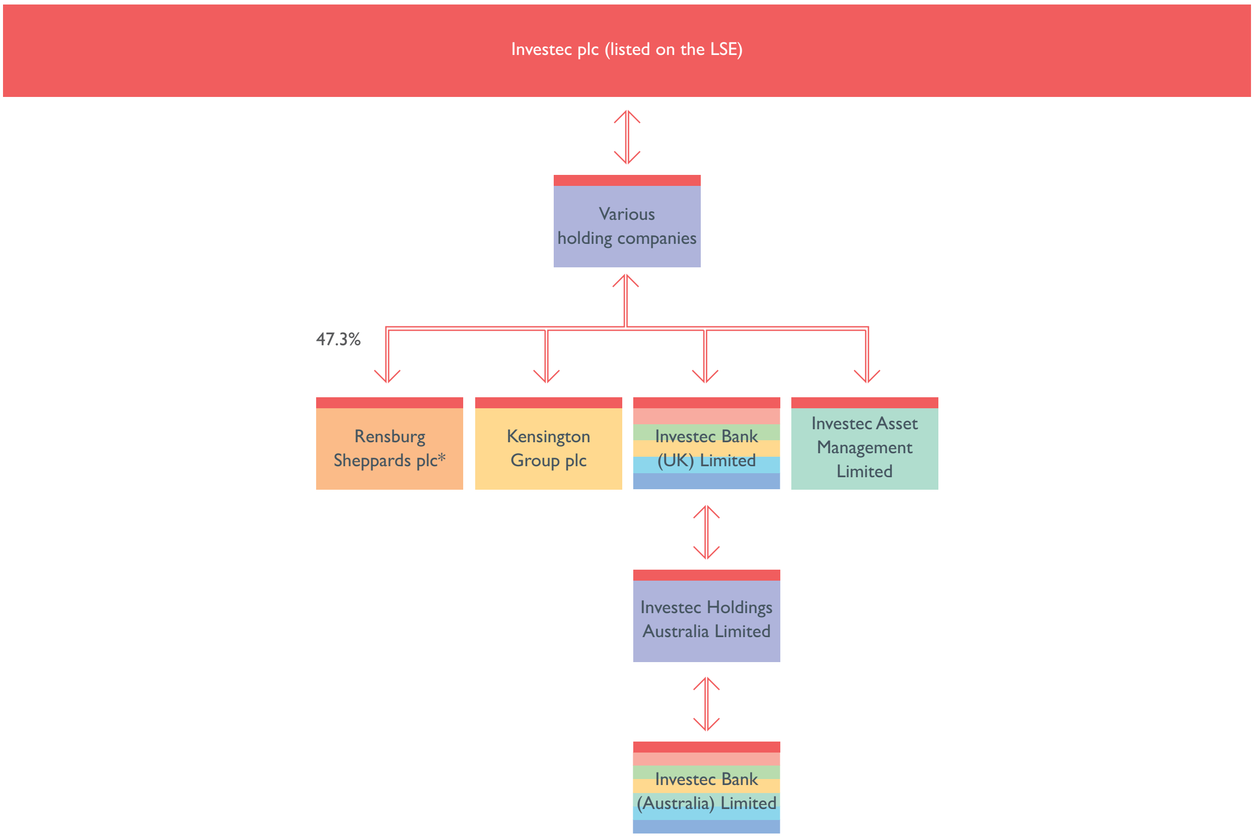
Philosophies

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

Investec Bank (UK) Limited organisational structure

In terms of the implementation of the DLC structure, Investec plc is the controlling company of the majority of our non-Southern Africa operations. Investec plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE Limited South Africa. Investec Bank (UK) Limited is the main banking subsidiary of Investec plc.

As at 31 March 2008



Key: activities conducted

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

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

* Carr Sheppards Crosthwaite Limited was sold to Rensburg plc in May 2005. Investec retains a 47.3% interest in the combined entity, Rensburg Sheppards plc.

Overview of the activities of Investec Bank (UK) Limited

Introduction

Investec Bank (UK) Limited's principal business units comprise: Private Banking, Capital Markets, Investment Banking and Property Activities. Each division provides specialised products and services to defined target markets. Our head office in London also provides certain group-wide integrating functions, including Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. The head office is also responsible for our central funding.

Investec Bank (Australia) Limited is one of our subsidiaries.

Private Bank

Investec Private Bank is the ideal partner for those who require more than traditional banking services. The philosophy of 'out thinking' rather than 'out muscling' underpins all that we do. This means aspiring to be not only better, but more importantly different.

We position ourselves as the 'investment bank for private clients', offering both credit and investment services to our select clientele. Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment.

Located in the UK, Channel Islands, Switzerland and Ireland, our areas of specialisation include:

- Wealth Management
- Structured Property Finance
- Specialised Lending
- Growth and Acquisition Finance
- Trust and Fiduciary Services
- Banking Services

Through these specialist teams, we are well positioned to provide our international discerning client base with services that satisfy their sophisticated and increasingly demanding needs.

Core to our strategy is our commitment to thought leadership. This is targeted at both the specialists within our business and our clients.

Wealth Management

We focus exclusively on creating customised global investment strategies for select ultra high net worth entrepreneurs, offering access to sophisticated, institutional opportunities not typically available to private investors. Our model is predicated on the philosophy of 'high touch, high value'. This ensures that each client is allocated an expert investment practitioner who proactively partners with them in achieving their bespoke financial goals.

Our offering focuses on identifying institutional managers who consistently excel in their areas of expertise. We are independent and utilise outstanding traditional and alternative investment products and services from the world's leading financial institutions.

Special opportunities are an increasingly important feature of our offering. These include the sub-participation of debt and equity in transactions originated by Investec and held on our own balance sheet. We also offer third party opportunities (such as Limited Partnerships) where we are invited to participate.

Structured Property Finance

With our specialist knowledge and experience, we work with industry leaders financing a wide variety of deals. Our strong connections within the market and deep relationships with our clients allow us to proactively bring opportunities to them.

We are flexible and not rules driven when structuring transactions. This resourceful approach focuses on senior debt, mezzanine and equity for residential and commercial transactions. We follow our clients internationally bringing our service, advice and support.

Specialised Lending

Our lending practice combines an investment banking approach to transactions with an understanding of the needs of private clients.

Our specialisation includes strategic shareholder finance, fund finance, sports finance, film and media finance and aviation and super yacht finance.

Growth and Acquisition Finance

We work with entrepreneurs, management teams and private equity houses to implement acquisition and growth strategies for their businesses. Our practitioners work with clients on a long-term basis, creating and realising shareholder value. Using preferred equity, mezzanine debt, integrated finance and/or asset-based lending, we meet the needs of growing mid-market companies by offering funding packages from £4 - £30 million.

Trust and Fiduciary Services

Investec Trust operates uniquely within the fiduciary market, as a bank owned trust company with the independence to operate with partners best suited to our clients. Working alongside these partners, our focus is on the delivery and administration of complex and effective international financial structures tailored to each individual.

Banking Services

Treasury and deposits

Our treasury and deposit services are transparent and consistently competitive. We preserve capital and enhance yields for pension funds, discretionary asset managers, professional intermediaries, owner managed businesses and private clients. Our onshore and offshore products include deposits, foreign exchange, interest rate instruments and principal protected deposits. We also offer highly competitive savings and transactional accounts for individuals and small businesses.

Mortgages

As specialists in super-prime mortgages, we aim to offer finance designed for each client's individual requirements. Secured against assets including residential property, investment portfolios and offshore deposits, our offering includes:

- UK main residence and investment property mortgages
- Overseas property mortgages
- Multi-currency loans
- Mortgages for substantial bonus earners.

Capital Markets

The Capital Markets division provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of our wholesale debt, structuring, proprietary trading, capital markets and derivatives business.

We focus on the following activities:

Asset and liability management

Asset and liability management provides Sterling, Euro, US Dollar and Australian Dollar funding to the group and manages liquidity and interest rate risk for the group. We offer a broad range of treasury products and services to the corporate and public sector markets.

Principal Finance

We are involved in the origination and securitisation of residential mortgages, commercial mortgages, collateralised debt obligations and leveraged loans. In addition we are involved in credit trading and structuring.

Project Finance

We provide advisory services, debt arranging and underwriting and equity raising in the infrastructure, power and industrial sectors with a focus on renewable energy, healthcare and transport.

Commodities and Resource Finance

We are a participant in the precious and base metals markets, and provide hedging and structured trades for clients in the spot and derivatives markets. We also offer advisory services, debt arranging and underwriting, equity raising in the mining resources industry and structured hedging solutions.

Interest Rates

This unit is involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements.

Fixed Income

This desk is involved in market making and trading of fixed income options in the Euribor, Libor and Eurodollar markets.

Corporate Foreign Exchange

We offer medium to small corporate entities spot, forward exchange, currency swaps and currency options, principally in G7 currencies.

Foreign Exchange

We are a participant in the spot, forward exchange, currency swaps and currency derivatives markets, principally in G7 currencies.

Equity Derivatives

The desk undertakes structuring, finance, product issuance, arbitrage and principal trading in equities and equity derivatives. The team manufactures and delivers a comprehensive suite of solutions to the retail and wholesale markets. The focus of the business is to develop close relationship with clients, creating product synergies wherever possible.

Investment Banking

In the UK we operate our Investment Banking division under the name Investec Investment Banking and Securities. We focus on two distinct activities: corporate finance and institutional broking, both specialising in mid-market companies. We also provide institutional broking services to large capitalisation companies where we have strong research capabilities and additionally have a small managed private equity portfolio.

Corporate Finance

We provide financial advisory services, particularly for mergers and acquisitions. We also advise on and participate in equity market fundraisings for our clients. Our corporate client list currently comprises 90 quoted companies and a number of private company advisory roles and we also continue to expand our client base. The average market capitalisation of these clients at 31 March 2008 was £222 million.

Institutional Broking

Our Institutional Broking activities in the UK are carried out under the name of Investec Securities. We provide research, sales, trading and market making services to a full range of UK and international institutional clients. A team of 29 equity analysts compiles research coverage on approximately 250 companies in the UK focusing on 28 sectors. We also act as market maker to approximately 160 small to mid cap stocks and offer price making in selected large cap stocks.

Private Equity

We continue to seek appropriate investment opportunities to enable us to leverage off the skills and knowledge base of the group.

Property Activities

We are making progress in expanding our property model in the UK to include property fund management, investment, trading and development.

Group Services and Other Activities

Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations. While these services do not form part of the operating divisions, we have a policy in place whereby a portion of these costs are allocated to the divisions. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

Our principal Central Services, relating to the operations and control of our business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisation Development. Other group support services include: Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information Centre, Regulatory and Facilities.

Central Funding

Our business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. We use various sources of funding, depending on the specific financial and strategic requirements we face at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to our principal operating divisions.

Investec Bank (Australia) Limited

We entered the Australian investment banking market in March 2001 with the acquisition of Wentworth Associates, one of the leading corporate finance boutiques in Australia. This acquisition provided a platform to expand our activities into the corporate finance and private equity arenas in Australia.

In August 2002, we received a banking licence which opened up many growth opportunities. These included expansion of the Private Client division, specialising in property investment banking, investment management services, money market activities and more recently, growth and acquisition finance and specialised lending.

The Australian banking operations of NM Rothschild & Sons Australia Limited was successfully acquired in July 2006 creating an opportunity to further our market presence, particularly in the natural resources sector.

More recently, Investec Australia's acquisition of Experien Finance in late 2007 enables the group to build relationships with specialists in the medical and accounting fields.

We have operations in Sydney, Melbourne, Brisbane and Perth.

Financial review

Commentary on the results of Investec Bank (UK) Limited for the year ended 31 March 2008

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the results for the year ended 31 March 2007.

"Operating profit" in the text below refers to profit before goodwill, non-operating items and taxation.

Introduction

Operating profit decreased to £115.2 million (2007: £174.5 million) mainly as a result of write downs in the Capital Markets Principal Finance division (refer to page 12). Earnings attributable to ordinary shareholders decreased from £127.0 million to £93.1 million.

Financial highlights

	31 March 2008	31 March 2007	% Change
Operating profit (£'000)	115 152	174 489	(34.0%)
Earnings attributable to ordinary shareholders (£'000)	93 078	126 968	(26.7%)
Cost to income ratio	71.1%	62.6%	-
Total capital resources (including subordinated liabilities) (£'000)	1 562 719	1 479 543	5.6%
Total shareholders' equity (£'000)	916 790	850 724	7.8%
Total assets (£'000)	12 197 307	11 145 794	9.4%
Capital adequacy ratio*	14.6%	24.2%	-
Tier 1 ratio*	9.1%	13.2%	-

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

Segmental information

For the year ended 31 March 2008 £'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services & Other Activities	Total
Net operating income	224 120	119 925	103 550	1 959	17 763	467 317
Operating expenses	(116 971)	(103 398)	(91 014)	(1 716)	(39 066)	(352 165)
Operating profit	**107 149**	**16 527**	**12 536**	**243**	**(21 303)**	**115 152**
Cost to income ratio (%)	47.3	82.8	87.9	87.6	>100.0	71.1

For the year ended 31 March 2007 £'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services & Other Activities	Total
Net operating income	210 962	143 381	113 745	1 435	9 886	479 409
Operating expenses	(99 999)	(87 181)	(83 122)	(143)	(34 475)	(304 920)
Operating profit	**110 963**	**56 200**	**30 623**	**1 292**	**(24 589)**	**174 489**
Cost to income ratio (%)	46.9	58.7	73.1	10.0	>100.0	62.6

Business unit review

An analysis of the performance of each business unit is provided below.

Private Banking

Overview of performance

The Private Bank posted a decrease in operating profit to £107.1 million (2007: £111.0 million). Earnings from lending continued to drive momentum although market dislocation towards the later part of the year impacted activity levels most notably in Structured Property Finance. The Private Bank continued to benefit from increased distribution capacity and greater penetration across all areas of specialisation, notably Wealth Management and Growth and Acquisition Finance. In a weaker credit cycle, impairments and defaults increased.

Since 1 April 2007, the Private Bank has shown good growth in all of its key earnings drivers:

- Core loans and advances have increased 48.9% to £4.4 billion.
- The deposit book has grown 18.2% to £4.4 billion.
- Funds under advice have increased by 65.7% to £2.1 billion.

Developments

UK and Europe

- Following on from the market dislocation that occurred during the middle of 2007, the Structured Property Finance business faces a market where liquidity is tight, activity levels are falling and asset values have come under pressure. In response to this we have adjusted our appetite for credit risk to be defensive but at the same time nimble and agile in relation to opportunities.
- The Growth and Acquisition Finance business has performed strongly, realising substantial profits through the exit of existing investments. The portfolio of new deals grew during the year. The skills, brand and market positioning of the team are poised to extract value from current conditions.
- The Private Wealth Management business has achieved a healthy degree of scale and made a meaningful contribution to net profit. Both the advisory and special opportunities units made significant gains throughout the year. Funds under advice grew well ahead of target and the size of new portfolios taken on continues to increase.
- In the General Banking space, progress was made in a number of initiatives:
  - The Private Client Lending business made good progress into the high net worth mortgage arena. Product innovation through multi-currency lending and design features aimed at big city earners received good coverage.
  - The deposit raising teams performed extraordinarily in tough market conditions. We expanded our activities into Jersey and bolstered distribution capacity and product development in all jurisdictions.
- The Specialised Lending team has successfully deepened its penetration in the current year in the strategic shareholder and funds finance space. The sports finance business is now well positioned in the market with an established client base and good repeat business.
- The Trust company has established itself as one of the premier independent but bank owned players in the fiduciary world. The business was recognised by the industry body, STEP, as the institutional trust company of the year in 2007.

Australia

- On 1 October 2007 we concluded the acquisition of Experien (Pty) Ltd, a professional lending business, which adds strategic diversification, increased distribution capability and an expanded client network to the current platform. The acquisition provided an increase in the loan book of approximately A$700 million.
- Structured Property Finance has experienced flat growth year on year impacted by a slowing of property markets in the second half. The core focus has been on strong portfolio management, attracting and maintaining quality clients and building a stronger brand in regional locations.
- We enhanced our revenue capability and lending diversification with the establishment of Specialised Lending, which focuses on providing sophisticated lending solutions to a target client base of high net worth individuals, families and high income earning executives.
- We continue to build the private client treasury book through strategic focus and team expansion within identified markets which resulted in a significant increase in both client numbers and book growth.
- During the early part of the financial year, the Growth and Acquisition Finance team exited several deals as the environment was conducive to realisations at optimum values. The existing portfolio continues to maintain a steady growth in value.

Outlook

- The outlook for the forthcoming twelve months is tempered as the markets navigate through the credit crunch and its impact on the broader economy. This could have a meaningful impact on pipelines and exits across all jurisdictions.
- These conditions could present opportunities which the business and its clients are well placed to take advantage of.
- This, combined with the well diversified earnings stream will mitigate, to some extent, the effects of the broader market environment.

Capital Markets

Overview of performance

The Capital Markets division posted a decrease in operating profit to £16.5 million (2007: £56.2 million). The division's advisory, structuring and asset creation activities continued to perform well. The Australian business continued to build on the Rothschild's platform and introduced a number of new initiatives. Earnings were negatively affected by write downs on US structured credit investments held within the Principal Finance business. The lending book has increased by 28.1% to £2.1 billion since 1 April 2007.

Developments

UK and Europe

- The Project Finance team continues to be a leader in the UK PFI (project finance investment) advisory business, and we have recently established an office in Canada to service the North American PFI market.
- The Asset Finance business continues to grow its franchise and is considered a top tier player in its market.
- We are considered one of the top 10 European banks in aircraft finance, with particular success in the origination of transactions in India where we have completed the first ever sale and leaseback transactions for the two Indian State owned airlines.
- The trading desks showed an improved performance benefiting from market volatility, the introduction of new products and increased staff in certain areas. The Corporate Foreign Exchange and Structured Equity desks are now fully operational.
- A Resources Fund initiative has been established and we have started to attract third party money to the fund.
- The Commodities and Resource Finance business continues to grow and we are now considered a top name in the mid and junior mining project finance sector and are growing our name in the commodities arena.
- The US Principal Finance activities were negatively impacted by the credit issues and subsequently by the liquidity crisis that arose off the back of the US sub-prime issues. We have taken a mark to market write down of £48.9 million against the US positions largely as a result of rating agency downgrades and US house price performance related to these portfolios. As at 31 March 2008 the on balance sheet value of the US portfolio is £71 million of which £16 million is dependent on the performance of the US sub-prime market.

Australia

- We issued our first medium term note programme in June 2007 and raised a total of A$250 million.
- The Structured Finance team launched the Investec Global Aircraft Fund for institutional investors, raising on a standalone basis, equity of A$73 million. The pipeline of aircraft finance transactions remains strong.
- The Project Finance business continues to exploit both lending and growth opportunities in the infrastructure and energy sectors, with a particular focus on clean, alternative and renewable energy.
- Trading Activities had a profitable year, across interest rates, forex and commodities.
- Our Resource Finance division continued to perform well despite difficult market conditions and strong loan book prepayments.

Outlook

- The strategy has not changed. We remain a focused business targeting markets where we can be distinctive and competitive.
- In the UK we will continue to strive for depth and greater penetration. In Australia we continue to look for opportunities to broaden our franchise.
- Specialist funds remain a key focus.
- We will continue to invest in the business to ensure continued growth in the medium term.
- The liquidity issues have affected all our markets although opportunities continue to present themselves.
- Deal volume has slowed in line with market conditions, and the growth of the business is dependent on liquidity and stability returning to the financial markets, including the return of securitisation in some form.
- These factors will have an impact on some of our businesses in the coming year, but we have a diversified portfolio of businesses within Capital Markets and the pipeline remains good in many of our specialised lending areas, including Project Finance, Resource Finance and Structured Finance.
- There is a lag between assets re-pricing and the increased cost of borrowing which will have a negative effect on net interest income.

Investment Banking

Overview of performance

The Investment Banking division posted a decrease in operating profit to £12.5 million (2007: £30.6 million). The division was impacted by a lower level of IPO activity and a weaker performance from some of the investments held within the Private Equity and Direct Investments portfolio. The division's market making and trading operations performed well.

Developments

Corporate Finance

UK and Europe

- The year was characterised by good levels of M&A activity while difficult market conditions resulted in fewer IPOs and fundraisings.
- We completed 26 M&A transactions with a value of £2.3 billion (2007: 24 transactions with a value of £2.5 billion).
- We completed 18 fundraisings during the year raising in aggregate £299 million (2007: 21 fundraisings raising £597 million).
- We continue to build the quality and size of the corporate client list, gaining 12 new brokerships during the year. We have 90 quoted clients with an average market capitalisation of £222 million (2007: 91 quoted clients with an average market capitalisation of £272 million).

Australia

- There is increasing awareness and recognition of the Investec brand within the Australian market.
- We advised on 12 transactions (2007: 15) valued at approximately A$1.8 billion (2007: A$8.7 billion) during the period.
- We focused on building our capabilities in Brisbane and strengthening our presence in Melbourne.
- We continue to expand our sector specialisation, particularly in the resources sector.
- Despite the challenging market outlook, we remain focused on targeted headcount increases in Sydney, Brisbane and Melbourne in order to strengthen our market position.

Institutional Research, Sales and Trading

UK and Europe

- While volatile markets and unbundling have restricted secondary commission growth, net trading revenues have showed considerable improvement.
- We have strengthened our UK sales team over the last six months with the addition of a number of experienced sales people, including two hedge fund specialists.
- We now have a sales team in New York and continue to expand our US distribution capability.

Direct Investments and Private Equity

UK, Europe and Hong Kong

- We continued to seek appropriate investment opportunities to enable us to leverage off the skills and knowledge base of the group and we also increased resources in this area.

Australia

- We completed the equity raising of A$40 million for Investec Wentworth Private Equity Fund 3A which will co-invest with the A$200 million Investec Wentworth Private Equity Fund 3.
- The total size of the Private Equity Funds is A$460 million.
- We successfully completed five new investments.
- The investment portfolio continues to perform satisfactorily.

Outlook

Corporate Finance

- While market conditions are currently uncertain, the pipeline is positive and we continue to invest in building our Trusted Adviser capability and client base in the UK.
- We continue to invest in building the Australian team and this, together with increased brand awareness and national reach, provides a solid platform for future growth opportunities.

Institutional Research, Sales and Trading

- The UK business has strengthened its positioning in the market, while further growth is expected to come from hedge funds and increased distribution into the US and Europe.

Direct Investments and Private Equity

- The Australian business continues to add value to existing investments and is well placed to take advantage of new investment opportunities.

Property Activities

Overview of performance

The Property division recorded an operating profit of £0.2 million (2007: £1.3 million), down due to lower realisations in the current period.

Developments and outlook

UK and Europe

- A Property Investments business is being formed in pursuit of opportunities that are expected to arise from a softening global property market. A fund has been established in a joint venture with global property operators in order to invest raised and committed capital.

Australia

- The Opportunity Fund has completed a successful capital raising and is now positioned to pursue further opportunities and to increase assets under management.

Group Services and Other Activities

The Group Services and Other Activities division posted an operating loss of £21.3 million compared to a loss of £24.6 million in the previous year largely as a result of increased net interest income in the Central Funding division. This was partially offset by increased costs in the Central Services division.

Risk management and corporate governance

Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures ("IFRS 7"), and disclosures on capital required by International Accounting Standard 1 - Presentation of Financial Statements ("IAS 1") are included within this section of the report (page 16 to page 68) with further disclosures provided within the financial statements section (page 88 to page 179). All sections, tables and graphs which are covered by the independent auditors' report on pages 86 and 87 are marked as audited.

Philosophy and approach

The group recognises that an effective risk management function is fundamental to its business. Taking international 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.

Group Risk Management (part of Group Services) independently monitors, manages and reports on our risk. 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.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. Group Risk Management has specialist divisions in the UK, Australia and smaller risk divisions in other regions to promote sound risk management practices.

Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives. Group Risk Management continually seeks new ways to enhance its techniques.

Group Risk Management's objectives

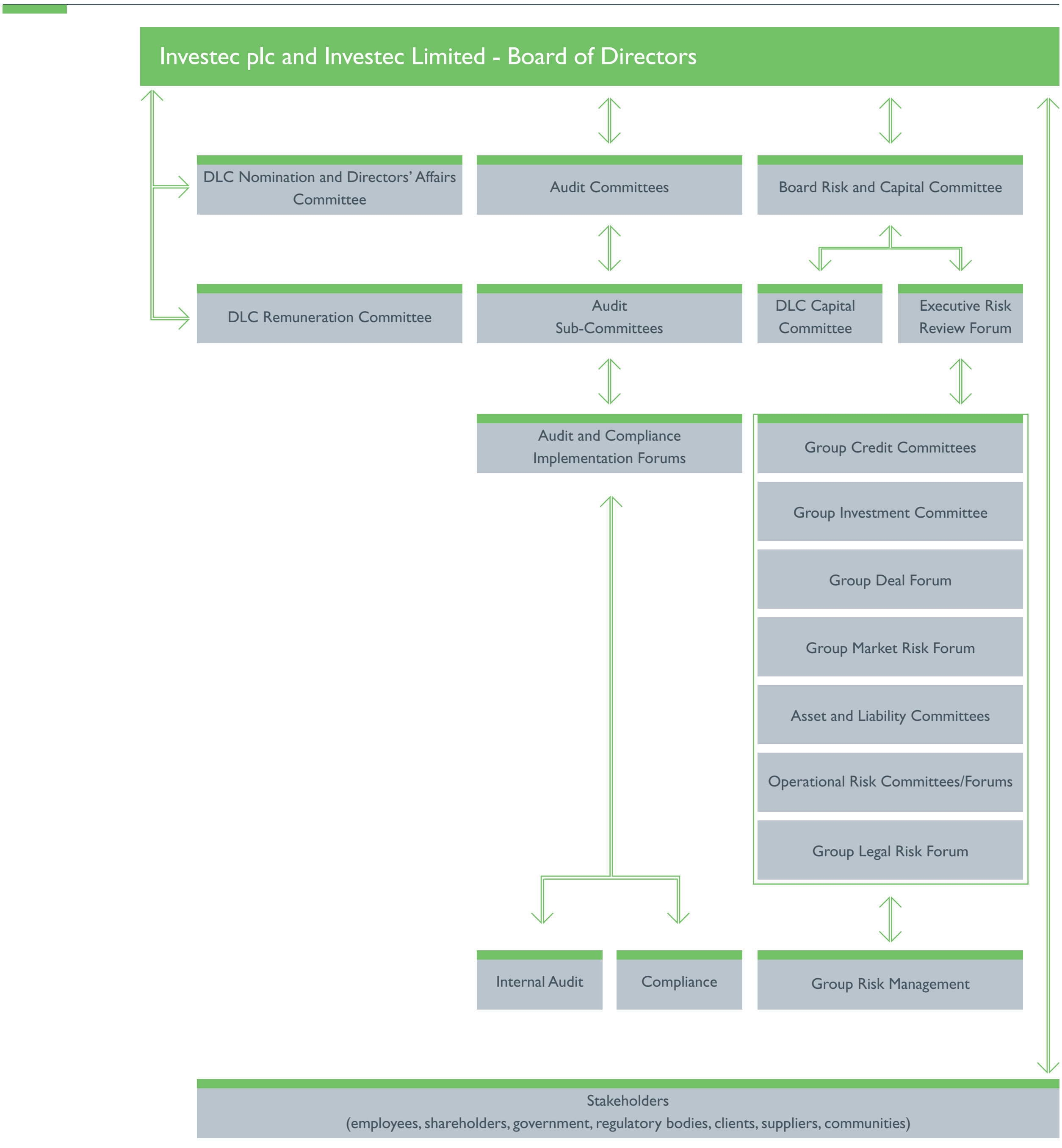
Group Risk Management's objectives are to:

- Be the custodian of our risk management culture.
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently.
- Aggregate and monitor our exposure across risk classes.
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions.
- Give the boards reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled.
- Facilitate various risk committees, as mandated by the board.

Risk management

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level, as described more fully below. These committees and forums operate together with Group Risk Management and are mandated by the boards of Investec plc and Investec Limited and they cover all entities within the group including Investec Bank (UK) Limited. A diagram of the group's governance and risk framework is provided below.



Note:
In the sections that follow the following abbreviations are used on numerous occasions:
BRCC - Board Risk and Capital Committee
ERRF - Executive Risk Review Forum
FSA - Financial Services Authority
APRA - Australian Prudential Regulatory Authority

An overview of key risks, policies and procedures

In our ordinary course of business we face a number of risks that could affect our business operations. These risks are summarised briefly in the table below. The sections that follow provide information on a number of these risk areas. For additional information pertaining to the management and monitoring of these risks, see the references provided.

Key risks	Reference
• Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.	See pages 20 to 45.
• Liquidity risk may impair our ability to fund our operations.	See pages 53 to 56.
• Our net interest earnings and net asset value may be adversely affected by interest rate risk.	See pages 49 to 52 and page 57.
• Market conditions and fluctuations could adversely affect our businesses in a number of ways.	See pages 45 to 49.
• We may be unable to recruit, retain and motivate key personnel.	See our business responsibility website.
• Employee misconduct could cause harm that is difficult to detect.	See pages 57 to 60.
• Operational risk may disrupt our business or result in regulatory action.	See pages 57 to 60.
• We may be vulnerable to the failure of our systems and breaches of our security systems.	See pages 57 to 60.
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required.	See pages 61 to 66.
• The financial services industry in which we operate is intensely competitive.	See page 19.
• Legal and regulatory risks are substantial in our businesses.	See pages 60 and 61.
• Reputational and strategic risk.	See page 60.
• We may be exposed to pension risk in our UK operations.	See page 61.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also impair our business operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risk factors.

Risk management

Key market indicators

The table below provides an overview of some key statistics that should be considered when reviewing the developments within each area of risk.

Audited

	31 March 2008 period end	31 March 2007 period end	Average over the period
Market indicators			
FTSE All share	2 927	3 283	3 245
Australia All ords	5 410	5 979	6 190
S&P 500	1 323	1 421	1 459
Nikkei	12 526	17 288	16 038
Dow Jones	12 263	12 481	13 163
Exchange rates			
US Dollar/Euro	1.58	1.34	1.42
Euro/Pounds Sterling	1.25	1.47	1.42
Australian Dollar/Pounds Sterling	2.18	2.42	2.32
US Dollar/Pounds Sterling	1.99	1.96	2.01
Rates			
UK overnight	5.55%	5.33%	5.63%
UK 10 year	4.34%	4.97%	4.86%
UK Clearing Banks Base Rate	5.25%	5.25%	5.54%
LIBOR - 3 month	6.01%	5.62%	6.05%
Reserve Bank of Australia cash target rate	7.25%	6.25%	6.57%
US 10 year	3.41%	4.65%	4.36%
Commodities			
Gold	$917/oz	$664/oz	$769/oz
Gas Oil	$969	$592	$429
Platinum	$1 996/oz	$1 243/oz	1 484/oz
Macro-economic			
UK GDP (% change over the period)	2.9%	3.0%	n/c
UK per capita GDP (£)	22 712	21 521	
Australia GDP (% change over the period)	4.2%	2.9%	n/c
Australia per capita GDP (A$)	51 985	48 646	

Source: Datastream, Bloomberg's, Office for National statistics.

Credit and counterparty risk management

Credit and counterparty risk description Audited

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

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

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

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

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

Credit and counterparty risk governance structure Audited

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

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

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

We do not have a separate country risk forum. When applications are submitted to the local credit committee, consideration of the country risk element forms part of the sanctioning process. The local credit committee has the power to recommend to the Global Credit Committee an appropriate country credit limit where undertaking a particular transaction could exceed the approved country limit. The Global Credit Committee is responsible for approving country limits.

Credit and counterparty risk appetite

We have a preference for exposure to EU countries, other G10 countries, Australasia and specific countries where we have subsidiaries or branches.

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer page 45 for further information).

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and long-standing relationship with our clients. In certain instances we may elect to sell certain assets down and/or securitise them (refer to page 25 for further information).

Risk management

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

Management and measurement of credit and counterparty risk

Audited

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

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

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

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

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

Credit and counterparty risk in the UK and Europe

The UK and European group comprises businesses in the UK, including a branch in Ireland and banking businesses in the Channel Islands and Switzerland. Credit risk arises mainly through our Private Banking and Capital Markets activities, although some credit and counterparty risk does arise in other businesses.

Private Bank

The Private Bank has businesses in the UK (London and Manchester), including branches in Ireland, the Channel Islands and Switzerland. Credit risk arises from the following activities which we undertake in the division: structured property finance, private client lending, specialised lending, growth and acquisition finance, and asset based lending on receivables and stock.

The Structured Property Finance area provides senior debt, mezzanine and equity funding for property transactions covering the residential and commercial markets. Our exposure to the property market is well diversified with no individual concentration risk. Our properties are well located residential or good quality commercial assets with recognised tenant covenant. Our property assets are located in the UK, with limited exposure to retail property assets in Germany and Switzerland, which are anchored by major European retail covenants. Client quality and expertise are at the core of our credit philosophy, ensuring a low probability of default. Furthermore, robust debt service cover ratios and reasonable loan to values (with the average below 80%) ensure a low level of expected loss, which is supported by low historical actual losses. Where a more commercial view is taken on debt structure and leverage, significantly increased returns are expected. All facilities are reviewed at least annually and property values are monitored by our appointed panel valuation firms. Committees review and monitor our mezzanine and equity property funding exposure on a quarterly basis.

Growth and Acquisition Finance provides mezzanine or composite debt funding to successful entrepreneurs, management teams, private equity houses and UK based mid-market companies that are implementing acquisition and organic growth strategies. Deal sizes typically range between £8 million and £20 million. Credit risk is assessed against the debt service coverage and robustness of the cash generation for the business both historically and against forecasts. Other factors include the quality of the management team and the amortisation profile of the debt package.

Mezzanine exposures arising out of the transactions mentioned above range between £200 million to £300 million, against a total book of £3.3 billion as at 31 March 2008.

Asset Based Lending provides working capital and business loans secured on collateral or assets used in the conduct of the business, for example, account receivables, inventory, plant and machinery, and property. We also provide advances against cash flow or other assets such as committed income or rights. Lending includes variable funding on variable assets and term loans on fixed assets.

Specialised Lending provides bespoke credit facilities and hedging options to high net worth individuals and financially sophisticated clients. This involves securities lending against holders of listed equities and transaction facilitation, where we work with clients, law firms and trust companies to facilitate financial planning and structuring for their clients. We also provide funding secured on sports and media related cash flows, including intellectual property rights and sponsorship transactions where certainty of serviceability, client quality and expertise are key considerations.

Private Client Lending provides bespoke mortgages and secured lending to high net worth and high income individuals. Loan sizes range between £0.5 million and £10 million with long-term durations. Credit risk is assessed against robust debt servicing cover ratios. Lending is underpinned by good quality assets, including residential and commercial property, bank guarantees, discretionary investment portfolios and cash deposits. In determining serviceability, we also consider the liquidity of the client, including cash reserves and liquid asset holdings. Funding is characterised by long-term annuity income and a historically low probability of default. Property assets are located predominantly in the UK, with limited exposure to prime residential areas in France and Spain. All facilities are reviewed at least annually and property values are monitored by our appointed panel valuation firms.

Capital Markets

The bulk of Capital Markets activities are conducted from London and Ireland.

As part of the daily management of liquidity, the treasury function places funds with banks and other financial institutions. These professional counterparties are highly rated with credit risk of a systemic nature.

Our trading book consists of positions in interest rates, foreign exchange, commodities and equities. Credit risk arises from standard trading risks such as settlement, counterparty and replacement risk. We maintain a thorough risk process that reviews and monitors all potential credit risks inherent in customer trading facilities. These positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of counterparty default.

Within the banking business, credit risk can arise from structured finance, project and resource financing, asset finance, acquisition finance, principal finance and corporate lending activities. There are approved limits specifying the maximum exposure to each individual counterparty, to ensure there is no concentration risk. Facilities are secured on the assets of the underlying corporate. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying security and cash flow. While most of the activities of our Capital Markets division are concentrated in Europe, any exposure to counterparties outside this jurisdiction is mitigated through a stringent country risk approval and monitoring process, and covered by political risk insurance where deemed appropriate.

A summary of the nature of the lending within some of the key areas within the banking business is provided below:

- Structured and asset finance: loans/leases against fixed assets linked to the success of the business they are employed in. These transactions amortise from anticipated cash flows.
- Project Finance: provides advisory, debt and equity arranging services to renewable energy projects and public/private projects, e.g. roads, hospitals, prisons. Loans are secured on the project themselves with a high degree of due diligence around both the delivery risks and the cash flow to repay any facilities.
- Acquisition Finance: participation in senior debt facilities in the leveraged buy-out market relating to medium to large corporates. Maximum exposure is circa £20 million per entity, giving portfolio diversity. The credit process in this asset class focuses on a good business value proposition (i.e. relevance, brand, good management, good sponsors) underpinned by cash flow and a charge over the enterprise. Tranches are market traded.
- Principal Finance: securitisation of our assets, predominantly residential and commercial mortgages. There is modest investment and trading in structured credit investments.
- Commodities and Resource Finance: working capital lending and commodity price risk hedging to base and precious metal-producing entities. Provable reserves and good cash flow generation is paramount in the credit decision process.

Investment Banking

Counterparty risk in this area is modest. All share underwriting is fully sub underwritten with well known market counterparties. The business also trades approved shares and makes markets where we are appointed broker under pre agreed market risk limits. Settlement trades are all on a delivery versus payment basis, through major share exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any mark to market losses on the underlying security.

Credit and counterparty risk in Australia

Investec Bank (Australia) Limited operates within a clearly defined framework for managing credit risk. The policies and procedures for credit risk management are consistent with those of the group and comply with the prudential standards issued by the APRA. Credit and counterparty 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. Details with respect to the nature of the credit and counterparty risk assumed is similar to that of the activity conducted within our UK operations.

Asset quality analysis - credit risk classification and provisioning policy

Audited

It is a policy requirement that each operating division overseen by central credit management makes provision for specific impairments and calculates the appropriate level of portfolio impairments promptly when required and on a consistent basis. This is in accordance with established group guidelines and in conjunction with the Watchlist and Impairments Committee policy and process. In the financial statements, credit losses and impairments are reported in accordance with IFRS.

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 36). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the "International Convergence of Capital Measurement and Capital standards" Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of credit risky assets where a "loss trigger event" has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

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

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default		Loss	• Credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted. • Ultimately these items will be written off, but the asset will be held until it is appropriate to write off. • These assets should carry an appropriate impairment.

Securitisation/principal finance activities and exposures

UK and Europe

The UK has developed a Principal Finance business over the last three years. As mentioned above the business focuses on securitisation of our assets, predominantly residential and commercial mortgages. We also undertake trading and investment in structured credit investments where we have invested in rated and unrated debt instruments largely within the UK and Europe and to a lesser extent in the US.

Australia

As mentioned on page 8, Investec Bank (Australia) Limited acquired Experien during the year. Assets originated by the business have been securitised. These amount to A$756 million and include leases and instalment debtors (A$373 million), residential mortgages (A$15 million), commercial mortgages (A$186 million) and other loans, for example overdrafts (A$182 million). These securitisation structures have all been rated by Standard and Poor's.

Accounting treatment Audited

Refer to page 125.

Credit risk mitigation Audited

Collateral is always assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be held physically and valued relative to the market.

The bulk of collateral taken by the Private Bank, which makes up a substantial portion of on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property underpinned by strong third party leases. Residential property is also generally of a high quality, reflecting clients' appetite for investments in desirable locations. In the period under review, there was downward pressure on the value of commercial and residential real estate as a result of the global economic slowdown in all our key operating jurisdictions (UK and Australia). This has resulted in an increased focus on residential and commercial property valuations.

It is our policy to obtain a formal valuation, performed by an approved valuer, of every property offered as collateral for a lending facility before advancing funds under the credit facility and to revalue all commercial properties held as collateral on a regular basis, at the discretion of the credit committee. Other common forms of collateral in the retail asset class are motor vehicles, cash, shares and share portfolios.

Property is split between residential and commercial classes with commercial consisting of investment and development sub classes. Development property is further analysed into Residential land, Residential buildings, Commercial Industrial, Commercial Retail and Commercial Office.

We maintain strict liquidity policies with respect to financial collateral, which is thus considered to be liquid. There has been a decline in the liquidity of real estate markets albeit that the concentration of the underlying property collateral is in areas which have historically exhibited resistance to adverse economic conditions.

The majority of credit mitigation within our Treasury activities is in the form of netting (primarily International Swap Dealers Association, Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements). Where netting agreements have been signed and the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement, the exposures for all product categories covered by such agreements is stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

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

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

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

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

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

An analysis of collateral is provided on page 45.

Credit and counterparty risk year in review

Basel II

As of 1 January 2008 Investec Limited and Investec plc have been reporting to banking regulators in accordance with Basel II under the Standardised Approach for credit risk. Internally the focus towards the end of the financial year has shifted from compliance to entrenching internal capital processes at all levels in the organisation. We have leveraged off the changes required in terms of Basel II and taken the opportunity to refine and improve some of our risk management techniques.

UK and Europe

The financial year started with a fair amount of activity in the credit markets although margins began to narrow as a result of competitive pressures across the financial services industry. By September 2007 the credit landscape had changed dramatically as a result of the severe downgrade in the US of sub prime mortgage loans. As financial institutions took stock of their own balance sheets, market activity and liquidity diminished evidenced by repricing and lower market activity.

Against this backdrop the core loan book grew by 38.5% to £5.4 billion. This growth has not been at the expense of risk or pricing and our overall philosophy has been to decline transactions rather than compromise price or quality.

We have witnessed an increase in impairments and defaults, notably in the Private Bank. Residential mortgages have however, performed satisfactory and assets have not shown a worrying trend. Future performance continues to be monitored against the general economy and data on home prices. Generally there has been a slowing of asset activity however, client quality and proactive management has ensured that arrears are well controlled. Gross defaults as a percentage of gross core loans and advances increased from 1.1% to 2.6%.

As mentioned elsewhere the UK Capital Markets Principal Finance division has certain exposures to US structured credit investments. We have taken a market write down of £48.9 million against the US positions largely as a result of rating agency downgrades and US house price performance related to these portfolios. As at 31 March 2008 the on balance sheet value of the US portfolio is £71 million of which £16 million is dependent on the performance of the US sub-prime markets. These residual exposures represent less than 0.6% of the UK bank's balance sheet.

Australia

The core loan portfolio increased by 59.6% to A$2.6 billion, bolstered by the acquisition of Experien and good growth across our business particularly in the first half of the year. The quality of the overall portfolio remains satisfactory with gross defaults as a percentage of gross core loans and advances decreasing from 2.8% to 1.6%. However a disciplined approach to risk remains a key area of focus in a weaker trading environment.

Credit and counterparty risk information

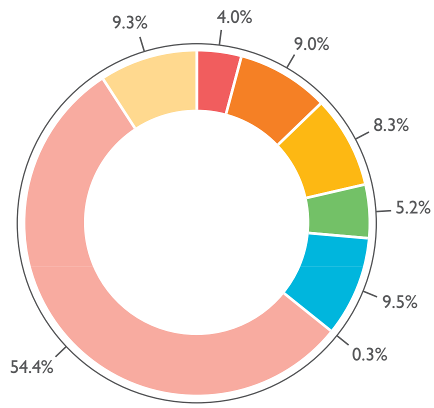
Pages 20 to 45 describe where and how credit and counterparty risk exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

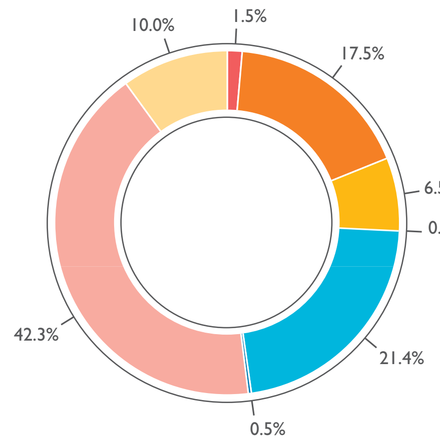
£'000 Audited	31 March 2008	31 March 2007	% change	Average* for the year ended 31 March 2008
On-balance sheet exposures	**10 870 450**	**9 706 719**	**12.0%**	**10 288 588**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	485 878	162 661	>100.0%	324 270
Rated instruments	121 127	36 554	>100.0%	78 841
Unrated instruments	106 989	126 107	(15.2%)	116 548
Other	257 762	-	>100.0%	128 881
Debt instruments (NCDs, bonds held, debentures)	1 063 504	1 889 127	(43.7%)	1 476 316
Bank placements	979 767	696 628	40.6%	838 198
Sovereign, government placements	616 122	37 487	>100.0%	326 805
Trading exposures (positive fair value excluding potential future exposures)	1 120 584	2 304 577	(51.4%)	1 712 581
Other credit exposures	30 142	58 111	(48.1%)	44 127
Gross core loans and advances to customers (before impairments)**	6 574 453	4 558 128	44.2%	5 566 291
Off-balance sheet exposures	**1 105 906**	**1 080 863**	**2.3%**	**1 093 385**
Guarantees	93 458	106 362	(12.1%)	99 910
Contingent liabilities, committed facilities and other	1 012 448	974 501	3.9%	993 475
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**11 976 356**	**10 787 582**	**11.0%**	**11 381 973**

* Where the average is based on a straight line average.
** As calculated on page 36.

31 March 2008



31 March 2007



- Securitisation/principal finance exposures
- Debt instruments
- Trading exposures
- Sovereign, government placements
- Gross core loans and advances to customers
- Off-balance sheet exposures
- Other credit exposures
- Bank placements

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

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

£'000 Audited	Securitisation exposures arising from securitisation/principal finance activities				Debt instru-ments (NCDs, bonds held, debentures)
	Total	Rated instruments	Unrated instruments	Other	
As at 31 March 2008					
Cash and balances at central banks	-	-	-	-	-
Loans and advances to banks	-	-	-	-	712
Cash equivalent advances to customers	-	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-
Trading securities	142 196	57 563	74 656	9 977	17 963
Derivative financial instruments	8 995	-	-	8 995	-
Investment securities	3 850	-	3 850	-	1 044 829
Loans and advances to customers	252 026	13 236	-	238 790	-
Securitised assets	78 811	50 328	28 483	-	-
Interests in associated undertakings	-	-	-	-	-
Deferred taxation assets	-	-	-	-	-
Other assets	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total	485 878	121 127	106 989	257 762	1 063 504
As at 31 March 2007					
Cash and balances at central banks	-	-	-	-	-
Loans and advances to banks	3 947	-	3 947	-	-
Cash equivalent advances to customers	23 154	-	23 154	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-
Trading securities	83 044	-	83 044	-	194 046
Derivative financial instruments	8 582	-	8 582	-	-
Investment securities	7 380	-	7 380	-	1 695 081
Loans and advances to customers	36 554	36 554	-	-	-
Securitised assets	-	-	-	-	-
Interests in associated undertakings	-	-	-	-	-
Deferred taxation assets	-	-	-	-	-
Other assets	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total	162 661	36 554	126 107	-	1 889 127

* Includes impairments and intergroup loans. Further information on impairments is provided on page 124.

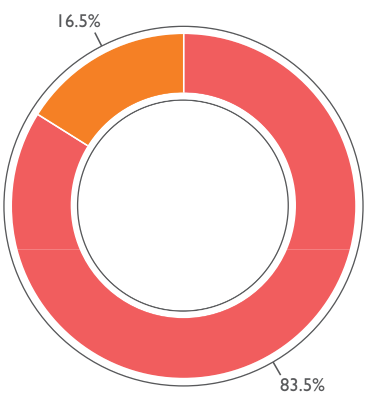
Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers (before impairments)	Total credit and counter-party exposure	Assets that we deem to have no credit exposure	Total balance sheet
6 607	608 004	-	-	-	614 611	8	614 619
973 160	-	-	-	-	973 872	36 904	1 010 776
-	-	7 124	-	-	7 124	59	7 183
-	-	325 162	-	-	325 162	25 454	350 616
-	-	166 125	2 566	-	328 850	104 615	433 465
-	-	461 167	-	-	470 162	15 991	486 153
-	8 118	-	-	-	1 056 797	59 678	1 116 475
-	-	-	-	6 228 369	6 480 395	*230 100	6 710 495
-	-	-	-	346 084	424 895	349 908	774 803
-	-	-	-	-	-	14 440	14 440
-	-	-	-	-	-	49 876	49 876
-	-	161 006	27 576	-	188 582	202 976	391 558
-	-	-	-	-	-	125 927	125 927
-	-	-	-	-	-	88 282	88 282
-	-	-	-	-	-	22 639	22 639
979 767	616 122	1 120 584	30 142	6 574 453	10 870 450	1 326 857	12 197 307
11 967	30 643	-	-	-	42 610	217	42 827
658 992	-	57 181	-	-	720 120	61 047	781 167
-	-	56	-	-	23 210	-	23 210
-	-	1 977 983	-	-	1 977 983	1 953	1 979 936
-	-	238 288	-	-	515 378	29 263	544 641
12 397	-	7 160	-	-	28 139	304 723	322 862
-	6 844	20 068	-	-	1 729 373	17 674	1 747 047
-	-	-	-	4 558 128	4 594 682	*25 089	4 619 771
-	-	-	-	-	-	-	-
-	-	-	-	-	-	12 433	12 433
-	-	-	-	-	-	25 136	25 136
13 272	-	3 841	58 111	-	75 224	754 696	829 920
-	-	-	-	-	-	120 910	120 910
-	-	-	-	-	-	68 193	68 193
-	-	-	-	-	-	17 741	17 741
696 628	37 487	2 304 577	58 111	4 558 128	9 706 719	1 439 075	11 145 794

Breakdown of gross credit and counterparty exposures by geography

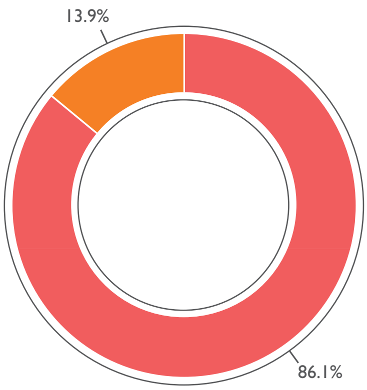
As at 31 March

£'000 Audited	UK and Europe 2008	UK and Europe 2007	Australia 2008	Australia 2007	Total 2008	Total 2007
On-balance sheet exposures	**9 179 687**	**8 467 961**	**1 690 763**	**1 238 758**	**10 870 450**	**9 706 719**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	485 878	162 661	-	-	485 878	162 661
Rated instruments	121 127	36 554	-	-	121 127	36 554
Unrated instruments	106 989	126 107	-	-	106 989	126 107
Other	257 762	-	-	-	257 762	-
Debt instruments (NCDs, bonds held, debentures)	762 313	1 477 246	301 191	411 881	1 063 504	1 889 127
Bank placements	835 834	609 653	143 933	86 975	979 767	696 628
Sovereign, government placements	616 122	37 487	-	-	616 122	37 487
Trading exposures (positive fair value excluding potential future exposures)	1 056 581	2 237 728	64 003	66 849	1 120 584	2 304 577
Other credit exposures	30 142	58 111	-	-	30 142	58 111
Gross core loans and advances to customers	5 392 817	3 885 075	1 181 636	673 053	6 574 453	4 558 128
Off-balance sheet exposures	**846 298**	**822 372**	**259 608**	**258 491**	**1 105 906**	**1 080 863**
Guarantees	46 714	64 115	46 744	42 247	93 458	106 362
Contingent liabilities, committed facilities and other	799 584	758 257	212 864	216 244	1 012 448	974 501
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**10 025 985**	**9 290 333**	**1 950 371**	**1 497 249**	**11 976 356**	**10 787 582**

31 March 2008



31 March 2007



— UK and Europe — Australia

Breakdown of gross credit and counterparty exposures by industry

£'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
HNW and professional individuals	3 690 474	2 395 224	626 314	842 103	4 316 788	3 237 327
Agriculture	47 029	38 390	857	19 380	47 886	57 770
Electricity, gas and water (utility services)	105 219	85 510	5 467	39 169	110 686	124 679
Public and non-business services	159 746	131 762	35 796	16 470	195 542	148 232
Business services	131 017	140 187	24 714	3 787	155 731	143 974
Finance and insurance (including central banks)	307 440	246 660	3 758 102	4 764 840	4 065 542	5 011 500
Retailers and wholesalers	154 955	55 867	18 445	674	173 400	56 541
Manufacturing and commerce	283 415	276 303	53 299	7 725	336 714	284 028
Real estate	1 212 794	685 384	440 785	141 936	1 653 579	827 320
Mining and resources	61 570	56 433	167 410	240 240	228 980	296 673
Leisure, entertainment and tourism	171 410	78 446	20 448	-	191 858	78 446
Transport and communication	249 384	367 962	33 052	2 906	282 436	370 868
Other*	-	-	217 214	150 224	217 214	150 224
Total	**6 574 453**	**4 558 128**	**5 401 903**	**6 229 454**	**11 976 356**	**10 787 582**

* Largely relating to our principal finance/securitisation activities.

Breakdown of gross credit and counterparty exposures by industry

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
As at 31 March 2008					
On-balance sheet exposures	**3 695 463**	**47 029**	**105 219**	**172 557**	**131 853**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	-	-
Rated instruments	-	-	-	-	-
Unrated instruments	-	-	-	-	-
Other	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	-	-	-	-	-
Bank placements	-	-	-	-	-
Sovereign, government placements	-	-	-	12 591	-
Trading exposures (positive fair value excluding potential future exposures)	4 989	-	-	-	26
Other credit exposures	-	-	-	220	810
Gross core loans and advances to customers	3 690 474	47 029	105 219	159 746	131 017
Off-balance sheet exposures	**621 325**	**857**	**5 467**	**22 985**	**23 878**
Guarantees	30 954	83	3 516	3 356	165
Contingent liabilities, committed facilities and other	590 371	774	1 951	19 629	23 713
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**4 316 788**	**47 886**	**110 686**	**195 542**	**155 731**
As at 31 March 2007					
On-balance sheet exposures	**2 396 288**	**38 390**	**85 510**	**138 606**	**140 187**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	-	-
Rated instruments	-	-	-	-	-
Unrated instruments	-	-	-	-	-
Other	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	-	-	-	-	-
Bank placements	-	-	-	-	-
Sovereign, government placements	-	-	-	6 844	-
Trading exposures (positive fair value excluding potential future exposures)	1 064	-	-	-	-
Other credit exposures	-	-	-	-	-
Gross core loans and advances to customers	2 395 224	38 390	85 510	131 762	140 187
Off-balance sheet exposures	**841 039**	**19 380**	**39 169**	**9 626**	**3 787**
Guarantees	64 655	6 950	3 377	3 072	112
Contingent liabilities, committed facilities and other	776 384	12 430	35 792	6 554	3 675
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**3 237 327**	**57 770**	**124 679**	**148 232**	**143 974**

* Largely relating to our principal finance/securitisation activities.

Finance and insurance (including central banks)	Retailers and whole-salers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, enter-tainment and tourism	Transport and communi-cation	Other*	Total
3 955 364	**154 955**	**290 521**	**1 453 278**	**207 512**	**171 423**	**268 062**	**217 214**	**10 870 450**
52 164	-	-	228 557	-	-	-	205 157	485 878
-	-	-	-	-	-	-	121 127	121 127
-	-	-	28 483	-	-	-	78 506	106 989
52 164	-	-	200 074	-	-	-	5 524	257 762
1 057 881	-	-	-	-	-	-	5 623	1 063 504
979 767	-	-	-	-	-	-	-	979 767
603 531	-	-	-	-	-	-	-	616 122
952 791	-	6 233	4 156	145 942	13	-	6 434	1 120 584
1 790	-	873	7 771	-	-	18 678	-	30 142
307 440	154 955	283 415	1 212 794	61 570	171 410	249 384	-	6 574 453
110 178	**18 445**	**46 193**	**200 301**	**21 468**	**20 435**	**14 374**	**-**	**1 105 906**
22 431	28	26	21 093	11 806	-	-	-	93 458
87 747	18 417	46 167	179 208	9 662	20 435	14 374	-	1 012 448
4 065 542	**173 400**	**336 714**	**1 653 579**	**228 980**	**191 858**	**282 436**	**217 214**	**11 976 356**
5 004 714	**55 867**	**281 218**	**700 982**	**265 541**	**78 446**	**370 746**	**150 244**	**9 706 719**
-	-	-	12 437	-	-	-	150 224	162 661
-	-	-	-	-	-	-	36 554	36 554
-	-	-	12 437	-	-	-	113 670	126 107
-	-	-	-	-	-	-	-	-
1 889 127	-	-	-	-	-	-	-	1 889 127
696 628	-	-	-	-	-	-	-	696 628
30 643	-	-	-	-	-	-	-	37 487
2 083 545	-	4 915	3 161	209 108	-	2 784	-	2 304 577
58 111	-	-	-	-	-	-	-	58 111
246 660	55 867	276 303	685 384	56 433	78 446	367 962	-	4 558 128
6 786	**674**	**2 810**	**126 338**	**31 132**	**-**	**122**	**-**	**1 080 863**
2 221	268	-	8 559	17 148	-	-	-	106 362
4 565	406	2 810	117 779	13 984	-	122		974 501
5 011 500	**56 541**	**284 028**	**827 320**	**296 673**	**78 446**	**370 868**	**150 224**	**10 787 582**

Breakdown of gross credit and counterparty exposures by residual contractual maturity

£'000	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
As at 31 March 2008						
On-balance sheet exposures	**4 708 968**	**914 588**	**784 782**	**2 640 084**	**1 822 028**	**10 870 450**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	6 922	289 115	-	2 940	186 901	485 878
Rated instruments	-	40 603	-	1 057	79 467	121 127
Unrated instruments	-	7 650	-	640	98 699	106 989
Other	6 922	240 862	-	1 243	8 735	257 762
Debt instruments (NCDs, bonds held, debentures)	840 780	106 630	51 375	59 096	5 623	1 063 504
Bank placements	976 706	2 429	30	-	602	979 767
Sovereign, government placements	616 122	-	-	-	-	616 122
Trading exposures (positive fair value excluding potential future exposures)	1 050 036	8 898	25 164	31 367	5 119	1 120 584
Other credit exposures	6 218	-	18 270	5 654	-	30 142
Gross core loans and advances to customers	1 212 184	507 516	689 943	2 541 027	1 623 783	6 574 453
Off balance sheet exposures	**343 110**	**7 207**	**630 875**	**20 432**	**104 282**	**1 105 906**
Guarantees	53 232	7 207	8 262	19 182	5 575	93 458
Contingent liabilities, committed facilities and other	289 878	-	622 613	1 250	98 707	1 012 448
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**5 052 078**	**921 795**	**1 415 657**	**2 660 516**	**1 926 310**	**11 976 356**

Breakdown of gross credit and counterparty exposures by residual contractual maturity (continued)

£'000	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
As at 31 March 2007						
On-balance sheet exposures	**5 861 168**	**666 999**	**1 082 174**	**1 763 000**	**333 378**	**9 706 719**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	47 853	13 267	17 383	3 306	80 852	162 661
Rated instruments	-	-	17 383	-	19 171	36 554
Unrated instruments	47 853	13 267	-	3 306	61 681	126 107
Other	-	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	790 316	250 750	544 806	297 220	6 035	1 889 127
Bank placements	665 809	14 445	9 907	6 467	-	696 628
Sovereign, government placements	37 487	-	-	-	-	37 487
Trading exposures (positive fair value excluding potential future exposures)	2 212 089	6 752	18 758	66 978	-	2 304 577
Other credit exposures	52 300	5 811	-	-	-	58 111
Gross core loans and advances to customers	2 055 314	375 974	491 320	1 389 029	246 491	4 558 128
Off balance sheet exposures	**43 631**	**22 383**	**866 535**	**130 030**	**18 284**	**1 080 863**
Guarantees	18 207	3 492	60 385	19 796	4 482	106 362
Contingent liabilities, committed facilities and other	25 424	18 891	806 150	110 234	13 802	974 501
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**5 904 799**	**689 382**	**1 948 709**	**1 893 030**	**351 662**	**10 787 582**

Asset quality and impairments

Audited

Core loans and advances to customers

In order to assess and analyse the credit risk associated with loans and advances we believe that certain adjustments should be made to the category "loans and advances to customers" as reflected on the IFRS consolidated balance sheet. We believe that these adjustments are necessary in order to derive a value that reflects actual core lending activities. In this regard the following methodology has been applied:

- Loans and advances which have been originated by us and securitised primarily to provide an alternative source of funding are added to loans and advances.
- Warehouse funding facilities and warehouse assets arising out of our securitisation and principal finance activities have been deducted.

Calculation of core loans and advances to customers

£'000 Audited	31 March 2008	31 March 2007
Loans and advances to customers (before intergroup loans and impairments)	6 480 395	4 594 682
Less: warehouse facilities and warehouse assets arising out of our Securitisation and Principal Finance activities	(252 026)	(36 554)
Add: own-originated securitised assets	346 084	-
Gross core loans and advances to customers (before intergroup loans and impairments)	**6 574 453**	**4 558 128**

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers.

Overall asset quality

£'000 Audited	31 March 2008	31 March 2007
Gross core loans and advances to customers	**6 574 453**	**4 558 128**
Total impairments	**(30 289)**	**(17 769)**
Portfolio impairments	(2 236)	(1 540)
Specific impairments	(28 053)	(16 229)
Net core loans and advances to customers	**6 544 164**	**4 540 359**
Current loans and advances to customers	6 003 876	4 274 988
Total gross non-current loans and advances to customers	570 577	283 140
Past due loans and advances to customers (1-60 days and management not concerned)	327 545	165 076
Special mention loans and advances to customers	85 696	57 842
Default loans and advances to customers	157 336	60 222
Gross core loans and advances to customers	**6 574 453**	**4 558 128**
Total gross non-current core loans and advances to customers (actual capital exposure)	**570 577**	**283 140**
Gross core loans and advances to customers that are past due but not impaired	474 870	240 904
Gross core loans and advances to customers that are impaired	95 707	42 236
Total gross non-current core loans and advances to customers (actual amount in arrears)	**33 763**	**21 559**
Bad debts written off during the period	**(168)**	**(5 287)**
Gross default loans and advances to customers	157 336	60 222
Collateral and other credit enhancements	(126 373)	(52 174)
Specific impairments	(28 053)	(16 229)
Net default loans and advances to customers (Limited to zero)	**2 910**	**-**
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.43%	0.36%
Portfolio impairments as a % of gross core loans and advances to customers	0.03%	0.03%
Total impairments as a % of gross core loans and advances to customers	0.46%	0.39%
Specific impairments as a % of gross default loans	17.83%	26.95%
Gross defaults as a % of gross core loans and advances to customers	2.39%	1.32%
Net defaults as a % of gross core loans and advances to customers	0.04%	0.00%

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

£'000 Audited	31 March 2008	31 March 2007
1 - 60 days	356 571	217 193
61 - 90 days	59 833	22 166
91 - 180 days	154 173	28 643
181 - 365 days	-	2 551
>365 days	-	12 587
Total gross non-current loans and advances to customers (actual capital exposure)	570 577	283 140
1 - 60 days	14 911	3 200
61 - 90 days	941	855
91 - 180 days	17 911	6 568
181 - 365 days	-	2 510
>365 days	-	8 426
Total gross non-current loans and advances to customers (actual amount in arrears)	33 763	21 559

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

£'000 Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
As at 31 March 2008						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	353 928	59 313	61 629	-	-	474 870
Amount in arrears	14 731	936	1 034	-	-	16 701
Gross core loans and advances to customers that are impaired						
Total capital exposure	2 643	520	92 544	-	-	95 707
Amount in arrears	180	5	16 877	-	-	17 062
As at 31 March 2007						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	209 393	22 149	5 201	-	4 161	240 904
Amount in arrears	2 605	275	328	-	-	3 208
Gross core loans and advances to customers that are impaired						
Total capital exposure	7 800	17	23 442	2 551	8 426	42 236
Amount in arrears	595	580	6 240	2 510	8 426	18 351

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

£'000 Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	**327 545**	**-**	**-**	**-**	**-**	**327 545**
Special mention	**26 383**	**59 313**	**-**	**-**	**-**	**85 696**
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	42 972	-	-	-	42 972
Special mention - watchlist	26 383	16 341	-	-	-	42 724
Default	**2 643**	**520**	**154 173**	**-**	**-**	**157 336**
Sub-standard	-	-	132 152	-	-	132 152
Doubtful	2 457	520	5 932	-	-	8 909
Loss	186	-	16 089	-	-	16 275
Total	356 571	59 833	154 173	-	-	570 577

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

£'000 Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	**14 731**	**-**	**-**	**-**	**-**	**14 731**
Special mention	**-**	**936**	**-**	**-**	**-**	**936**
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	936	-	-	-	936
Special mention - watchlist	-	-	-	-	-	-
Default	**180**	**5**	**17 911**	**-**	**-**	**18 096**
Sub-standard	-	-	1 808	-	-	1 808
Doubtful	14	5	14	-	-	33
Loss	166	-	16 089	-	-	16 255
Total	14 911	941	17 911	-	-	33 763

An age analysis of gross non-current core loans and advances to customers as at 31 March 2007 (based on total capital exposure)

£'000 Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	165 076	-	-	-	-	165 076
Special mention	35 693	22 149	-	-	-	57 842
Special mention (1 - 60 days in arrears and management concerned)	3 855	-	-	-	-	3 855
Special mention (61 - 90 days and item well secured)	-	22 149	-	-	-	22 149
Special mention - watchlist	31 838	-	-	-	-	31 838
Default	16 424	17	28 643	2 551	12 587	60 222
Sub-standard	15 674	-	16 618	-	810	33 102
Doubtful	155	17	86	41	-	299
Loss	595	-	11 939	2 510	11 777	26 821
Total	217 193	22 166	28 643	2 551	12 587	283 140

An age analysis of gross non-current core loans and advances to customers as at 31 March 2007 (based on actual amount in arrears)

£'000 Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	2 582	20	-	-	-	2 602
Special mention	23	835	-	-	-	858
Special mention (1 - 60 days in arrears and management concerned)	23	-	-	-	-	23
Special mention (61 - 90 days and item well secured)	-	835	-	-	-	835
Special mention - watchlist	-	-	-	-	-	-
Default	595	-	6 568	2 510	8 426	18 099
Sub-standard	-	-	639	-	-	639
Doubtful	-	-	-	-	-	-
Loss	595	-	5 929	2 510	8 426	17 460
Total	3 200	855	6 568	2 510	8 426	21 559

An analysis of core loans and advances to customers

£'000 Audited	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)
At 31 March 2008				
Current core loans and advances	6 003 876	-	-	6 003 876
Past due (1-60 days and management not concerned)	-	327 545	-	327 545
Special mention	-	85 696	-	85 696
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	42 972	-	42 972
Special mention - watchlist	-	42 724	-	42 724
Default	-	61 629	95 707	157 336
Sub-standard	-	61 629	70 523	132 152
Doubtful	-	-	8 909	8 909
Loss	-	-	16 275	16 275
Total	6 003 876	474 870	95 707	6 574 453
At 31 March 2007				
Current core loans and advances	4 274 988	-	-	4 274 988
Past due (1-60 days and management not concerned)	-	165 076	-	165 076
Special mention	-	57 842	-	57 842
Special mention (1 - 60 days in arrears and management concerned)	-	3 855	-	3 855
Special mention (61 - 90 days and item well secured)	-	22 149	-	22 149
Special mention - watchlist	-	31 838	-	31 838
Default	-	17 986	42 236	60 222
Sub-standard	-	17 986	15 116	33 102
Doubtful	-	-	299	299
Loss	-	-	26 821	26 821
Total	4 274 988	240 904	42 236	4 558 128

Specific impair-ments	Portfolio impair-ments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears	Bad debts written off during the period
-	-	6 003 876	-	-
-	(2 236)	325 309	14 731	-
-	-	85 696	936	-
-	-	-	-	-
-	-	42 972	936	-
-	-	42 724	-	-
(28 053)	-	129 283	18 096	(168)
(15 884)	-	116 268	1 808	-
(3 904)	-	5 005	33	-
(8 265)	-	8 010	16 255	(168)
(28 053)	(2 236)	6 544 164	33 763	(168)
-	-	4 274 988	-	-
-	(1 540)	163 536	2 602	-
-	-	57 842	858	-
-	-	3 855	23	-
-	-	22 149	835	-
-	-	31 838	-	-
(16 229)	-	43 993	18 099	(5 287)
(418)	-	32 684	639	-
(233)	-	66	-	(4 992)
(15 578)	-	11 243	17 460	(295)
(16 229)	(1 540)	4 540 359	21 559	(5 287)

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

£'000 Audited	Current core loans and advances	Past due (1-60 days and management not concerned)	Special mention (1 - 60 days in arrears and management concerned)	Special mention (61 - 90 days and item well secured)	Special mention - watchlist
As at 31 March 2008					
Private Banking professional and HNW individuals	3 391 827	307 061	-	40 608	42 724
Corporate sector	2 140 543	20 484	-	2 364	-
Banking, insurance, financial services (excluding sovereign)	307 440	-	-	-	-
Public and government sector (including central banks)	159 746	-	-	-	-
Other	4 320	-	-	-	-
Total gross core loans and advances to customers	6 003 876	327 545	-	42 972	42 724
As at 31 March 2007					
Private Banking professional and HNW individuals	2 427 765	143 948	3 855	22 149	30 359
Corporate sector	1 467 941	21 128	-	-	1 479
Banking, insurance, financial services (excluding sovereign)	246 660	-	-	-	-
Public and government sector (including central banks)	131 762	-	-	-	-
Other	860	-	-	-	-
Total gross core loans and advances to customers	4 274 988	165 076	3 855	22 149	31 838

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

£'000 Audited	31 March 2008	31 March 2007
Private Banking professional and HNW individuals	3 899 507	2 670 480
Corporate sector	2 203 440	1 508 366
Banking, insurance, financial services (excluding sovereign)	307 440	246 660
Public and government sector (including central banks)	159 746	131 762
Other	4 320	860
Total gross core loans and advances to customers	6 574 453	4 558 128

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impair-ments	Specific impair-ments	Total impair-ments	Bad debts written off in period
96 184	4 952	16 151	3 899 507	(2 236)	(24 970)	(27 206)	(120)
35 968	3 957	124	2 203 440	-	(3 083)	(3 083)	(48)
-	-	-	307 440	-	-	-	-
-	-	-	159 746	-	-	-	-
-	-	-	4 320	-	-	-	-
132 152	**8 909**	**16 275**	**6 574 453**	**(2 236)**	**(28 053)**	**(30 289)**	**(168)**
21 686	-	20 718	2 670 480	(1 453)	(10 513)	(11 966)	(202)
11 416	299	6 103	1 508 366	(87)	(5 716)	(5 803)	(5 085)
-	-	-	246 660	-	-	-	-
-	-	-	131 762	-	-	-	-
-	-	-	860	-	-	-	-
33 102	**299**	**26 821**	**4 558 128**	**(1 540)**	**(16 229)**	**(17 769)**	**(5 287)**

An analysis of core loans and advances to customers and asset quality by geography

As at 31 March

£'000 Audited	UK and Europe 2008	UK and Europe 2007	Australia 2008	Australia 2007	Total 2008	Total 2007
Gross core loans and advances to customers	5 392 817	3 885 075	1 181 636	673 053	6 574 453	4 558 128
Total impairments	**(21 499)**	**(8 159)**	**(8 790)**	**(9 610)**	**(30 289)**	**(17 769)**
Portfolio impairments	(2 236)	(1 540)	-	-	(2 236)	(1 540)
Specific impairments	(19 263)	(6 619)	(8 790)	(9 610)	(28 053)	(16 229)
Net core loans and advances to customers	**5 371 318**	**3 876 916**	**1 172 846**	**663 443**	**6 544 164**	**4 540 359**
% of total	82.1%	85.4%	17.9%	14.6%	100.0%	100.0%
% change year on year	38.5%		76.8%		44.2%	
Current loans and advances to customers	4 914 790	3 662 919	1 089 086	612 069	6 003 876	4 274 988
Past due loans and advances to customers (1-60 days and management not concerned)	283 445	143 793	44 100	21 283	327 545	165 076
Special mention loans and advances to customers	56 165	37 179	29 531	20 663	85 696	57 842
Default loans and advances to customers	138 417	41 184	18 919	19 038	157 336	60 222
Gross core loans and advances to customers	**5 392 817**	**3 885 075**	**1 181 636**	**673 053**	**6 574 453**	**4 558 128**
Total gross non-current loans and advances to customers (actual capital exposure)	**478 027**	**222 156**	**92 550**	**60 984**	**570 577**	**283 140**
Gross core loans and advances to customers that are past due but not impaired	399 220	197 380	75 650	43 524	474 870	240 904
Gross core loans and advances to customers that are impaired	78 807	24 776	16 900	17 460	95 707	42 236
Total gross non-current loans and advances to customers (actual amount in arrears)	**15 369**	**3 738**	**18 394**	**17 821**	**33 763**	**21 559**
Bad debts written off during the period	**-**	**(5 193)**	**(168)**	**(94)**	**(168)**	**(5 287)**
Gross default loans and advances to customers	138 417	41 184	18 919	19 038	157 336	60 222
Collateral and other credit enhancements	114 011	42 005	12 362	10 169	126 373	52 174
Specific impairments	(19 263)	(6 619)	(8 790)	(9 610)	(28 053)	(16 229)
Net default loans and advances to customers	**5 143**	**-**	**-**	**-**	**2 910**	**-**
Gross defaults as a % of gross core loans and advances to customers	2.6%	1.1%	1.6%	2.8%	2.4%	1.3%

Collateral

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

As at 31 March 2008 £'000	Collateral held against Gross core loans and advances	 Other credit and counterparty exposures*	Total
Eligible financial collateral	**697 535**	**391 172**	**1 088 707**
Cash	442 249	8 959	451 208
Debt securities issued by sovereigns	-	133 352	133 352
Shares	255 286	248 861	504 147
Mortgage bonds	**5 899 220**	**120 126**	**6 019 346**
Residential property collateral	2 839 009	120 126	2 959 135
Commercial property collateral	1 578 249	-	1 578 249
Commercial property development collateral	1 481 962	-	1 481 962
Other collateral	**616 513**	**28 362**	**644 875**
Asset finance collateral	320 069	18 436	338 505
Guarantees	23 576	-	23 576
Other	272 868	9 926	282 794
Total collateral	**7 213 268**	**539 660**	**7 752 928**

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

Traded market risk management

Traded market risk description

Audited

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

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, arbitrage, underwriting and investments in the commodity, foreign exchange, equity, capital and money markets. The focus of these businesses is primarily on supporting client activity. Our philosophy is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded market risk governance structure

Audited

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A Global Market Risk Forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies.

Risk limits are reviewed and set at the Global Market Risk Forum and ratified at the ERRF. Limits are reviewed either annually, in the event of a significant market event (e.g. 11 September 2001), or at the discretion of senior management.

Management and measurement of traded market risk

Market risk management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk. These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Trading is also limited to the most liquid instruments and each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least "risky" instruments being assigned the largest limits.

The market risk teams perform a profit attribution, where our daily traded income is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR) and Expected Tail Loss (ETL). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored at the 95%, 99% and 100% (maximum loss) confidence intervals. ETLs are monitored at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following; 19 October 1987 (Black Monday) and 11 September 2001.

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.

VaR

Audited

	IBUK^ 95% (one-day) £'000	IBAL^ 99% (one-day) A$'000
31 March 2008		
Commodities	93	-
Equity derivatives	275	-
Foreign exchange	23	34
Interest rates	397	343
Consolidated*	**434**	**374**
High	951	374
Low	130	59
Average	385	178
31 March 2007		
Commodities	79	72
Equity derivatives	124	-
Foreign exchange	5	30
Interest rates	77	132
Consolidated*	**179**	**234**
High	539	500
Low	130	105
Average	238	279

* The consolidated VaR for each desk and each entity is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes.

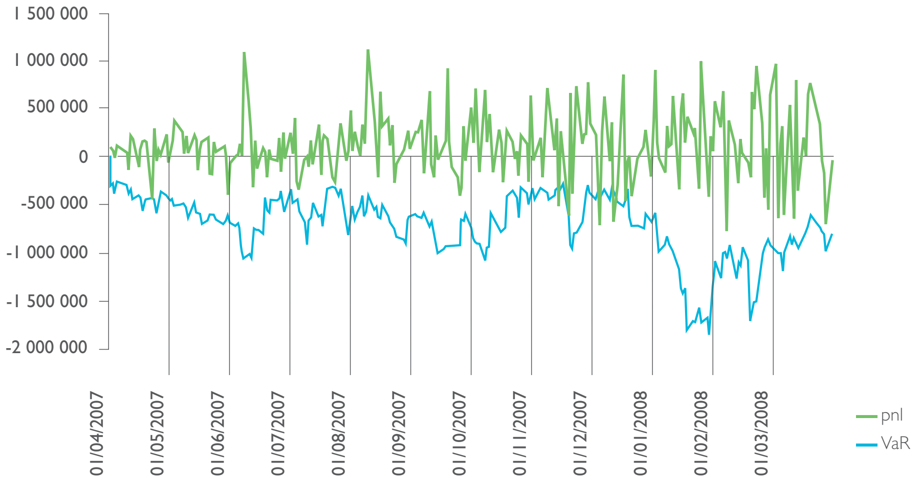
^ Where: IBUK is Investec Bank (UK) Limited and IBAL is Investec Bank (Australia) Limited

Risk management

The graphs below show total daily VaR and profit and loss figures (pnl) for our trading activities over the reporting period. The values are for the 99% one-day VaR i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

Investec Bank (UK) Limited

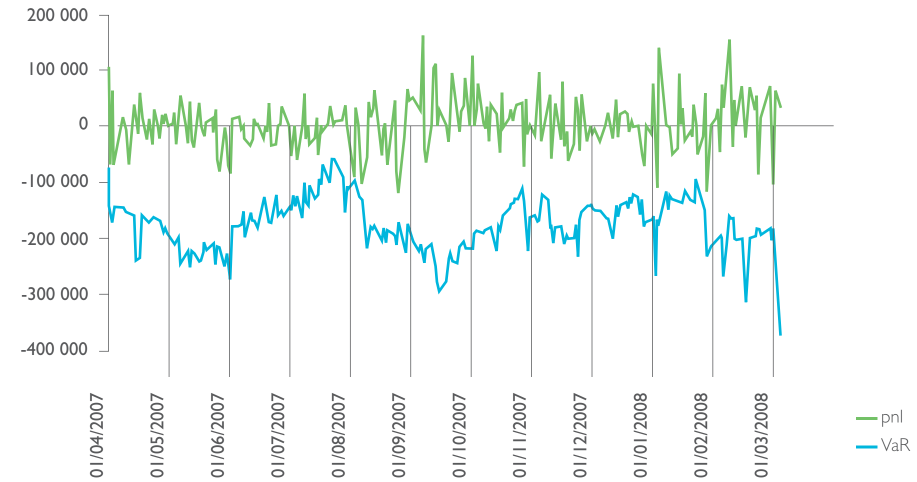
99% 1-day VaR backtesting (GBP)



There have been seven exceptions i.e. where the loss is greater than the VaR. This exceeds the expectations at the 99% level. All exceptions arose on the Fixed Income desk. These exceptions arose largely in November and December 2007, a particularly volatile period in the markets with extreme moves across most asset classes and in particular interest rates.

Investec Bank (Australia) Limited

99% 1-day VaR backtesting (A$)



There have been no exceptions over the past year. The model would expect around 2 to 3 exceptions per annum.

ETL

Audited	95% (one-day) £'000
31 March 2008	
Commodities	134
Equity derivatives	347
Foreign exchange	31
Interest rates	581
Consolidated*	**648**
31 March 2007	
Commodities	126
Equity derivatives	158
Foreign exchange	6
Interest rates	150
Consolidated*	**248**

* The consolidated ETL for each desk is lower than the sum of the individual ETLs. This arises from the correlation offset between various asset classes.

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions (15 standard deviations).

Audited	IBUK^ Using VaR £'000	IBAL^ Using VaR A$'000
31 March 2008		
Commodities	712	-
Equity derivatives	2 105	-
Foreign exchange	176	200
Interest rates	3 038	1 995
Consolidated	**6 031**	**2 195**
31 March 2007		
Commodities	602	420
Equity derivatives	946	-
Foreign exchange	37	175
Interest rates	587	767
Consolidated	**2 172**	**1 362**

^ Where: IBUK is Investec Bank (UK) Limited and IBAL is Investec Bank (Australia) Limited

Traded market risk mitigation

The Market Risk Management team is located outside the dealing room, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are compared daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals as well as "disaster" scenarios where the 15 standard deviation adverse market move is considered. Historical VaR is used (500 days of un-weighted data), where every "risk factor" is exposed to daily moves over the past year. With the equity markets for example, every share and index is considered independently as opposed to techniques where proxies are used.

Non-statistical limits include product limits, tenor, notional, liquidity, buckets and option sensitivities ("greeks"). When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three-month intervals out to two years and then, on a less granular basis, out to 30 years.

Traded market risk year in review

In the UK, the bank continues to build its customer base. The new structured equity desk has commenced trading and is expected to produce good income through its product suite and hedging strategies for clients. The fixed income desk, which makes markets in short Sterling, Euribor and Euro Dollar options and futures, ended the year marginally down on the back of difficult market conditions, especially in the second half of the year on the back of the sub-prime crisis and subsequent liquidity squeeze. The Irish equity trading businesses performed well.

Australia continues to grow although trading activity remains modest with the focus being mainly commodity hedging.

Market risk - derivatives

Audited

We enter various derivatives contracts, both as principal for trading purposes and as customer for hedging foreign exchange, commodity, equity and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.

Information showing our derivative portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 123.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure

Management believes that a centralised framework permits global identification and coordination of Balance Sheet risk. Asset and liability oversight is centralised within each geography, using regional expertise and local market access as appropriate. Regional Asset and Liability Management Committees (ALCOs) are mandated by their respective boards of directors and the group to manage the balance sheet risks on a consistent basis with pre-approved principles and policies. Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. The size, materiality, complexity, maturity and depth of the market as well as access to stable funds determine the risk appetite for the region. Each region further ensures that the liquidity management framework is compatible with local regulatory requirements. Group liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities. Branches and subsidiaries have no responsibility for contributing to group liquidity.

Risk management

We continue to improve risk measurement processes and methodologies in line with Basel II requirements. The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing independent governance and oversight of the Treasury activities (within the Capital Markets division) and the execution of our policy to management, ALCO, ERRF, BRCC and the board. In carrying out its duties the Balance Sheet Risk Management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues (including identification and testing of various company-specific and market-driven stress scenarios) through daily liquidity reporting and scenario analysis which quantify our positions. The governance framework adopted for the management of structural interest rate risk in the banking book mirrors that of liquidity risk. The risk is transferred to and managed within our Treasury operations.

Balance sheet risk mitigation

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

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

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

Non-trading interest rate risk description

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

Sources of banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, 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, which has a direct effect on future net interest income and the economic value of equity. The mix of interest rate repricing characteristics is influenced by the underlying financial needs of customers.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking and can be an important source of shareholder value. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally we are exposed to curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk.

Non-trading interest rate risk is measured and managed from an earnings perspective over a specified time horizon and economic value. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk management framework and risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap, net interest income sensitivity, economic value sensitivity and stress-testing to macroeconomic movement or changes, which provides senior management with an assessment of the financial impact of identified rate changes on potential future net interest income and economic value. This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk.

Risk management

Operationally, non-trading interest rate risk is transferred from the originating business to the Treasury function and aggregated or netted. The Treasury function implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk. Policy requires that interest rate risk arising from fixed interest loans is transferred from the originating business to Treasury by match-funding. In turn, Central Treasury hedges all fixed rate assets with a term of more than one year on a deal-by-deal basis to within 3-months repricing with the use of variable vs. fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury hedges all fixed rate deposits with a term of more than one year to within 3-months repricing. Limits exist to ensure there is no undesired risk retained within any business or product area. The process is supported by technical interest rate analysis and economic review of fundamental developments by geography taking global trends into account.

Treasury have a mandate to take advantage of opportunities which may arise during changing interest rate cycles, by tactically responding to market opportunities, within our statutory and surplus liquid assets portfolios. Although these portfolios also form part of the non-trading book, they are marked-to-market and are risk managed within predefined risk limits.

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs.

UK and Europe - interest rate sensitivity

£'million	Not > 3 months	>3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non rate	Total non-trading
Cash and short term funds - banks	1 353	14	-	-	-	3	1 370
Investment/trading assets	1 078	142	19	7	-	99	1 345
Securitised assets	86	35	134	174	-	-	429
Advances	3 594	1 153	113	664	87	4	5 615
Non-rate assets	-	-	-	-	-	533	533
Assets	**6 111**	**1 344**	**266**	**845**	**87**	**639**	**9 292**
Deposits - banks	(2 021)	(318)	(146)	(44)	-	-	(2 529)
Deposits - non-banks	(4 005)	(160)	(34)	(73)	(37)	-	(4 309)
Negotiable paper	(69)	(99)	(15)	(12)	-	-	(195)
Investment/trading liabilities	(148)	(5)	-	-	-	(42)	(195)
Securitised liabilities	(364)	-	-	-	-	-	(364)
Subordinated liabilities	-	(3)	(10)	(208)	(357)	(32)	(610)
Non-rate liabilities	-	-	-	-	-	(457)	(457)
Liabilities	**(6 607)**	**(585)**	**(205)**	**(337)**	**(394)**	**(531)**	**(8 659)**
Net interdivs and interco's	(84)	(66)	-	(3)	-	(12)	(165)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**(607)**	**(607)**
Balance sheet	**(580)**	**693**	**61**	**505**	**(307)**	**(511)**	**(139)**
Hedges	(210)	158	(18)	(259)	329	-	-
Repricing gap	**(790)**	**851**	**43**	**246**	**22**	**(511)**	**(139)**
Cumulative repricing gap	**(790)**	**61**	**104**	**350**	**372**	**(139)**	**-**

Australia - interest rate sensitivity

A$'million	Not > 3 months	>3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non rate	Total non-trading
Cash and short term funds - banks	263	15	-	-	-	-	278
Statutory liquids	623	-	-	-	-	-	623
Investment/trading assets	8	-	-	-	-	35	43
Securitised assets	803	-	-	-	-	-	803
Advances	1 579	53	11	144	17	-	1 804
Intergroup	-	-	-	-	-	82	82
Other assets	-	-	-	-	-	148	148
Assets	**3 276**	**68**	**11**	**144**	**17**	**265**	**3 781**
Deposits - banks	(108)	-	-	-	-	-	(108)
Deposits - non-banks	(941)	(172)	(29)	(39)	(8)	(8)	(1 197)
Negotiable paper	(795)	(43)	(1)	(28)	-	(4)	(871)
Securitised liabilities	(762)	-	-	-	-	(10)	(772)
Investment/trading liabilities	-	-	-	-	-	-	-
Subordinated liabilities	(79)	-	-	-	(21)	(1)	(101)
Other liabilities	-	-	-	-	-	(66)	(66)
Liabilities	**(2 685)**	**(215)**	**(30)**	**(67)**	**(29)**	**(89)**	**(3 115)**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**(666)**	**(666)**
Balance sheet	**591**	**(147)**	**(19)**	**77**	**(12)**	**(490)**	**-**
Hedges	113	8	(6)	(109)	(6)	-	-
Repricing gap	**704**	**(139)**	**(25)**	**(32)**	**(18)**	**(490)**	**-**
Cumulative repricing gap	**704**	**565**	**540**	**508**	**490**	**-**	**-**

Economic value sensitivity

As discussed above our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates i.e. the numbers represent the change in our net asset value should such a scenario arise.

UK and Europe

'million	GBP	USD	EUR	Other (GBP)	AUD	All (GBP)
200bp Down	4.3	3.2	3.2	0.8	0.1	9.3
200bp Up	(4.3)	(3.2)	(3.2)	(0.8)	(0.1)	(9.3)

Australia

'million	AUD
200bp Down	(3.3)
200bp Up	3.3

Risk management

Liquidity risk description

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

Risk management has become more sophisticated with liquidity risk being no exception and we consider both funding liquidity risk and market liquidity risk.

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

Management and measurement of liquidity risk

Liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. To accomplish this, management uses a variety of liquidity risk measures that consider market conditions, prevailing interest rates, liquidity needs and the desired maturity profile of liabilities. These metrics are used to measure and manage the proportion of our external assets which are funded by customer liabilities, wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits.

We are an active participant in the global financial markets. We have instituted various offshore syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. These markets serve as a cost-effective source of funds and are a valuable component of our overall liquidity management. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

We place great value on the establishment of strong relationships with all our investors and we maintain an active presence in the money markets in each region within which we operate. We benefit from stable wholesale liability balances through the normal course of business. These liability balances are a consistent source of funding due to the nature of the businesses from which they are generated.

We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This demonstrates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source.

We acknowledge the importance of our private clients as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of our Private Bank clients. Although the contractual repayments of many customer accounts are on demand or at short notice, expected cash flows vary significantly from contractual maturity. For this reason, behavioural profiling is applied to liabilities with an indeterminable maturity. This process is used to identify sources of structural liquidity in the form of core deposits that exhibit stable behaviour. Our Private Bank continued to successfully raise private client deposits through a period of strong asset growth.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures in connection with the sale of certain mortgages. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of liquidity.

We maintain a liquidity buffer in the form of unencumbered cash, high quality liquid assets and near cash in excess of the statutory requirements as protection against unexpected disruptions in cash flows. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch. From October 2007 to 31 March 2008 average cash and near cash balances over the period amounted to £2.2 billion in UK and Europe and A$0.9 million in Australia.

A key component of our liquidity management framework is assumptions-based planning and scenario modelling to estimate the funding requirement to meet expected growth. Anticipated on- and off-balance sheet cash flows are subjected to a variety of scenarios in order to evaluate the impact of both likely outcomes and unlikely but plausible events on liquidity positions. Scenarios and liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under both normal and stressed conditions. Operationally the preparation of cash flow projections (for assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch are translated into short- and long-term funding strategies within each major legal entity and globally. This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that, in the event of either a firm-specific or general market event, we are able to generate sufficient liquidity to withstand short term liquidity stress.

We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

We maintain liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the FSA and APRA.

Liquidity mismatch

The tables that follow show our liquidity mismatch across our core geographies.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.
- As an integral part of the broader liquidity generation strategy (as mentioned above), we maintain a liquidity buffer in the form of unencumbered cash, high quality liquid assets and near cash as a buffer against both expected and unexpected cash flows. As the actual contractual profile of this asset class is of little consequence, we have:
  - Set the time horizon to one month to monetise our cash and near cash portfolio of "available for sale"discretionary treasury assets, where there are deep secondary markets for this elective asset class.
  - Set the time horizon to "on demand" to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank.
  - Reported the "contractual" profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

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

UK and Europe

Contractual liquidity

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short term funds - banks	1 329	97	2	16	-	1	-	1 445
Cash and short term funds - non-banks	-	-	1	1	5	-	-	7
Investment/trading assets*	837	809	68	17	44	58	157	1 990
Securitised assets	16	-	-	-	-	1	412	429
Advances**	326	345	562	626	489	2 237	1 030	5 615
Non-rate assets	145	204	7	28	15	5	203	607
Assets	**2 653**	**1 455**	**640**	**688**	**553**	**2 302**	**1 802**	**10 093**
Deposits - banks	(283)	(304)	(89)	(585)	(311)	(1 037)	(13)	(2 622)
Deposits - non-banks	(1 171)	(510)	(2 004)	(382)	(166)	(191)	(18)	(4 442)
Negotiable paper	(1)	(13)	(55)	(99)	(15)	(12)	-	(195)
Securitised liabilities	-	-	-	-	-	-	(337)	(337)
Investment/trading liabilities	(477)	(41)	(121)	(5)	(6)	(5)	(2)	(657)
Subordinated liabilities	-	-	-	-	(9)	(197)	(404)	(610)
Non-rate liabilities	(166)	(161)	(26)	(21)	(60)	(4)	(28)	(466)
Liabilities	**(2 098)**	**(1 029)**	**(2 295)**	**(1 092)**	**(567)**	**(1 446)**	**(802)**	**(9 329)**
Net interdivs and interco's	(159)	(20)	-	-	-	30	-	(149)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**(615)**	**(615)**
Balance sheet	**396**	**406**	**(1 655)**	**(404)**	**(14)**	**886**	**385**	**-**
Liquidity gap	**396**	**406**	**(1 655)**	**(404)**	**(14)**	**886**	**385**	**-**
Cumulative liquidity gap	**396**	**802**	**(853)**	**(1 257)**	**(1 271)**	**(385)**	**-**	**-**

Note: contractual liquidity adjustments (as discussed on page 54)

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
* Investment/trading assets	-	-	145	107	43	270	-	565
** Advances	-	-	-	-	-	181	-	181

Behavioural liquidity (as discussed on page 54)

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	**814**	**406**	**(1 875)**	**(404)**	**(14)**	**688**	**385**	**-**
Cumulative	814	1 220	(655)	(1 059)	(1 073)	(385)	-	-

Australia

Contractual liquidity

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short term funds - banks	258	3	-	15	-	-	1	277
Statutory liquids	623	-	-	-	-	-	-	623
Investment/trading assets	3	4	4	16	68	114	30	239
Securitised assets	122	12	38	42	83	491	16	804
Advances	11	72	127	155	319	976	143	1 803
Other assets	-	-	16	-	-	-	131	147
Assets	**1 017**	**91**	**185**	**228**	**470**	**1 581**	**321**	**3 893**
Deposits - banks	-	-	-	-	(108)	-	-	(108)
Deposits - non-banks	(315)	(409)	(283)	(77)	(30)	(72)	(10)	(1 196)
Negotiable paper	-	(206)	(85)	(140)	(77)	(361)	(2)	(871)
Securitised liabilities	11	(102)	(42)	(43)	(217)	(365)	(14)	(772)
Investment/trading liabilities	(6)	(8)	(5)	(16)	(41)	(37)	-	(113)
Subordinated liabilities	-	-	-	-	-	-	(101)	(101)
Other liabilities	-	-	-	(66)	-	-	-	(66)
Liabilities	**(310)**	**(725)**	**(415)**	**(342)**	**(473)**	**(835)**	**(127)**	**(3 227)**
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**(666)**	**-**	**(666)**
Balance sheet	**707**	**(634)**	**(230)**	**(114)**	**(3)**	**80**	**194**	**-**
Liquidity gap	**707**	**(634)**	**(230)**	**(114)**	**(3)**	**80**	**194**	**-**
Cumulative liquidity gap	**707**	**73**	**(157)**	**(271)**	**(274)**	**(194)**	**-**	

Note: contractual liquidity adjustments (as discussed on page 54)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
* Statutory liquids	-	20	524	79	-	-	-	623

Behavioural liquidity (as discussed on page 54)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	**616**	**(213)**	**(333)**	**(401)**	**(235)**	**372**	**194**	**-**
Cumulative	616	403	70	(331)	(566)	(194)	-	-

Balance sheet risk year in review

The financial year exhibited two extremes globally. The beginning of the year started with continued spread compression in credit markets to historically tight levels. Asset growth was strong and all forms of funding were freely available. There was extremely active uptake in capital markets for Financial Institution paper. July saw the beginning of the dramatic unwinding of the excessive levels of gearing that characterised the last five years of activity in international financial markets.

In the UK, Interbank lending ceased, overnight rates rose dramatically over official rates and secured lending through non-gilt repo markets ended. All capital markets activities came to a halt. Banks that had underwritten leveraged buy-out debt could not sell down, forcing them to fund on-balance sheet. Off-balance sheet conduits were unable to roll maturing commercial paper funding, forcing distressed selling of assets and draw-down of bank lines. In this environment, banks in general were unable to issue paper in the capital markets. In addition, funding through securitisation all but dried up. Although financial markets continue to deteriorate in certain respects, some stability has returned to the interbank market; deposits have rolled over showing evidence of a certain measure of calm having returned to the market.

The credit markets dislocation has seen a fundamental change to issuance in the domestic Australian debt capital markets. This has most directly affected structured investment vehicles relying on asset backed commercial paper and term debt securities funding. The domestic major banks have successfully undertaken senior debt issues, albeit at dramatically wider credit spreads. Investec Bank (Australia) Limited (IBAL) has continued to maintain a strong liquidity position, with consistent funding flow from wholesale relationships particularly in the "middle market" client base. IBAL's Private Bank has been a beneficiary of the current environment with a significant inflow of funds from private clients over this period.

Markets remain challenging and it is anticipated that these conditions will remain in force at least until the end of 2008.

We 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. Decisions concerning timing of issuance and the tenor of liabilities are based upon relative costs, general market conditions, prospective views of organic balance sheet growth and a targeted liquidity profile.

- Investec Bank (UK) Limited:
  - A €240 million 3-year Schuldschein issue was completed in October 2007 at LIBOR + 0.25% and a market related upfront arrangement fee.
  - During the period of market dislocation we successfully arranged substantial bi-lateral facilities through long-standing historical relationships maintained with other banks.
  - In addition we were able to arrange a one year syndicated loan in an amount of €300 million, to start in April 2008 at the lower end of market terms.
- Investec Bank (Australia) Limited:
  - A new Debt Issuance Programme was established with a programme capacity of A$2.5 billion. An inaugural debt issuance by IBAL of A$250 million of floating rate medium term notes comprising A$100m of 3 year MTNs at BBSW + 0.35% and A$150m of 5year MTNs at BBSW +0.45% was successfully completed in June, prior to the dislocation in credit markets.

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 through the BRCC and Audit Committees approve, monitor and review the operational risk framework, policies and practices of the group.

Risk management

Group Operational Risk Management

An independent specialist Group Operational Risk Management function promotes consistent and sound operational risk management practices and processes across the group to meet regulatory and stakeholder expectations in managing the group's operational risk.

Group Operational Risk Management monitors and reports on enterprise wide risk programmes including Business Continuity Risk, Change Control Risk, Information Security Risk, Operational Risk, Technology Risk and Fraud Risk. The operational risk committee and working groups monitor the effectiveness of the operational risk management framework and develop and implement practices supporting operational risk policies and practices.

Business unit senior management

Business unit senior management is responsible for the implementation of the operational risk management framework, policies and practices, as well as for the management of the operational risk within their business units through a network of embedded risk managers.

Operational risk management framework

We have implemented an operational risk management framework as well as policies and practices, and a technology system to provide a comprehensive means of identifying, assessing and mitigating operational risk management throughout the group.

The framework sets out a structured and consistent approach for implementing a systematic, effective and efficient process to manage operational risk across the group. Internal Audit conducts reviews of the operational risk management framework as well as business unit implementation.

- **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.

  The risk assessment framework deals with key operational risks such as people, process and technology risks.
  - People risks considered include recruitment, remuneration, employment practices, training and competence, legal compliance and behavioural expectations.
  - Process risk factors considered include the origination, execution and operation of processes.
  - We use the CoBit standards to assess our Information Technology environment risks.

  These risk assessments and resulting treatments are conducted according to our Operational Risk methodology.

  The assessment of risks and controls is conducted at business unit level and is subject to treatment and escalation in terms of our operational risk appetite policy, which sets out the operational risk exposure that we are willing to accept or retain.

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

- **Operational risk events**
  We respond to internal risk events with appropriate analysis and actions to mitigate and minimise losses and improve controls. Processes are in place for the monitoring and escalation of recorded events, which are in line with the risk appetite policy. The recording and analysis of external events that occur in institutions similar to the group allow for enhancement or improvements to the control environment through the lessons learnt by these events in the same manner as internal events.

- **Operational risk indicators**
  We track indicators to monitor the operational risk exposures and to highlight potential issues.

- **Reporting**
  Reports to senior management and the Board include operational risk exposures as well as risk events. Group Operational Risk reports to the board, BRCC, Audit Committee and Operations Integration Forum on a regular basis. These reports are based on monitoring performed by Group Operational Risk Management and input received from the business units.

Other key operational risks

Business continuity risk

Business continuity encompasses the planning, design, operation and management of business processes and technologies to minimise the disruption caused in the event of a disaster (or business interruption). Senior management is responsible for maintaining a crisis management as well as a business continuity capability for each of our geographical locations. A network of business continuity coordinators has responsibility for embedding our business continuity capability. This capability is subject to independent monitoring, review and assessment by both Group Operational Risk Management and Internal Audit. The effectiveness of the business continuity line is tested on a regular basis.

Business continuity risk practices continue to mature throughout the group. Attention to continuous improvement of our operational resilience allowed us to respond effectively to incidents without disruption to the business. We also focused on heightening the general awareness of business continuity amongst all staff.

Information security risk

Our information security process is based on the international standard ISO 17799, which promotes common processes and standards across all business units and country operations. Information security risk is assessed as part of the risk assessment framework. Information security is overseen by our Group Information Security Officer.

During the year, information security risk practices focused on mitigating the constant threat of attack on our information systems, and were able to thwart all known attempts to disrupt business.

Technology and IT change management

Change management includes all system changes to live and business continuity environments. Changes follow approval and adequate testing before implementation. A consistent process, in terms of group policy, is followed to ensure a smooth transition during implementation and to minimise business disruption resulting from the changes. The change management process is implemented and managed at business unit level in accordance with global policy.

Financial crime

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

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

In order to assess client quality, regular reviews of the client database are conducted with comparisons to an international database of "undesirable persons".

Suspicious and unusual transactions are monitored, assessed, investigated and reported as required by legislation in the jurisdictions in which we operate. A number of reports were made during the year.

The Group Information Officer deals with all requests for information received from regulatory and investigatory agencies and emerging trends in financial crime through these requests are monitored.

Financial crime remains a concern. During the year, various internal and external incidents were identified, investigated and reported, in order to minimise losses and recover assets and to report suspicious transactions to the relevant authorities. Initiatives to improve awareness and internal processes were undertaken.

Outsourcing

Operational Risk Management personnel review existing and proposed outsourcing arrangements to ensure that we adopt a consistent approach to mitigating the attendant risks, and comply with any related regulatory requirements.

The policy on outsourcing has been reviewed during the current financial year in order to incorporate recent changes in best practice and to address regulatory requirements.

Insurance

We maintain adequate insurance to cover key insurable risks. Our insurance process and requirements are managed by the Group Insurance Manager.

Developments

As part of our Basel II programme, approval, where required, was obtained from regulators for the implementation of the Standardised Approach. The process included engagements with regulators and assessments of our operational risk practices against the regulations to ensure compliance with the requirements.

Operational risk management practices continue to be addressed and reported.

Our processes provide for continuous development and monitoring to ensure that our framework and practices are appropriate, adequate, in line with regulatory requirements and sufficiently embedded in our business. We continue to develop and enhance our framework, policies and practices in line with developing practice and regulations.

Industry developments are monitored through active participation in industry forums.

We are evaluating measurement approaches in order to enhance the management of operational risk.

Reputational and strategic risk

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

One of the largest single potential causes of reputational risk is strategic risk. Strategic risk is the risk of unexpected losses arising as a result of incorrect decisions taken by senior management or an internal event having an adverse effect on the perception of Investec by its clients and customers.

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

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

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

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes the following areas:
- Relationship contracts.
- Legislation/governance.
- Litigation.
- Corporate events.
- Incident or crisis management.
- Ongoing quality control.

The legal risk policy is implemented through:
- Identification and ongoing review of areas where legal risk is found to be present.
- Allocation of responsibility for the development of procedures for management and mitigation of these risks.
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction.
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no "gaps" in the risk management process.

- Establishing of minimum standards for mitigating and controlling each risk, including the nature and extent of work to be undertaken by our internal and external legal resources.
- Establishing of procedures to monitor compliance, taking into account the required minimum standards.
- Establishing of legal risk forums, bringing together the various legal risk managers, to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the Global Head of Legal Risk. The Global Head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

A Legal Risk Forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the Global Head of Legal Risk or an appointed deputy. Minutes of the meetings are circulated to the Chief Executive Officer of each legal entity.

Pension risk

Pension risk arises from defined benefit schemes, where Investec is expected to provide funds to reduce any deficit in the schemes. There are two defined benefit schemes within Investec and both are closed to new business. Pension risk could arise if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments. Primary causes of any deficit include:
- A mismatch in the duration of the assets relative to the liabilities.
- Market-driven asset price volatility.
- Increased life expectancy of individuals leading to increased liabilities.

Investec monitors the position of the funds closely, assessing potential adverse movements in the schemes and ensuring that the risk to our capital does not exceed board approved levels. Further information is provided on pages 133 to 135.

Capital management and allocation

Our capital management approach is driven by our strategy and associated risk appetite, taking into account the regulatory and economic environment applicable to the group. We seek to balance our capital consumption to ensure that we are prudently capitalised to meet our risks, but are also able to optimise shareholder returns. Discipline in selection of markets, deals and investments are key to the processes by which we operate to ensure that returns are commensurate with the risk taken.

Our approach to capital is tied to a group-wide discipline that links capital allocation and structuring, performance measurement, investment decisions, risk management and capital-based incentive compensation into one integrated framework.

Capital is managed on both a regulatory and an internal (economic) capital basis.

Philosophy and approach

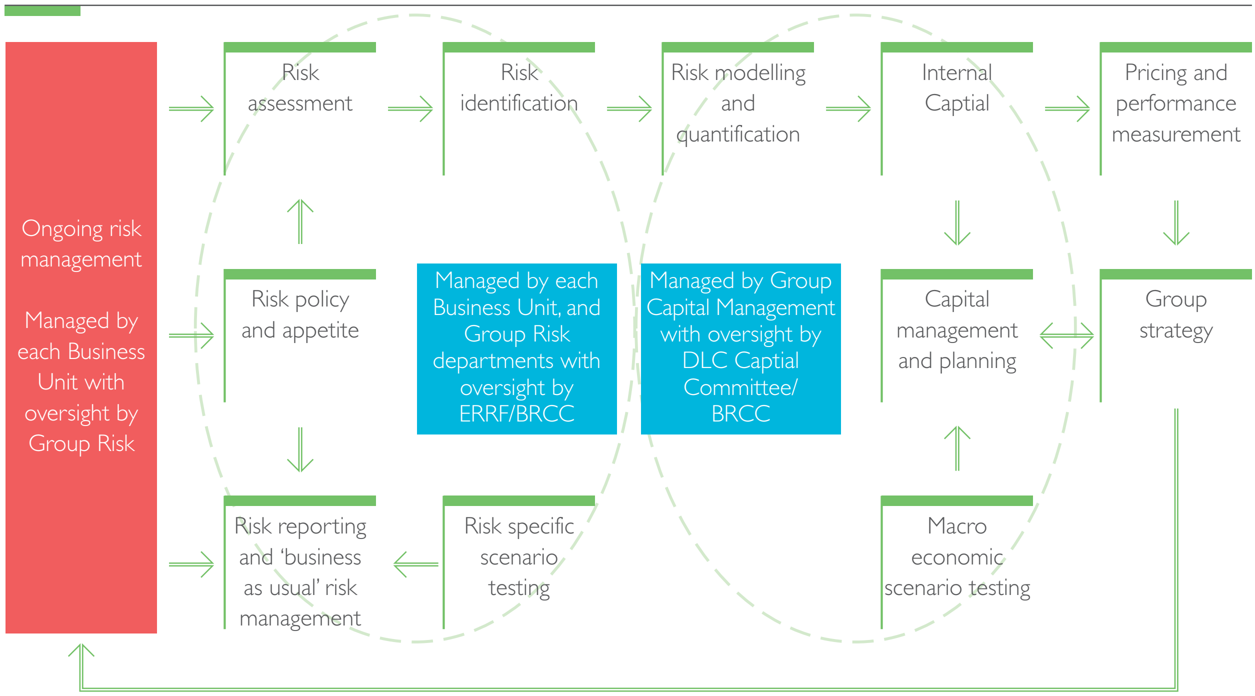
The Investec group comprises Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries). The DLC structure considers the two groups as independent entities from a credit perspective and hence capital is managed on a separate basis. The BRCC (via the Investec DLC Capital Committee) is a board sub-committee with ultimate responsibility for the capital sufficiency for both Investec plc and Investec Limited.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single unified enterprise. Investec Bank (UK) Limited is regulated by the UK FSA.

Consequently, the management of capital is undertaken on a "silo" basis at the lowest level but considered in aggregate from a group perspective. Regardless of the statutory entity, the objectives of capital management are to:
- Support a target level of financial strength aligned with a long-term rating of at least "A";
- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group;
- Maintain sufficient capital to meet regulatory requirements;
- Support our growth strategy;
- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite;
- Provide protection to depositors against losses arising from risks inherent in the business;
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions and support growth in assets.

Risk management

In order to achieve these objectives, we have adopted the following approach to the integration of risk and capital management:



Risk assessment and identification

We review the business annually to map our universe of key risks, which are ultimately reviewed and agreed by BRCC. This is a bottom up process initially performed by each business unit across the group. Key risks are then debated and agreed at senior management level and ultimately by BRCC. The assessment of the materiality of risks is directly linked to the board's stated risk appetite and approved risk management policies covering all key risks.

Risk reporting

Ongoing, identified key risks are monitored by Group Risk Management and by Internal Audit to ensure that risks are managed to an acceptable level of risk. Performance and control of these risks is also reported to ERRF and BRCC on a weekly and monthly basis respectively, including the results of scenario testing for the following risks:

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

Risk modelling and quantification

Each identified risk is considered in the context of our internal capital model, however, we believe in a holistic approach to the management of risk and as such, capital forms only one of the methods at our disposal for ensuring that the risk is adequately managed. In addition, we have extensive embedded risk management policies and appetites as well as robust processes that consider the risk attached to each transaction at an incremental and portfolio wide level. Only those risks which are not mitigated entirely by the use of policy are considered in terms of capital requirements. The potential impact of risk on our capital adequacy is considered on an annual basis.

Internal capital

On 1 January 2008, we began operating under the Basel II regulatory regime across all of its regulated entities. We have adopted the Standardised Approach under "Pillar 1" to determining our minimum capital requirements.

While capital requirements under "Pillar 1" form the minimum capital for Investec Bank (UK) Limited and its various regulated subsidiaries, our capital management framework places emphasis on the determination of internal capital. Internal capital is derived through analysis of the potential magnitude of key risks. Internal capital requirements are supported by an annual, board approved, risk assessment across the group.

Based on our internal capital, we target a capital adequacy ratio of 12% to 15% and a Tier 1 ratio of greater than 9% on a consolidated basis.

The principles of internal capital have been in place within Investec for a number of years, however, given the greater flexibility allowed under Basel II, the use of internal capital has been enhanced since the adoption of Basel II. The internal capital model will incorporate the transition to more sophisticated models for the measurement of risk over time, with the eventual regulatory approval of a move to more advanced approaches to Pillar 1. Irrespective of their regulatory status, however, internal models will form the basis of internal capital targets.

Capital management, planning and scenario testing

A group capital plan is prepared three times annually considering the impact of business strategy and market conditions on our capital sufficiency. This plan is designed to determine capital sufficiency under a range of economic and internal conditions for the medium term (3 years). The impact on both earnings and asset growth are considered. The plan provides the board (via the BRCC) with a basis for which to align strategy given constraints on capital where these exist. This plan is revised based on actual results and presented to the BRCC twice annually.

Each capital plan assesses the impact on our capital adequacy of a range of scenarios based on an expected case and an upturn and downturn scenarios, designed to provide an illustration of capital sufficiency under stressed market conditions. On the basis of the results of this analysis, the DLC Capital Committee and the BRCC are presented with the potential variability in capital adequacy and are responsible for consideration of the appropriate response.

Pricing and performance measurement

We use our internal capital as the basis to determine risk sensitive capital on a transactional basis. As such, internal capital forms a number of roles within the business, including;

- An input to risk sensitive economic pricing;
- A basis of comparison for risk adjusted returns across the group; and
- A basis for the determination of Economic Value Added at a transactional level, and hence the basis for discretionary variable remuneration.

The use of internal capital in this way means that all transactions we conduct are considered in the context of the implication on capital, and hence on the basis of their contribution to risk adjusted return on capital. This is to ensure that target returns are earned with sufficient consideration as to the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

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

Responsibility for the risk and capital management process

The boards of directors are ultimately responsible for capital management. At the highest level, the boards have delegated direct responsibility for capital management to the BRCC, and in turn the Capital Committee, to oversee the effective control and use of capital. These forums have been in place for several years and their roles and responsibilities are discussed in the Investec group's 2008 annual report.

In order to feed into this forum, Investec convenes a separate capital committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted Capital Management Committee also exists in Australia. This structure ensures that capital is actively managed from the lowest reporting level and cascades up to the ultimate responsible body - the BRCC.

Organisational structure

The following areas within the structure of the business have capital management responsibilities:

- Business units, especially those which conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Capital Markets):
  - The transactional consultants within the business units consider the capital implications on a deal-by-deal basis as this ultimately affects the internal capital used and, hence, the pricing and profitability of the transaction,
  - Each business unit is responsible for translating their detailed individual strategies into a 'bottom-up" capital usage projection for incorporation into the group capital plan.
- Risk Management:
  - For transactions based on an establishment of credit risk, the capital implications of transactions are considered independently through the approval process to ensure that each transaction is accurate and reasonable. This serves as an additional verification of the capital implication of the particular transaction,
  - For exposures which generate market risk, the market risk management team performs the quantification of trading capital used by the trading activities throughout the group. This is tested for reasonableness at the various capital management forums explained above,
  - As part of operational risk management, a process managed by centralised operational risk management and embedded risk managers within each business unit identifies, assesses and quantifies key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used within the internal capital framework,
  - Underpinning all risk management functions is their IT support division, which ensures that all applications used to calculate and report risk are functioning properly and reconcile to underlying source systems.
- Group Finance:
  - Financial control, through the capital management function, includes responsibility for the development and implementation of the internal capital framework and to manage and report on regulatory capital requirements. The development of the internal capital framework includes the result of analysis performed by Risk Management,
  - Group Finance is also responsible for co-ordinating, with business units, the development of the Groups capital plan,
  - As part of the responsibility for the internal capital framework, the allocation of capital is managed centrally by Group Finance,
  - As with Risk Management, the Group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes.
- Board and Group Executive:
  - The BRCC has ultimate responsibility for the oversight of day to day risk management, capital management and ensuring that both risk and capital are managed commensurate with our strategy and risk appetite.
  - The BRCC has delegated management of capital to the DLC Capital Committee and risk management to ERRF.

Conclusion

We optimise the use of capital through a rigorous risk based approach to pricing, performance and remuneration. Capital is managed closely for return and risk from the inception of a transaction. This approach ensures that the linkage of risk to target capital sufficiency is entrenched in our transactional processes.

This results in a capital management process driven by capital adequacy goals which are closely monitored by strategic capital plans. These strategic capital plans, as with all elements of internal capital, are subject to a robust approval process involving senior business unit managers, Group Executive and the board.

Capital disclosures in terms of Basel II

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

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 136 and 137.

As at 31 March 2008 £'000	
Regulatory capital	
Tier 1	
Share capital	555 000
Share premium	37 365
Retained income	275 235
Other reserves	26 584
Less: impairments (goodwill and other deductions)	(103 686)
	790 498
Tier 2	
Aggregate amount	602 302
Less: deductions	(29 096)
	573 206
Tier 3	
Aggregate amount	18 087
Other deductions from Tier 1 and Tier 2	**(115 770)**
Total eligible capital	**1 266 021**

Capital requirements

As at 31 March 2008 £'000	Capital requirements	Risk-weighted assets
Credit risk - FSA prescribed standardised exposure classes	573 933	7 174 163
- Corporates	262 416	3 280 199
- Secured on real estate property	169 140	2 114 250
- Counterparty risk on trading positions	40 299	503 738
- Short term claims on institutions and corporates	19 773	247 163
- Retail	28 388	354 850
- Institutions	22 304	278 800
- Other exposure classes	31 613	395 163
Equity risk - standardised approach	11 038	137 975
Market risk	29 717	371 463
Capital requirements for portfolios subject to internal models approach		
- Interest rate	20 380	254 749
- Foreign exchange	1 041	13 013
- Commodities	2 657	33 213
- Equities	5 639	70 488
Operational risk - standardised approach	80 308	1 003 850
Total	**694 996**	**8 687 451**

Capital adequacy

At 31 March 2008	IBUK* £'000	IBAL* A$'000
Primary capital (Tier 1)	894 184	637 041
Other capital (Tier 2 and 3)	620 389	117 865
	1 514 573	754 906
Less: impairments	(248 552)	(212 593)
Net qualifying capital	**1 266 021**	**542 313**
Risk-weighted assets (banking and trading)	**8 687 451**	**2 933 333**
Capital adequacy ratio	**14.6%**	**18.5%**
Tier 1 ratio	9.1%	15.3%
Capital adequacy ratio - pre operational risk	**16.5%**	**20.6%**
Tier 1 ratio - pre operational risk	10.3%	17.1%

* Where: IBUK is Investec Bank (UK) Limited; IBAL is Investec Bank (Australia) Limited.

Basel I vs Basel II

The most material difference in calculating our minimum capital requirements under Basel II vs Basel I regimes arises from capital to be held with respect to operational risk. There are a number of other adjustments which result in higher or lower adjustments to capital, but these are relatively immaterial in nature and substantially net off against one another. However, under the principles of Basel II, Pillar 2, a significant difference between the two regimes has been introduced. Pillar 2 has led to the introduction and use of the Internal Capital framework. The Internal Capital framework (as discussed in the capital management section) seeks to utilise the identification and quantification of all key risks (as described in this section) to internally derive capital requirements across the group. This has led to a regime where capital is increasingly allocated on a risk basis rather than utilising regulatory capital as a proxy for risk.

Internal Audit

Internal Audit provides objective and independent assurance to management and the board that group processes are adequate for identifying the significant risks to which we are exposed and that the control environment is effective enough to manage these risks. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

An Internal Audit charter, approved by the Group Audit Committees and reviewed annually, governs our internal audit activity. The charter defines the role, objectives, authority and responsibilities of the function.

Further details on the internal audit function can be found in the Investec group's 2008 annual report.

Compliance

Compliance risk is the risk that we fail to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to our businesses. We seek to bring the highest standard of compliance best practice to all our jurisdictions. In keeping with our core values, we also endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust.

Further details on the compliance function can be found in the Investec group's 2008 annual report.

UK and Europe - year in review

Regulatory activity continued to be focused on the implementation of various European directives and initiatives of the UK's FSA.

These included:
- More principles based regulation.
- Markets in Financial Instruments Directive (MiFID).
- Treating Customers Fairly (TCF).
- Management and control of inside information.
- Anti-money laundering (AML) and financial crime.
- Capital Requirements Directive (CRD).

More principles based regulation

We continue to monitor the FSA's Better Regulation Action Plan, which aims to improve future regulation in the UK. This plan is underpinned by the FSA's objective to become a more principles based regulator by moving the balance of financial services regulation towards high-level principles rather than detailed rules and guidance. Our Compliance function is closely involved with the development of more principles based regulation. The business has dealt effectively with practical issues arising out of the principles based initiatives to date. These include TCF, the deletion of the Money Laundering sourcebook in favour of high level principles and proposals to delete the Training and Competence sourcebook.

MiFID

MiFID came into force across Europe on 1 November 2007 and aims to create a single set of rules for certain investment services and activities for a defined list of financial instruments (MiFID business). Where firms carry on MiFID business, a number of new requirements have come into force in relation to matters such as conflicts of interest, outsourcing, client categorisation, inducements, best execution and transaction reporting. We ran a cross-divisional project to implement MiFID across our European jurisdictions.

TCF

At the forefront of the more principles based regulation agenda has been an initiative to ensure that the principle of TCF is embedded in an organisation's culture. In addition, the FSA requires organisations to have practical arrangements in place that measure and demonstrate that customers are consistently being treated fairly. Principle 6 states that "A firm must pay due regard to the interests of its customers and treat them fairly". The FSA's approach is focused on the culture that an organisation has and, for us, the TCF agenda is closely aligned to our core values.

We have met the March 2008 deadline which required authorised firms to have management information in place to test whether they are delivering against the TCF consumer outcomes. The next step is to ensure that by the end of December 2008 we are able to prove that this management information demonstrates that we are consistently treating customers fairly.

Compliance

Management and control of inside information

Since 2005 one of the FSA's key objectives has been the prevention and combating of what they call "institutional market abuse", i.e. the exploitation of information that financial institutions legitimately receive for illegitimate purposes. In mid-2007 the FSA published a document outlining good practice guidelines in relation to the management and control of inside information which it expected financial institutions to adopt. We subsequently conducted a group-wide review of our flows of inside information and the controls we have to manage them. Our work included enhancing policies and procedures and an extensive training and awareness programme for employees.

AML and financial crime

There has been considerable focus on implementing new directive and legislative requirements related to anti-money laundering and financial crime across the European businesses. On 15 December 2007 the UK adopted the 3rd EU Money Laundering Directive through the implementation of the Money Laundering Regulations 2007. The UK bank's policies and procedures have been reviewed for compliance with the new regulations. On the same date the EU Wire Transfer Directive came into force requiring originator names, address details and account numbers to be quoted on incoming and outgoing payments. We have implemented procedures to ensure compliance with this directive.

On 15 December 2007 Guernsey introduced the amended Criminal Justice Regulations and Money Laundering handbook. On 4 February 2008 Jersey introduced the new Money Laundering Order 2008 and a new Money Laundering Handbook and on 19 February 2008 they also introduced new Proceeds of Crime Regulations.

Australia - year in review

The main areas of regulatory focus were:

Anti-Money Laundering/Counter Terrorism Financing Act 2006 (AML/CTF Act)

This year has seen the continued roll out of anti-money laundering/counter terrorism financing procedures as a number of AML obligations came into effect on 12 December 2007.

The AML/CTF Act, which is being implemented in stages, includes obligations such as customer identification and verification, record-keeping and the establishment and maintenance of an AML/CTF programme. Part A of the programme outlines the framework which we use to identify, mitigate and manage the risks which we may reasonably face should the provision of our products and services, whether inadvertently or otherwise, involve or facilitate money laundering or financing of terrorism.

Part B, encompasses our ongoing customer due diligence procedures and takes into account the risk profiles and types of clients we deal with.

Licensing

Various Investec Australian Financial Services Licenses have been amended to reflect recent changes in our activities.

Basel II capital requirements

The new Basel Accord was implemented and came into effect on 1 January 2008. As discussed in the various risk sections we have implemented these requirements across the group.

Credit ratings

In general, we were assigned strong ratings for credit quality, capacity for timely repayment and financial strength. In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank (UK) Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding company, namely, Investec plc.

Ratings for Investec plc

Moody's

Short-term deposit rating	Prime-2
Long-term deposit rating	Baa2 (negative outlook)

Ratings for Investec Bank (UK) Limited - a subsidiary of Investec plc

Fitch

Individual rating	B/C
Support rating	5
Foreign currency short-term rating	F2
Foreign currency long-term rating	BBB+

Global Credit Rating Co.

Short-term rating	A2
Long-term rating	A-

Moody's

Financial strength rating	C-
Short-term deposit rating	Prime-2
Long-term deposit rating	Baa1 (negative outlook)

Ratings for Investec Bank (Australia) Limited - a subsidiary of Investec Bank (UK) Limited

Moody's

Financial strength rating	C-
Short-term deposit rating	Prime-1
Long-term deposit rating	A3

Fitch

Individual rating	C
Support rating	2
Foreign currency short-term rating	F2
Foreign currency long-term rating	BBB

Corporate governance

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2008 annual report.

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

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

All international business units operate in accordance with the corporate governance recommendations of their jurisdictions, but with clear reference at all times to group values and culture.

Board statement

The board is of the opinion that Investec has complied with the Principles of Good Governance and Code of Best Practice contained in section 1 of the London Combined Code (2006) during the period under review, except as outlined below.

London Combined Code A.3.1. - Independence of the Chairman

The Chairman, Hugh Herman, is not considered to be independent. At the time of his appointment, his duties included promoting the group and introducing clients but excluded day-to-day executive decisions. His role was full time and he sat on certain management forums. He was also included in various management incentive and share ownership schemes. For these reasons, he is not considered by the board to be independent in accordance with the London Combined Code. However, since 2005 Hugh has distanced himself from executive responsibilities.

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec Bank (UK) Limited financial statements, accounting policies and the information contained in the annual report.

Our financial statements were prepared on a going concern basis.

The board is of the opinion, based on its knowledge of the group, key processes in operation and specific enquiries, that there are adequate resources to support the group as a going concern over the next year.

Board of directors

The composition of the board of Investec Bank (UK) Limited is set out on page 73.

The board is accountable for the performance and affairs of Investec. It provides entrepreneurial leadership for the company within a framework of prudent and effective controls which allows risk to be assessed and managed. Specifically, it is responsible for the adoption of strategic plans, monitoring of operational performance and management, ensuring an effective risk management strategy, compliance with applicable legislation, upholding corporate governance standards and succession.

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

The board has defined the limits of delegated authority. It is responsible for assessing and managing risk policies and philosophies; ensuring appropriate internal controls; overseeing major capital expenditure, acquisitions and disposals; approving the establishment of businesses; and approving the introduction of new products and services.

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

Board committees

The board is supported by key committees, as follows:

- Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Board Risk and Capital Committee
  - Capital Committee
  - Executive Risk Review Forum
  - Various specialist risk committees and forums as described in the risk management section of the Investec group's 2008 annual report.
- Nomination and Directors' Affairs Committee
- Remuneration Committee

These committees have specific terms of reference, appropriately skilled members, independent non-executive director membership, senior management participation and access to specialist advice when necessary.

Management and succession planning

Global business unit heads, geographic management, and the heads of central and group service functions are appointed by executive management and are endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network.

Each strategic business unit has an executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

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

Internal control

We have adopted the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed the principles throughout the group during the year under review.

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board Risk and Capital Committee and Audit Committees assist the board in this regard. Sound risk management practices are promoted by the Group Risk Management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

The overall system of internal control is designed to mitigate, not eliminate, significant risks we face and was in place for the year under review. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as Group Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review.

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant Audit Committee. Appropriate processes, including review by the Audit and Compliance Implementation Forums, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are reviewed weekly by the Executive Risk Review Forum and regularly by the Board Risk and Capital Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk and Capital Committee and the Audit Committees. Reports from the Audit Committees, Board Risk and Capital Committee and Risk and Control functions are reviewed at each board meeting.

Internal financial controls

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

External audit

Our external auditors are Ernst & Young LLP. The independence of the external auditors is reviewed with the auditors by the Audit Committees each year.

The Audit Committees meet with the external auditors to review the scope of the external audit, budgets the extent of non-audit services rendered and any other audit matters.

The external auditors are invited to attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3, were adhered to during the period under review.

Non-audit services are dealt with in terms of an agreed policy.

Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities, the main ones being the UK Financial Services Authority (FSA) and the Australian Prudential Regulatory Authority (APRA).

Communication, public disclosure obligations and stakeholder relations

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We also seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

Values and code of conduct

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

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such, all new employees are invited and are strongly encouraged to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our Organisation Development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the Human Resources practices manual, which is available on our intranet.

We continually strive to conduct our business with uncompromising integrity and fairness, so as to promote trust and confidence in the banking industry.

Sustainable business practices

We have an acute awareness of the need for longevity and durability, across all our businesses, and an ingrained understanding of the practices that underpin sustainability. Further detail can be found on our website at www.investec.com/grouplinks/obr

Directorate

Hugh S Herman (67)
BA LLB LLD (hc)
Non-Executive Chairman

Bradley Fried (42)
BCom CA(SA) MBA
Chief Executive Officer

George F O Alford (59)
BSc (Econ) FCIS FIPD MSI

Bernard Kantor (58)
CTA

Ian R Kantor (61)
BSc(Eng) MBA

Sir Chips Keswick (68)

Stephen Koseff (56)
BCom CA(SA) H Dip BDP MBA

Alan Tapnack (61)
BCom CA(SA)

David M van der Walt (43)
BCom (Hons) CA (SA)

Ian R Wohlman (53)
ACIB

Remuneration report

Remuneration report

The remuneration committee of the bank's parent, Investec plc, comprises non-executive directors and is responsible for determining the overall reward packages of the bank's executive directors. The policy on remuneration packages for non-executive directors is agreed and determined by the board.

Details of the directors' emoluments are shown in the notes to the consolidated financial statements.

Policy on executive directors' and employees' remuneration

Our philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and us.

We reward executive directors and employees for their contribution through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our values, culture and philosophies in the pursuit of excellence is considered paramount in determining overall reward levels.

Both the type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress.

The key principles of our remuneration policy for executive directors and employees, which were consistently applied during the financial year, are as follows:

- Reward programmes are designed and administered to align directors' and employees' interests with those of stakeholders.
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, our short and long-term success.
- Total rewards comprise a fixed and variable component.
- Total compensation (base salary, pension, benefits and incentives) is targeted to the relevant competitive market (see below) at upper quartile levels for superior performance.
- A significant proportion of rewards, including annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. We recognise the performance of the business and the individual. As indicated above, qualitative and quantitative issues form an integral part of the determination of reward levels.
- Reward levels are targeted to be commercially competitive, on the following basis:
  - The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made.
  - Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly.
    - For executive directors, the FTSE 350 General Finance firms provide the most appropriate benchmark.
    - For employees, a combination of firms from the JSE Financial 15 and the FTSE 350 General Finance sector offer the most appropriate benchmark.
    - The committee also reviews on an individual basis data on other international banks with whom we compete.
    - The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets.
    - In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

Policies on the components of remuneration and employment

The reward package for executive directors and employees comprises:

- Base salary and benefits.
- Annual bonuses.
- Long-term share incentive plans.

The remuneration committee reviews the elements of the reward package relative to appropriate benchmarks and other comparable organisations, the contribution by the individual and the business as a whole, the value of individuals in perpetuating our values and culture, and the possible replacement cost of such individuals.

The elements of the reward package, as listed above, are discussed below and the components for each director are detailed in tables accompanying this report.

Remuneration report

Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries are pensionable, the annual bonuses paid are not pensionable.

It is the company's policy to seek to set base salaries (including benefits) at median market levels. However, base salaries have in many instances dropped below this level as annual increases in the recent past have largely been in line with prevailing inflation rates and have not been increased to median market levels due to a desire, in current circumstances, to maintain a low level of fixed costs.

Annual bonus

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by Economic Value Added (EVA) profit performance against pre-determined targets. These targets have been in force, and unchanged, for the past few years and are subject to periodic review, with varying levels of return required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee based businesses). Individual annual incentive levels are allocated from the EVA pool, based on individual performance, as determined by the committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

In this regard, if business and individual performance goals are achieved or bettered, the variable element of the total reward package is likely to be substantially higher than the relevant target market given that base salaries are currently below median market levels. This is to ensure that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

As explained in the prior year's report, the committee undertook a thorough assessment of the executive remuneration structure in 2007 which resulted in the removal of the annual bonus limit. This practice was maintained during the 2008 financial year. The committee still believes that an upper limit on the bonus award is inappropriate given the remuneration practices within the group and in similar financial services businesses. Our policy remains to target at median salaries and upper quartile for total compensation in order to limit the increase in fixed costs.

Share option and long-term share incentive plans

We have a number of share option and long-term share incentive plans that are designed to link the interests of directors and employees with those of shareholders and long-term organisational interests, through performance and risk-based equity grants.

Details with respect to the share option and long-term incentive plans in operation, and in which the directors are eligible to participate are provided on our website.

Leveraged equity plans

A group of senior and executive managers, including certain Investec plc/Investec Limited directors, who have or can have a significant impact on the business, were granted participation (prior to the implementation of the DLC structure) in a leveraged equity plan known as Fintique II, which was established in 1996. Details on Fintique II are provided in tables accompanying this report and on our website.

Policy on non-executive directors' remuneration

Non-executive directors receive fees for being a member of the Investec Bank (UK) Limited board and fees are also payable for any additional time committed to the group including attendance at certain meetings. Furthermore, non-executive directors may not participate in our share option plans or our long-term share incentive and pension plans. Prior to the implementation of our Dual Listed Companies (DLC) structure in July 2002, certain non-executive directors did participate in Investec Group Limited's (now Investec Limited's) leveraged equity plans.

Directors' interest

According to the register of directors' interests, no director holding office at 31 March 2008 had any debentures or beneficial interest in the shares of Investec Bank (UK) Limited during the year.

Following the implementation of the Investec group's DLC structure, it is our policy to award the directors and employees with share options in both Investec Limited and Investec plc. Consequently, interests in both companies have been disclosed.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2008

Name	Beneficial and non-beneficial interest Investec plc[2] 1 April 2007	Beneficial and non-beneficial interest Investec plc[2] 31 March 2008	% of shares in issue[1] Investec plc 31 March 2008	Beneficial and non-beneficial interest Investec Limited[3] 1 April 2007	Beneficial and non-beneficial interest Investec Limited[3] 31 March 2008	% of shares in issue[1] Investec Limited 31 March 2008
Executive directors						
S Koseff	4 845 383	4 886 633	1.2%	420 265	441 515	0.2%
B Kantor[4]	1 500	1 500	-	6 336 200	5 001 000	2.1%
B Fried	-		-	500 000	500 000	0.2%
A Tapnack	-	88 900	-	185 105	185 105	0.1%
DM van der Walt			-	690 140	690 140	0.3%
IR Wohlman			-	164 045	164 045	0.1%
Total number	**4 846 883**	**4 977 033**	**1.2%**	**8 295 755**	**6 981 805**	**3.0%**
Non-executive directors						
HS Herman	1 369 915	1 369 915	0.3%	44 525	44 525	-
GFO Alford	-	3 100	-	-	-	-
IR Kantor	1 380 066	1 512 570	0.4%	2 126 536	2 002 100	0.9%
Sir C Keswick	15 750	15 750	-	9 250	9 250	-
Total number	**2 765 731**	**2 901 335**	**0.7%**	**2 180 311**	**2 055 875**	**0.9%**
Total number	**7 612 614**	**7 878 368**	**1.9%**	**10 476 066**	**9 037 680**	**3.9%**

Notes:

1 The total number of Investec plc and Investec Limited shares in issue as at 31 March 2008 was 423.3 million and 234.3 million, respectively.

2 The market price of an Investec plc share as at 31 March 2008 was £3.39 (2007: £6.58), ranging from a low of £2.94 to a high of £7.65 during the financial year.

3 The market price of an Investec Limited share as at 31 March 2008 was R57.43 (2007: R93.30), ranging from a low of R50.90 to a high of R104.40 during the financial year.

4 In addition to his shareholdings reflected in the table above, B Kantor has an interest in Investec Limited shares via futures contracts, the details of which are as follows:

- On 27 February 2008 B Kantor purchased single stock futures over 800 000 Investec Limited shares at a strike price of R62.30 per share.

Directors' interest in preference shares as at 31 March 2008

Name	Investec Bank Limited		Investec Limited		Investec plc	
	1 April 2007	31 March 2008	1 April 2007	31 March 2008	1 April 2007	31 March 2008
Executive directors						
S Koseff	4 000	4 000	3 000	3 000	21 198	21 198
Non-executive directors						
HS Herman	1 135	1 135	-	-	-	-

Notes:
- The market price of an Investec Bank Limited preference share as at 31 March 2008 was R91.00 (2007: R103.10).
- The market price of an Investec Limited preference shares as at 31 March 2008 was R84.40 (2007: R95.00)
- The market price of an Investec plc preference share as at 31 March 2008 was R98.00 (2007: R124.99).

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2008

Name	Entitlement to Investec plc shares		Entitlement to Investec Limited shares		Settlement period	Total entitlement (i.e. Investec plc and Investec Limited shares) - % interest in scheme 31 March 2008
	1 April 2007	31 March 2008	1 April 2007	31 March 2008		
Executive directors						
S Koseff	918 420	918 420	539 395	539 395	1 April 2008 to 31 July 2008	8.2%
B Kantor[1]	-	-	221 500	-	1 April 2008 to 31 July 2008	-
A Tapnack	-	-	168 340	168 340	1 April 2008 to 31 July 2008	0.9%
Non-executive directors						
HS Herman	451 045	451 045	264 900	264 900	1 April 2008 to 31 July 2008	4.0%
Total number	**1 369 465**	**1 369 465**	**1 194 135**	**972 635**		**13.1%**

Notes:
- Fintique II was constituted on 31 July 1996, via a special purpose vehicle (SPV), initially available to 235 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments are compulsory convertible debentures, which convert into 4 430 Investec shares for every 1 000 units in Fintique II. The scheme was funded through cash contributions from participants and the upfront sale of the income stream on the debentures and the right to the redemption proceeds. A total of 4.0 million units were issued in terms of the scheme, converting into approximately 17.8 million shares.
- All the shares to which the directors are entitled in terms of the Fintique II scheme are fully tradeable and so "fully vested" as the term is understood in the UK, and can be taken up at a price of R3.52 per share, based on the valuation of the scheme as at 31 March 2008 .The market price of an Investec plc share and an Investec Limited share as at 31 March 2008 was £3.39 and R57.43, respectively. While the combined Investec plc and Investec Limited share entitlement will remain unchanged, the mix of Investec plc and Investec Limited shares may vary from time to time. The directors are at risk for any shortfall on maturity of the scheme.

[1] In terms of the scheme B Kantor disposed of his entitlements in respect of 221 500 Investec Limited shares at a market price of R61.61 per share on 28 February 2008. Following the disposal of the 221 500 Investec Limited shares, B Kantor has no remaining entitlements in terms of the Fintique II scheme.

Directors' interest in options as at 31 March 2008

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2007	Exercised during the year[1]	Options granted/ lapsed during the year	Balance at 31 March 2008	Market price at date of exercise[1]	Gross gains made on date of exercise[1]	Period exercisable
Executive directors									
S Koseff	20 Dec 2002	R22.39	41 250	41 250	-	-	R58.20	R1 477 162	
B Kantor	20 Dec 2002	£1.59	72 905	57 775	-	15 130	£4.18	£149 637	Vesting scale in terms of the scheme rules Vesting ends 20 Mar 2012
B Fried	20 June 2002	£2.10	74 820	74 820	-	-	£5.45	£250 647	Vesting scale in terms of the scheme rules
	20 Dec 2002	£1.59	57 380	42 250	-	15 130	£4.45	£120 835	Vesting ends 20 Mar 2012
A Tapnack	20 June 2002	£2.10	59 070	59 070	-	-	£4.90	£165 396	Vesting scale in terms of the scheme rules
	20 Dec 2002	£1.59	72 905	57 775	-	15 130	£3.19	£92 440	Vesting ends 20 Mar 2012
DM van der Walt	20 June 2002	£2.10	78 750	78 750	-	-	£4.86	£217 350	
	20 Dec 2002	£1.59	53 255	38 125	-	15 130	£3.22	£62 144	Vesting scale in terms of the scheme rules Vesting ends 20 Mar 2012
IR Wohlman	20 June 2002	£2.10	15 750	15 750	-	-	£6.65	£71 663	Vesting scale in terms of the scheme rules
	20 Dec 2002	£1.59	20 255	5 125	-	15 130	£3.54	£9 994	Vesting ends 20 Mar 2012
	01 Dec 1999	£3.15	3 780	-	-	3 780	-	-	
	03 Dec 2003	£2.12	12 500	6 250	-	6 250	£4.07	£12 188	

Directors' interest in options as at 31 March 2008 (continued)

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2007	Exercised during the year[1]	Options granted/ lapsed during the year	Balance at 31 March 2008	Market price at date of exercise[1]	Gross gains made on date of exercise[1]	Period exercisable
Executive directors									
S Koseff	20 Dec 2002	R22.26	21 250	21 250	-	-	R59.29	R786 888	
B Fried	20 June 2002	R32.90	43 930	43 930	-	-	R82.05	R2 159 160	
	20 Dec 2002	R22.60	21 760	21 760	-	-	R64.35	R908 480	
A Tapnack	20 June 2002	R32.90	34 680	34 680	-	-	R72.40	R1 369 860	
DM van der Walt	20 June 2002	R32.90	46 250	46 250	-	-	R72.40	R1 826 875	
	20 Dec 2002	R22.26	19 650	19 650	-	-	R52.18	R1 025 337	
IR Wohlman	20 June 2002	R32.90	9 250	9 250	-	-	R94.56	R570 355	Vesting scale in terms of the scheme rules.
	01 Dec 1999	R49.20	2 220	-	-	2 220	-	-	Vesting ends 20 Mar 2012
	20 Dec 2002	R22.26	2 650	2 650	-	-	R56.00	R89 411	

Notes:

No new grants were made to executive directors during the financial year. The market price of an Investec plc share as at 31 March 2008 was £3.39 (2007: £6.58), ranging from a low of £2.94 to a high of £7.65 during the financial year. A total of 423.3 million Investec plc shares were in issue as at 31 March 2008. The market price of an Investec Limited share as at 31 March 2008 was R57.43 (2007: R93.30), ranging from a low of R50.90 to a high of R104.40 during the financial year. A total of 234.3 million Investec Limited shares were in issue as at 31 March 2008.

[1] Details with respect to options exercised:

- S Koseff exercised his options and bought 41 250 Investec plc shares and 21 250 Investec Limited shares on 18 January 2008, when the share price was R 58.20 and R59.29 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- B Kantor exercised his options and bought 57 775 Investec plc shares on 18 January 2008, when the share price was £4.18 per share. The performance conditions with respect to these options were met.
- B Fried exercised his options and sold 74 820 Investec plc shares and 43 930 Investec Limited shares on 4 September 2007, when the share price was £5.45 and R82.05 per Investec plc and Investec Limited share, respectively. B Fried exercised his options and sold 42 250 Investec plc shares and 21 760 Investec Limited shares on 4 February 2008, when the share price was £4.45 and R64.35 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- A Tapnack exercised his options and bought a net 3 180 Investec plc shares and sold 34 680 Investec Limited shares on 18 September 2007, when the share price was £4.90 and R72.40 per Investec plc and Investec Limited share, respectively. A Tapnack exercised and bought 57 775 Investec plc shares on 19 March 2008, when the share price was £3.19 per share. The performance conditions with respect to these options were met.
- DM van der Walt exercised his options and sold 78 750 Investec plc shares and 46 250 Investec Limited shares on 18 September 2007, when the share price was £4.86 and R72.40 per Investec plc and Investec Limited share, respectively. DM van der Walt exercised his options and sold 38 125 Investec plc shares and 19 650 Investec Limited shares on 19 March 2008, when the share price was £3.22 and R52.18 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.

- IR Wohlman exercised his options and sold 15 750 Investec plc shares and 9 250 Investec Limited shares on 19 July 2007, when the share price was £6.65 and R94.56 per Investec plc and Investec Limited share, respectively. IR Wohlman exercised his options and sold 6 250 Investec plc shares on 28 February 2008 when the share price was £4.07 per Investec plc share. IR Wohlman also sold 5 125 Investec plc shares and 2 650 Investec Limited shares on 4 March 2008, when the share price was £3.54 and R56.00 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2008

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2007	Balance at 31 March 2008	Period exercisable
Executive directors					
S Koseff	21 Nov 05	nil	750 000	750 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
B Kantor	21 Nov 05	nil	750 000	750 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
A Tapnack	21 Nov 05	nil	200 000	200 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010

Notes:
This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005. The plan is considered essential in improving our long-term prospects for recruitment and retention of key individuals. The plan also provides further alignment of the interests of shareholders and management as the committee believes that a significant element of remuneration should be linked to our ability to deliver sustainable results to shareholders, and at the same time enable management to share in these results. Further details on the plan are available on our website.

Directors' interest in long-term share incentive plans as at 31 March 2008

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2007	Balance at 31 March 2008	Period exercisable
Executive directors					
B Fried	16 Mar 05	nil	500 000	500 000	75% in 30 June 2009 and 25% in 30 June 2010
	25 Jun 07	nil	-	200 000	75% in 25 June 2011 and 25% in 25 June 2012
DM van der Walt	16 Mar 05	nil	425 000	425 000	75% in 30 June 2009 and 25% in 30 June 2010
	25 Jun 07	nil	-	200 000	75% in 25 June 2011 and 25% in 25 June 2012
IR Wohlman	16 Mar 05	nil	150 000	150 000	75% in 30 June 2009 and 25% in 30 June 2010
	25 Jun 07	nil	-	50 000	75% in 25 June 2011 and 25% in 25 June 2012

The bank has made forfeitable awards in respect of nil cost options in the capital of Investec plc for nil consideration pursuant to the Long-Term Incentive Plan ("LTIP"). The awards are in accordance with the determination of the Remuneration Committee and with the rules of the LTIP. The following awards were made during the course of the year:

- B Fried was awarded nil cost options over 200 000 Investec plc shares on 25 June 2007.
- DM van der Walt was awarded nil cost options over 200 000 Investec plc shares on 25 June 2007.
- IR Wohlman was awarded nil cost options over 50 000 Investec plc shares on 25 June 2007.

Financial statements

Directors' report

The directors present their report and financial statements for the year ended 31 March 2008.

Business and principal activities

The principal activities of Investec Bank (UK) Limited (the "bank") and its subsidiaries are private banking, investment banking, capital markets and property activities. These activities are also undertaken by the bank's branch in Dublin.

Review of the business and future developments

A review of the bank's business for the year and future proposed activities can be found in the financial review on pages 9 to 14.

Accounting policies and disclosures

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom law. To align with the accounting policies applied in the consolidated financial statements of the bank's listed parent, Investec plc, the consolidated financial statements of the bank are prepared under International Financial Reporting Standards. These policies are set out on pages 92 to 101.

The accounts of the bank itself continue to be drawn up under UK Generally Accepted Accounting Practice. The accounting policies for the bank's own accounts are set out on pages 150 to 157.

Authorised and issued share capital

Details of the share capital as at 31 March 2008 are set out in note 33 of the bank's consolidated financial statements.

On 27 September 2007 the bank issued 50 million ordinary shares of £1 each at par.

Results and dividends

The results for the year are shown on page 88. Movements in reserves are shown in the reconciliation of equity on pages 102 and 103 of the financial statements.

A final dividend of £50 000 000 in respect of the prior year was paid on 31 May 2007.

A first interim dividend of £ 20 000 000 was paid on 26 July 2007, a second interim dividend of £ 10 000 000 was paid on 12 November 2007 and a final dividend of £10 000 000 was paid on 30 May 2008.

Directors and their interests

The directors of the bank for the year ended 31 March 2008 are shown on page 73. There have been no changes during the year. On 2 May 2007 Mr Richard Vardy resigned as Company Secretary and Mr David Miller was appointed as Company Secretary for the bank.

The interests of the directors are set out in the remuneration report on pages 74 to 81.

Except as disclosed in this report no other director held any beneficial interest in the shares of the company or the group.

Creditor payment policy

The group's standard practice is to agree the terms of payment with suppliers at the time of the contract and to make payments within the agreed credit term subject to satisfactory performance.

Employees

The group's policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment. The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and motivating staff involvement in the group's performance by means of employee share and option schemes.

Environment

The group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

Further information can be found in the Investec group's 2008 Our Business Responsibility Report.

Donations

During the year, the group made donations for charitable purposes in the UK, totalling £199 262.

Auditors

The bank has passed an elective resolution pursuant to Section 379A of the Companies Act 1985 dispensing with the holding of Annual General Meetings, and the laying of annual reports and financial statements before shareholders in general meeting. In accordance with Section 386 of the Companies Act 1985, the bank has elected to dispense with the obligation to appoint auditors annually; accordingly Ernst & Young LLP remain in office.

By order of the board

David Miller
Secretary

30 June 2008

Directors' responsibility statement

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare group financial statements for each financial year which present fairly the financial position of the group and the financial performance and cash flows of the group for that period. In preparing those group financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance; and
- state that the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the group financial statements comply with the Companies Act 1985 and Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. All steps which ought to have been taken as directors have been completed in order to be aware of the relevant audit information and to establish that the group's auditors are aware of that information.

Signed on behalf of the board

Bradley Fried
Chief Executive Officer

30 June 2008

Independent auditors' report to the members of Investec Bank (UK) Limited

We have audited the group financial statements of Investec Bank (UK) Ltd for the year ended 31 March 2008 which comprise the consolidated income statement, consolidated statement of total recognised income and expenses, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 43. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Investec Bank (UK) Ltd for the year ended 31 March 2008.

This report is made solely to the bank's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the bank and the bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the statement of directors' responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited group financial statements. The other information comprises only the directors' remuneration report, the operating and financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulation; and
- the information given in the directors' report is consistent with the group financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

30 June 2008

Consolidated income statements

For the year to 31 March £'000	Notes	2008	2007
Interest income		710 052	491 700
Interest expense		(501 301)	(323 800)
Net interest income		**208 751**	**167 900**
Fees and commissions receivable		182 686	197 058
Fees and commissions payable		(10 010)	(7 678)
Principal transactions	4	67 205	81 990
Operating income from associates	21	698	864
Other operating income	5	45 932	46 765
Other income		**286 511**	**318 999**
Total operating income		**495 262**	**486 899**
Impairment losses on loans and advances		(27 945)	(7 490)
Operating income		**467 317**	**479 409**
Administrative expenses	6	(336 693)	(296 825)
Depreciation, amortisation and impairment of property,equipment and intangible assets	24/26	(15 472)	(8 095
Operating profit before goodwill impairment		**115 152**	**174 489**
Goodwill	25	-	10 680
Operating profit		**115 152**	**185 169**
Non-operating exceptional items		-	-
Profit before taxation		**115 152**	**185 169**
Taxation	9	(17 350)	(48 977)
Profit after taxation		**97 802**	**136 192**
Earnings attributable to minority shareholders		4 724	9 224
Earnings attributable to shareholders		93 078	126 968
		97 802	**136 192**

Consolidated balance sheets

At 31 March £'000	Notes	2008	2007
Assets			
Cash and balances at central banks		614 619	42 827
Loans and advances to banks		1 010 776	781 167
Cash equivalent advances to customers		7 183	23 210
Reverse repurchase agreements and cash collateral on securities borrowed	15	350 616	1 979 936
Trading securities	16	433 465	544 641
Derivative financial instruments	17	486 153	332 862
Investment securities	18	1 116 475	1 747 047
Loans and advances to customers	19	6 710 495	4 619 771
Securitised assets	20	774 803	-
Interests in associated undertakings	21	14 440	12 433
Deferred taxation assets	22	49 876	25 136
Other assets	23	391 558	829 920
Property and equipment	24	125 927	120 910
Goodwill	25	88 282	68 193
Intangible assets	26	22 639	17 741
		12 197 307	**11 145 794**
Liabilities			
Deposits by banks		2 860 627	1 371 779
Derivative financial instruments	17	244 440	114 384
Other trading liabilities	28	192 987	96 252
Repurchase agreements and cash collateral on securities lent	15	287 585	1 598 128
Customer accounts		5 264 487	4 448 656
Debt securities in issue	29	594 180	1 077 436
Liabilities arising on securitisation	20	686 486	-
Current taxation liabilities		62 329	51 860
Deferred taxation liabilities	22	27 985	8 540
Other liabilities	30	413 482	899 216
		10 634 588	9 666 251
Subordinated liabilities	32	645 929	628 819
		11 280 517	**10 295 070**
Equity			
Called up share capital	2/33	555 000	505 000
Share premium	2	37 365	37 365
Other reserves	2	13 840	14 922
Profit and loss account	2	261 962	252 734
Shareholders' equity excluding minority interests		868 167	810 021
Minority interests	2/34	48 623	40 703
Total equity		**916 790**	**850 724**
Total liabilities and shareholders' equity		**12 197 307**	**11 145 794**

The directors approved, and authorised for issue, the financial statements on 30 June 2008.

Bradley Fried
Chief Executive Officer

Consolidated statement of total recognised income and expenses

For the year to 31 March £'000	Notes	2008	2007
Profit after taxation		97 802	136 192
Fair value movements on available for sale assets		(23 777)	5 223
Foreign currency movements		21 709	4 093
Total recognised income and expenses	2	**95 734**	**145 508**
Total recognised income and expenses attributable to minority shareholders		4 055	12 581
Total recognised income and expenses attributable to ordinary shareholders		91 679	132 927
	2	**95 734**	**145 508**

Cash flow statements

For the year to 31 March £'000	Notes	2008	2007
Operating profit adjusted for non cash items	36	158 082	189 633
Taxation paid		(19 104)	(26 394)
Increase in operating assets		(25 961)	(2 638 508)
Increase in operating liabilities		646 822	2 287 257
Net cash inflow/(outflow) from operating activities		**759 839**	**(188 012)**
Cash flow on acquisition of subsidiaries		(13 763)	(140 954)
Cash flow on acquisition and disposal of property, equipment and intangible assets		(26 922)	(22 059)
Net cash outflow from investing activities		**(40 685)**	**(163 013)**
Dividends paid to ordinary shareholders		(80 000)	(65 000)
Dividends paid to other equity holders		(2 912)	(6 410)
Proceeds on issue of other equity instruments*		56 777	188 983
Net proceeds on subordinated debt issues		4 094	341 802
Net cash inflow/(outflow) from financing activities		**(22 041)**	**459 375**
Effects of exchange rates on cash and cash equivalents		1 290	336
Net increase in cash and cash equivalents		698 403	108 686
Cash and cash equivalents at the beginning of the year		282 447	173 761
Cash and cash equivalents at the end of the year		**980 850**	**282 447**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		614 619	42 827
On demand loans and advances to banks		359 048	216 410
Cash equivalent advances to customers		7 183	23 210
Cash and cash equivalents at the end of the year		**980 850**	**282 447**

* includes equity instruments issued by subsidiaries

Note:
(cash and cash equivalents have a maturity profile of less than three months).

Accounting policies

Basis of presentation

The group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use by the European Union ("EU"). At 31 March 2008, IFRS standards as endorsed by the EU are identical to current IFRSs applicable to the group.

The group financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

Accounting policies applied are consistent with those of the prior year.

Basis of consolidation

All subsidiaries and special purpose vehicles in which the group holds more than one half of the voting rights or over which it has the ability to control (either directly or in substance) are consolidated from the effective dates of acquisition (that is from when control exists) and up to the effective dates of loss of control, except entities which are classified as non-current assets held for sale. Subsidiaries classified as non-current assets held for sale are consolidated as discontinued operations.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as associates. In the group accounts, associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases, except as noted below.

The consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at the group's share of net assets of the associate plus goodwill arising on acquisition, less any impairment recognised.

In circumstances where associates or joint venture holdings arise in which the group has no strategic intention, these investments are classified as "venture capital" holdings and are designated as held at fair value through profit and loss.

All intergroup balances, transactions and unrealised gains and losses within the group are eliminated to the extent that they do not reflect an impairment to the asset.

Segmental reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments.

The group's primary segmental reporting is presented in the form of a business analysis (primary segment).

The business analysis is presented in terms of the group's four principal business divisions and Group Services and Other Activities.

A geographical analysis is presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments.

Goodwill

Goodwill represents the net excess of the purchase consideration over the fair value of net identifiable assets of entities acquired. Goodwill is capitalised and tested for impairment at balance sheet dates or when there is an indication of impairment. Goodwill is allocated to cash generating units for the purposes of testing impairment based on the synergies expected in the business combination, with any impairments arising being recognised immediately in the income statement. Impairments recognised are not reversed in subsequent periods.

In circumstances where the group acquires an interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, the group reassesses the identification and measurement of all assets and liabilities (including contingent liabilities) following which any remaining excess is recognised immediately in profit and loss.

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of the group (Pound Sterling) at the applicable closing rate.

Goodwill arising on investment in associates is included within the investment in associates.

Share based payments to employees

The group engages in equity settled share-based payments and in certain limited circumstances cash-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 instrument that will eventually vest. The liability is recognised at the current fair value at each balance sheet date, based on an estimate of the number 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.

Foreign currency transactions and foreign operations

The presentation currency of the group is Sterling, being the functional currency of Investec Bank (UK) Limited.

Foreign operations are subsidiaries, associates, joint ventures or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expense items are translated at exchange rates ruling at the date of the transaction;
- All resulting exchange differences are recognised in equity (foreign currency translation reserve), which is recognised in profit and loss on disposal of the foreign operation;
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:

- Foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in profit and loss;
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment;
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

Revenue recognition

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest yield, but excludes those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument, and, where this estimate is not readily available, the contractual life.

Commissions and fees include fees earned from providing advisory services as well as portfolio management. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commission income are only recognised when they can be estimated reliably.

Principal transaction income includes trading profits, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties.

Accounting policies (continued)

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Trading profits gross of funding costs are disclosed in note 4.

Included in other operating income is revenue from consolidated private equity investments. Operating costs associated with these investments is included in administrative expenses.

Financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabilities.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Financial assets and liabilities held at fair value through profit and loss

Financial instruments held at fair value through profit and loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit and loss.

Financial instruments classified as held for trading or designated as held at fair value through profit and loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit and loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition. In certain instances debt instruments which contain equity features are designated as held at fair value through profit and loss.

Financial assets and liabilities are designated as held at fair value through profit and loss only if:

- It eliminates or significantly reduces an inconsistent measurement or recognition that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the group's key management personnel; and
- If a contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit and loss.

Held-to-maturity assets

Held to maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Held-to-maturity assets are measured at amortised cost using the effective interest method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit and loss;
- Those that the group designates as available for sale; and
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are accounted for at fair value through profit and loss.

Loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cashflows, through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line "Impairment losses on loans and advances".

Available for sale assets

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

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

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

Impairments on available for sale equity instruments are not reversed once recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest method.

Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

Valuation of financial instruments

All financial instruments are initially recognised at fair value. On initial recognition, the fair value of a financial instrument is the transaction price unless it is determined appropriate that the fair value of a financial instrument is more accurately determined by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. In circumstances where unobservable data has a significant impact on the valuation of a financial instrument, the entire difference between the model determined fair value and the transaction price is not recognised on initial recognition. The difference arising is recognised in the income statement over the life of the transaction, or when inputs become observable, or when the transaction is effectively closed out.

Subsequent to initial recognition the following financial instruments are measured at fair value:
- Fixed maturity securities classified as trading, held at fair value through profit or loss and available for sale,
- Equity securities,
- Private equity investments,
- Derivative positions,
- Loans and advances designated as held at fair value through profit and loss,
- Loans and advances designated as available for sale; and
- Financial liabilities classified as trading or designated as held at fair value through profit and loss.

Subsequent to initial recognition, the fair value of financial instruments quoted in an active market is based on published price quotations. Where market prices are not available fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment. In certain instances model pricing may be used to determine fair values. For private equity investments that are not publicly traded, management uses comparisons to similar listed companies, relevant third party arms' length transactions and other data specific to the investment.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogenous assets. Assets specifically identified as impaired are excluded from the portfolio assessment.

Accounting policies (continued)

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net proceeds on realisation of collateral) discounted at the original effective rate.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non distributable reserves, being the regulatory general risk reserve. The non distributable regulatory provision reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the group's rights to cash flows has expired; or when the group has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Derivative instruments

All derivative instruments of the group are recorded on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

Hedge accounting

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

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument is initially recognised in equity and is released to the initial cost of any asset/liability recognised or in all other cases, to the income statement when the hedged firm commitment or forecasted transaction affects net profit.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in equity and is released to the income statement in the same period during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in profit and loss.

Trading derivatives

Derivative instruments transacted as economic hedges but which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held for trading.

Embedded derivatives

To the extent that a derivative may be embedded in a host contract and the host contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec Bank (UK) Limited are recorded as minority interests on balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which has not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by the shareholder.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under "repurchase agreements and cash collateral on securities lent". Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under "reverse repurchase agreements and cash collateral on securities borrowed".

Securities borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees

Financial guarantees are initially recognised at fair value, being the premium received. Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where Investec is the lessor and included in liabilities where Investec is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the profit and loss account on a straight line basis over the lease term. Contingent rentals (if any) are accrued to profit and loss account when incurred.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairments.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful.

The current annual depreciation rates for each class of property and equipment is as follows:

• Computer and related equipment	20-33%
• Motor vehicles	20-25%
• Furniture and fittings	10-20%
• Freehold buildings	2%
• Leasehold improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.

No depreciation is provided on freehold land, however, similar to other property related assets, it is subject to impairment testing when deemed necessary.

Routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of fair value less cost to sell and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that the asset is not revalued to a carrying value that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current tax payable is provided on taxable profits at rates that are enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill.
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit or loss.
- In respect of taxable temporary differences associated with the investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Items recognised directly in equity are net of related taxation and deferred taxation.

Employee benefits

The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme all employer contributions are charged to income, as incurred in accordance with the rules of the scheme, and included under staff costs.

The group has no liabilities for other post retirement benefits.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently 3 to 8 years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Intangible assets with an indefinite life are not amortised, however they are tested for impairment on an annual basis.

Borrowing costs

Borrowing costs in respect of property developments that take a substantial period of time to develop for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Contingent assets and contingent liabilities are not recognised on balance sheet.

Borrowing costs

Borrowing costs in respect of property developments that take a substantial period of time to develop for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

Revised IAS 1 – Presentation of Financial Statements (applicable for reporting periods beginning on or after 1 January 2009)

The revised standard introduces changes to the presentation of financial statements and does not affect the recognition, measurement or disclosure of specific transactions. The standard will not affect the financial position or results of the group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the group. The changes are not expected to be of any significance to the current level of disclosure in the group financial statements.

Amendments to IFRS 2 – Share Based Payments (applicable for reporting periods beginning on or after 1 January 2009)

The amendments clarify that vesting conditions comprise only service conditions and performance conditions and clarifies the accounting treatment of a failure to meet a non vesting condition. Adoption of the standard is not expected to have a significant impact on the group financial statements.

Revised IFRS 3 – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements (applicable for business combinations for which the acquisition date is on or after the beginning of the reporting period be on or after 1 July 2009)

The main changes to the standard that affects the group's current policies is that acquisition related costs are expensed in the income statement in the periods in which the costs are incurred and the services received, except for costs related to the issue of debt (recognised as part of the effective interest rate) and the cost of issue of equity (recognised directly in equity). Currently the group recognises acquisition costs as part of the purchase consideration.

IFRS 8 – Operating Segments (applicable for reporting periods beginning on or after 1 January 2009)

The standard relates to disclosure requirements for segmental information and replaces IAS 14 – Segmental Reporting. The group is of the view that segmental disclosure is closely aligned with the requirements of IFRS 8 and therefore implementation of the standard would result in minimal changes to disclosure.

Amendments to IAS 32 – Financial Instruments Presentation and IAS 1 Presentation of Financial Instruments – "Puttable Financial Instruments and Obligations Arising on Liquidation" (applicable for reporting periods beginning on or after 1 January 2009)

The group is currently evaluating the effect of these amendments, if any, on the group accounts.

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable for reporting periods beginning on or after 1 January 2008)

The interpretation introduces a restriction on the amount that an entity can recognise in the balance sheet relating to when the entity does not have an unconditional right to a refund. The impact of this standard is currently being evaluated by the group.

Accounting policies (continued)

The following standards or interpretations have been issued or amended which are deemed to have no impact on the group financial statements but have not been formally adopted by the group:

- IFRIC 12 – Service Concession Arrangements.
- IFRIC 13 – Customer Loyalty Programmes.

Key management assumptions

In preparation of the financial statements the group makes estimations and applies judgment that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgment is applied include:

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 16 Trading Securities and note 18 Investment Securities.
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available for sale financial assets involves the assessment of future cash flows which is judgmental in nature.
- Determination of interest income and interest expense using the effective interest method involves judgment in determining the timing and extent of future cashflows.

Reclassifications and corrections to prior year financial statements

Reclassifications within asset and liability classifications

- Securitised assets and related liabilities, which continue to be recognised on balance sheet, are now disclosed as separate line items on the face of the balance sheet.
- Following the implementation of IFRS 7 disclosure requirements the classification of certain financial instruments into balance sheet classes were refined to achieve more appropriate disclosure. Total assets and total liabilities were not affected by these reclassifications.

Corrections

- In the prior year £25.8 million of funding raised by a consolidated private equity entity, was incorrectly classified as minority interests on the balance sheet. The correct classification was subordinated debt. The impact of this correction is a reduction to minority interests (equity) from £66.5 million to £40.7 million at 31 March 2007. There was no effect on reported earnings for financial reporting periods prior to 31 March 2007.

Notes to the financial statements

For the year to 31 March £'000	Share capital	Share premium
2. Reconciliation of equity		
At 1 April 2006	**354 000**	**37 365**
Movement in reserves 1 April 2006 - 31 March 2007		
Foreign currency adjustments	-	-
Retained profit for the year	-	-
Fair value movements on available for sale assets	-	-
Total recognised gains and losses for the year	-	-
Share based payments adjustments	-	-
Dividends paid to ordinary shareholders	-	-
Dividends paid to minority shareholders	-	-
Issue of equity by subsidiaries	-	-
Issue of ordinary shares	151 000	-
Movement on minorities on disposals and acquisitions	-	-
Transfer to regulatory general risk reserve	-	-
At 31 March 2007	**505 000**	**37 365**
Movement in reserves 1 April 2007 - 31 March 2008		
Foreign currency adjustments	-	-
Retained profit for the year	-	-
Fair value movements on available for sale assets	-	-
Total recognised gains and losses for the year	-	-
Share based payments adjustments	-	-
Dividends paid to ordinary shareholders	-	-
Dividends paid to minority shareholders	-	-
Issue of equity by subsidiaries	-	-
Issue of ordinary shares	50 000	-
Transfer to regulatory general risk reserve	-	-
At 31 March 2008	**555 000**	**37 365**

Other reserves			Profit and loss account	Shareholder's equity excluding minority interests	Minority interests	Total
Available for sale reserve	Regulatory general risk reserve	Foreign currency reserves				
5 810	**3 333**	**(3 768)**	**190 821**	**587 561**	**233**	**587 794**
-	70	666	-	736	3 357	4 093
-	-	-	126 968	126 968	9 224	136 192
5 223	-	-	-	5 223	-	5 223
5 223	70	666	126 968	132 927	12 581	145 508
-	-	-	3 533	3 533	-	3 533
-	-	-	(65 000)	(65 000)	-	(65 000)
-	-	-	-	-	(6 410)	(6 410)
-	-	-	-	-	11 110	11 110
-	-	-	-	151 000	-	151 000
-	-	-	-	-	23 189	23 189
-	3 588	-	(3 588)	-	-	-
11 033	**6 991**	**(3 102)**	**252 734**	**810 021**	**40 703**	**850 724**
-	831	21 547	-	22 378	(669)	21 709
-	-	-	93 078	93 078	4 724	97 802
(23 777)	-	-	-	(23 777)	-	(23 777)
(23 777)	831	21 547	93 078	91 679	4 055	95 734
-	-	-	(3 533)	(3 533)	-	(3 533)
-	-	-	(80 000)	(80 000)	-	(80 000)
-	-	-	-	-	(2 912)	(2 912)
-	-	-	-	-	6 777	6 777
-	-	-	-	50 000	-	50 000
-	317	-	(317)	-	-	-
(12 744)	**8 139**	**18 445**	**261 962**	**868 167**	**48 623**	**916 790**

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total
3. Segmental analysis						
Business analysis 2008						
Interest income	575 225	564 956	(726)	(308)	(429 095)	710 052
Interest expense	(426 273)	(508 659)	(10 458)	(177)	444 266	(501 301)
Net interest income	**148 952**	**56 297**	**(11 184)**	**(485)**	**15 171**	**208 751**
Fees and commissions receivable	80 974	39 965	59 691	1 206	850	182 686
Fees and commissions payable	(5 883)	(1 340)	(2 690)	-	(97)	(10 010)
Principal transactions	22 459	30 083	12 717	1 238	708	67 205
Operating income from associates	558	(75)	215	-	-	698
Other operating income	-	-	44 801	-	1 131	45 932
Other income	**98 108**	**68 633**	**114 734**	**2 444**	**2 592**	**286 511**
Total operating income	**247 060**	**124 930**	**103 550**	**1 959**	**17 763**	**495 262**
Impairment losses on loans and advances	(22 940)	(5 005)	-	-	-	(27 945)
Net operating income	**224 120**	**119 925**	**103 550**	**1 959**	**17 763**	**467 317**
Administrative expenses	(115 882)	(99 279)	(83 111)	(1 716)	(36 705)	(336 693)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 089)	(4 119)	(7 903)	-	(2 361)	(15 472)
Operating profit before goodwill	**107 149**	**16 527**	**12 536**	**243**	**(21 303)**	**115 152**
Goodwill	-	-	-	-	-	-
Operating profit	**107 149**	**16 527**	**12 536**	**243**	**(21 303)**	**115 152**
Non-operating exceptional items	-	-	-	-	-	-
Profit before taxation	**107 149**	**16 527**	**12 536**	**243**	**(21 303)**	**115 152**
Net intersegment revenue	(15 774)	(34 829)	(6 506)	(62)	57 855	684
Cost to income ratio	47.3%	82.8%	87.9%	87.6%	>100%	71.1%
Number of employees	747	438	192	11	376	1 764
Total assets (£'million)	4 922	6 252	507	6	510	12 197

Notes to the financial statements

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total
3. Segmental analysis (continued)						
Business analysis 2007						
Interest income	397 019	408 761	3 560	22	(317 662)	491 700
Interest expense	(278 499)	(365 755)	(7 287)	(207)	327 948	(323 800)
Net interest income	**118 520**	**43 006**	**(3 727)**	**(185)**	**10 286**	**167 900**
Fees and commissions receivable	91 115	45 840	61 587	52	(1 536)	197 058
Fees and commissions payable	(4 946)	(1 178)	(1 551)	-	(3)	(7 678)
Principal transactions	7 795	60 965	11 808	1 568	(146)	81 990
Operating income from associates	727	(11)	147	-	1	864
Other operating income	-	-	45 481	-	1 284	46 765
Other income	**94 691**	**105 616**	**117 472**	**1 620**	**(400)**	**318 999**
Total operating income	**213 211**	**148 622**	**113 745**	**1 435**	**9 886**	**486 899**
Impairment losses on loans and advances	(2 249)	(5 241)	-	-	-	(7 490)
Net operating income	**210 962**	**143 381**	**113 745**	**1 435**	**9 886**	**479 409**
Administrative expenses	(98 786)	(86 809)	(78 678)	(143)	(32 409)	(296 825)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 213)	(372)	(4 444)	-	(2 066)	(8 095)
Operating profit before goodwill	**110 963**	**56 200**	**30 623**	**1 292**	**(24 589)**	**174 489**
Goodwill	3 560	3 560	-	-	3 560	10 680
Operating profit	**114 523**	**59 760**	**30 623**	**1 292**	**(21 029)**	**185 169**
Non-operating exceptional items	-	-	-	-	-	-
Profit before taxation	**114 523**	**59 760**	**30 623**	**1 292**	**(21 029)**	**185 169**
Net intersegment revenue	(2 091)	(30 700)	(4 244)	(189)	32 517	(4 707)
Cost to income ratio	46.9%	58.7%	73.1%	10.0%	>100%	62.6%
Number of employees	528	338	178	3	319	1 366
Total assets (£'million)	3 458	6 713	502	2	471	11 146

For the year to 31 March £'000	UK & Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2008			
Interest income	575 490	134 562	710 052
Interest expense	(423 217)	(78 084)	(501 301)
Net interest income	**152 273**	**56 478**	**208 751**
Fees and commissions receivable	157 887	24 799	182 686
Fees and commissions payable	(8 949)	(1 061)	(10 010)
Principal transactions	52 537	14 668	67 205
Operating income from associates	749	(51)	698
Other operating income	44 432	1 500	45 932
Other income	**246 656**	**39 855**	**286 511**
Total operating income	**398 929**	**96 333**	**495 262**
Impairment losses on loans and advances	(21 592)	(6 353)	(27 945)
Net operating income	**377 337**	**89 980**	**467 317**
Administrative expenses	(280 500)	(56 193)	(336 693)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(14 758)	(714)	(15 472)
Operating profit before goodwill	**82 079**	**33 073**	**115 152**
Goodwill	-	-	-
Operating profit	**82 079**	**33 073**	**115 152**
Non-operating exceptional items	-	-	-
Profit before taxation	**82 079**	**33 073**	**115 152**
Taxation	(11 354)	(5 996)	(17 350)
Profit after taxation	**70 725**	**27 077**	**97 802**
Earnings attributable to minority shareholders	3 532	1 192	4 724
Earnings attributable to shareholders	67 193	25 885	93 078
	70 725	**27 077**	**97 802**
Net intersegment revenue	(2 689)	3 373	684
Cost to income ratio	74.0%	59.1%	71.1%
Effective tax rate	14.0%	18.1%	15.2%
Number of employees	1 357	407	1 764

Notes to the financial statements

At 31 March £'000	UK & Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2008			
Assets			
Cash and balances at central banks	608	7	615
Loans and advances to banks	873	138	1 011
Cash equivalent advances to customers	7	-	7
Reverse repurchase agreements and cash collateral on securities borrowed	351	-	351
Trading securities	417	16	433
Derivative financial instruments	418	68	486
Investment securities	808	308	1 116
Loans and advances to customers	5 883	827	6 710
Securitised assets	429	346	775
Interests in associated undertakings	11	3	14
Deferred taxation assets	34	16	50
Other assets	384	8	392
Property and equipment	122	4	126
Goodwill	53	35	88
Intangible assets	21	2	23
Total assets	**10 419**	**1 778**	**12 197**
Liabilities			
Deposits by banks	2 811	50	2 861
Derivative financial instruments	188	56	244
Other trading liabilities	193	-	193
Repurchase agreements and cash collateral on securities lent	288	-	288
Customer accounts	4 716	548	5 264
Debt securities in issue	195	399	594
Liabilities arising on securitisation	337	349	686
Current taxation liabilities	61	1	62
Deferred taxation liabilities	23	5	28
Other liabilities	383	32	415
	9 195	1 440	10 635
Subordinated liabilities	610	36	646
Total liabilities	**9 805**	**1 476**	**11 281**

Notes to the financial statements

For the year to 31 March £'000	UK & Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2007			
Interest income	397 112	94 588	491 700
Interest expense	(268 236)	(55 564)	(323 800)
Net interest income	**128 876**	**39 024**	**167 900**
Fees and commissions receivable	172 385	24 673	197 058
Fees and commissions payable	(7 535)	(143)	(7 678)
Principal transactions	74 237	7 753	81 990
Operating income from associates	702	162	864
Other operating income	44 236	2 529	46 765
Other income	**284 025**	**34 974**	**318 999**
Total operating income	**412 901**	**73 998**	**486 899**
Impairment losses on loans and advances	(6 312)	(1 178)	(7 490)
Net operating income	**406 589**	**72 820**	**479 409**
Administrative expenses	(254 776)	(42 049)	(296 825)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(7 473)	(622)	(8 095)
Operating profit before goodwill	**144 340**	**30 149**	**174 489**
Goodwill	-	10 680	10 680
Operating profit	**144 340**	**40 829**	**185 169**
Non-operating exceptional items	-	-	-
Profit before taxation	**144 340**	**40 829**	**185 169**
Taxation	(39 504)	(9 473)	(48 977)
Profit after taxation	**104 836**	**31 356**	**136 192**
Earnings attributable to minority shareholders	7 222	2 002	9 224
Earnings attributable to shareholders	97 614	29 354	126 968
	104 836	**31 356**	**136 192**
Net intersegment revenue	(4 180)	(527)	(4 707)
Cost to income ratio	63.5%	57.7%	62.6%
Effective tax rate	27.5%	31.6%	28.2%
Number of employees	1 131	235	1 366

At 31 March £'000	UK & Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2007			
Assets			
Cash and balances at central banks	31	12	43
Loans and advances to banks	706	75	781
Cash equivalent advances to customers	23	-	23
Reverse repurchase agreements and cash collateral on securities borrowed	1 980	-	1 980
Trading securities	477	68	545
Derivative financial instruments	266	67	333
Investment securities	1 391	356	1 747
Loans and advances to customers	3 957	663	4 620
Securitised assets	-	-	-
Interests in associated undertakings	(5)	17	12
Deferred taxation assets	20	5	25
Other assets	823	7	830
Property and equipment	119	2	121
Goodwill	53	15	68
Intangible assets	18	-	18
Total assets	**9 859**	**1 287**	**11 146**
Liabilities			
Deposits by banks	1 372	-	1 372
Derivative financial instruments	75	39	114
Other trading liabilities	96	-	96
Repurchase agreements and cash collateral on securities lent	1 598	-	1 598
Customer accounts	3 998	451	4 449
Debt securities in issue	599	478	1 077
Liabilities arising on securitisation	-	-	-
Current taxation liabilities	47	5	52
Deferred taxation liabilities	8	1	9
Other liabilities	877	22	899
	8 670	996	9 666
Subordinated liabilities	588	41	629
Total liabilities	**9 258**	**1 037**	**10 295**

Notes to the financial statements

For the year to 31 March £'000	UK & Europe	Australia	Total group
3. Segmental analysis (continued)			
A geographical breakdown of business operating profit before goodwill, non-operating items and taxation is shown below:			
2008			
Private Client Activities	89 134	18 015	107 149
Capital Markets	8 201	8 326	16 527
Investment Banking	7 588	4 948	12 536
Property Activities	144	99	243
Group Services and Other Activities	(22 988)	1 685	(21 303)
Total group	**82 079**	**33 073**	**115 152**
2007			
Private Client Activities	94 719	16 244	110 963
Capital Markets	46 463	9 737	56 200
Investment Banking	23 314	7 309	30 623
Property Activities	1 292	-	1 292
Group Services and Other Activities	(21 448)	(3 141)	(24 589)
Total group	**144 340**	**30 149**	**174 489**

For the year to 31 March £'000	2008	2007
Further details of business line operating profit before goodwill, non-operating items and taxation are shown below:		
Private Client Activities		
Private Banking	106 615	110 424
Private Client Portfolio Management and Stockbroking	534	539
	107 149	**110 963**
Capital Markets	**16 527**	**56 200**
Investment Banking		
Corporate Finance	6 470	7 200
Institutional Research and Sales and Trading	4 460	6 038
Direct Investments	(1 310)	5 309
Private Equity	2 916	12 076
	12 536	**30 623**
Property Activities	**243**	**1 292**
Group Services and Other Activities		
Central Funding	14 524	9 383
Central Costs	(35 827)	(33 972)
	(21 303)	**(24 589)**
	115 152	**174 489**

For the year to 31 March £'000	2008	2007
4. Principal transactions		
Principal transaction income includes:		
Gross trading income	39 683	40 644
Funding cost against trading income	(3 430)	(9 151)
Net trading income	36 253	31 493
Fair value movement from financial instruments designated as held at fair value	15 928	46 837
Gains on disposal of available for sale instruments	13 704	4 545
Impairments on available for sale instruments	-	(1 529)
Dividend income	1 883	644
Other	(563)	-
	67 205	**81 990**
Fair value movement from financial instruments designated as held at fair value includes:		
Fair value movement of designated equity positions	15 838	13 772
Fair value movement of designated loans and receivables	27 687	19 647
Fair value movement of designated securities	(27 597)	13 418
	15 928	**46 837**
5. Other operating income		
Rental income from properties	1 131	1 284
Operating income of non core businesses*	44 801	45 481
	45 932	**46 765**

* Includes operating income of certain private equity investments that have been consolidated, with their respective operating costs included in administrative expenses.

	2008	2007
6. Administrative expenses		
Staff costs	234 710	221 640
- Salaries and wages (including directors' remuneration)	207 834	197 741
- Social security costs	18 370	17 240
- Pension and provident fund contributions	8 506	6 659
Premises (excluding depreciation)	19 878	12 084
Equipment (excluding depreciation)	9 756	8 843
Business expenses	59 006	44 099
Marketing expenses	13 343	10 159
	336 693	**296 825**
The following amounts were paid to the auditors:		
Group audit	1 277	1 022
Subsidiary statutory audit	714	685
Other audit services	83	115
Total audit fees	**2 074**	**1 822**
Tax services	178	71
Other non-audit fees	257	95
Total non-audit fees	**435**	**166**
Total fees	**2 509**	**1 988**

For the year to 31 March £'000	2008	2007
7. Directors' emoluments		
Aggregate emoluments (excluding pension contributions)	8 077	9 222
Contributions to defined contributions scheme	887	284
	8 964	**9 506**
Number of directors in defined contributions scheme	4	4

Emoluments of the highest paid director were £3 246 024 (2007: £3 507 171) excluding £223 583 (2007: £212 083) of pension contributions to the defined contributions scheme. The highest paid director was a member of the defined benefits scheme or the defined contributions scheme. The directors' emoluments of Messrs. Herman, Koseff, B Kantor and I Kantor have been borne by Investec plc. These directors were employed and remunerated as directors, or executives, of Investec plc and its subsidiaries in respect of their services to that group as a whole. It is considered that there is no appropriate basis on which they can apportion part of their remuneration for services to the company.

8. Share based payments

The group operates share option and share purchase schemes for employees, the majority of which is on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the Investec group's 2008 remuneration report.

For the year to 31 March £'000	2008	2007
Expense charged to profit and loss:		
Equity settled^	17 133	9 627
Cash settled	305	379
Total profit and loss charge	**17 438**	**10 006**
Liabilities on cash settled options:		
Total liability included in other liabilities	6	94
Total intrinsic value for vested appreciation rights	11	301
Weighted average fair value of options granted in the year	19 614	33 737

^ The expense charged to the income statement in respect of equity settled options includes £1 363 774 (2007: £726 405) expensed by IdaTech plc, a private equity direct investment. Full details of IdaTech plc's share based payments are given in their annual report 2007.

At 31 March	UK schemes			
	2008		2007	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Details of options outstanding during the year				
Outstanding at the beginning of the year	22 145 324	0.73	20 763 290	1.23
Granted during the year	5 820 666	0.26	6 014 235	0.22
Exercised during the year*	(4 566 513)	1.38	(3 596 802)	2.15
Expired during the year	(2 017 262)	0.92	(1 035 399)	3.56
Outstanding at the end of the year	**21 382 215**	**0.46**	**22 145 324**	**0.73**
Exercisable at the end of the year	**542 993**	**3.30**	**635 943**	**3.00**

* Weighted average share price during the year.

The exercise price range and weighted average remaining contractual life for the options are as follows:

For the year to 31 March	UK schemes 2008	2007
Options with strike prices		
Exercise price range	£1.55 - £6.52	£1.55 - £6.11
Weighted average remaining contractual life	3.12 years	2.62 years
Long term incentive grants with no strike price		
Exercise price range	£0	£0
Weighted average remaining contractual life	3.21 years	3.43 years
The fair values of options granted were calculated on a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follow:		
- Share price at date of grant	£4.89 - £6.52	£4.98 - £6.11
- Exercise price	£0, £4.89 - £6.52	£0, £4.98 - £6.11
- Expected volatility	30%	39%
- Option life	5 - 5.25 years	5 - 5.25 years
- Expected dividend yields	4.63% - 6.90%	3.52% - 4.03%
- Risk-free rate	5.18% - 6.14%	3.98% - 5.10%

Expected volatility was determined based on historical volatility of the respective share price over 6 months. The expected attrition rates used were determined based on historical group data, with an adjustment to actual attrition on final vesting.

Notes to the financial statements

For the year to 31 March £'000	2008	2007
9. Taxation		
Current tax		
UK		
- current tax on income for the year	23 320	24 907
- adjustments in respect of prior years	(1 325)	(2 034)
- corporation tax before double tax relief	21 995	22 873
- double tax relief	(10 161)	(1 397)
	11 834	21 476
Europe	4 774	3 838
Australia	4 986	9 328
Other	10 123	5 703
	19 883	18 869
Total current tax	**31 717**	**40 345**
Deferred tax		
UK	(15 370)	8 596
Europe	-	(109)
Australia	1 003	145
Total deferred tax	**(14 367)**	**8 632**
Total tax charge for the year	**17 350**	**48 977**
Deferred tax comprises:		
Origination and reversal of temporary differences	(15 589)	7 620
Change in tax rates	1 872	-
Adjustment in respect of prior years	(650)	1 012
	(14 367)	**8 632**
Items which affect the tax rate going forward are:		
Estimated tax losses, arising from trading activities, available for relief against future taxable income		
UK	-	-
Europe	-	-
The rates of corporation tax for the relevant years are:		
UK	30%	30%
Europe (average)	20%	20%
Australia	30%	30%
Profit on ordinary activities before taxation	**115 152**	**185 169**
Tax on profit on ordinary activities	**17 350**	**48 977**
Effective tax rate	**15%**	**26%**

For the year to 31 March £'000	2008	2007
9. Taxation (continued)		
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation, at UK rate of 30%	34 546	55 551
Tax adjustments relating to foreign earnings	(4 470)	1 377
Taxation relating to prior years	(1 975)	(1 022)
Goodwill	-	(3 204)
Share options accounting expense	3 933	2 011
Share options exercised during the year	(4 505)	(2 987)
Unexpired share options future tax deduction	2 183	(1 489)
Non-taxable income	(488)	-
Utilisation of brought forward capital losses/SSE	(2 719)	(4 479)
Utilisation of brought forward trading losses	(2 090)	-
Net other permanent differences	10 563	3 219
Tax losses surrendered by fellow group companies for no charge	(19 500)	-
Change in rate	1 872	-
Total tax charge	**17 350**	**48 977**
10. Dividends		
Final dividend in respect of previous year	50 000	30 000
Interim dividends for current year	30 000	35 000
Total dividend attributable to ordinary shareholder recognised in current financial year	**80 000**	**65 000**
A final dividend of £10 000 000 in respect of the current year was paid on 30 May 2008.		
11. Miscellaneous		
Total foreign currency losses recognised in income except for trading activities	**124**	**541**
Operating lease expenses recognised in administrative expenses:		
Minimum lease payments	6 043	11 543
	6 043	**11 543**
Operating lease income recognised in income split as follows:		
Minimum lease payments	8 199	9 720
Sublease payments	116	985
	8 315	**10 705**

Prior year figures have been restated with no charge to the income statement.

Notes to the financial statements

For the year to 31 March £'000	At fair value through profit and loss		Held to maturity	Loans and receivables
	Trading	Designated at inception		
12. Analysis of income and expenses by category of financial instrument				
2008				
Net interest income	469	5 605	23 721	591 842
Fee and commission income	1 848	15 049	182	63 863
Fee and commission expense	-	(1 538)	(56)	(4 079)
Principal transactions	40 798	16 003	-	-
Operating income from associates	-	-	-	-
Other operating income	-	-	-	-
Total operating income	**43 115**	**35 119**	**23 847**	**651 626**
Impairment losses on loans and advances	-	-	-	(27 945)
Operating income	**43 115**	**35 119**	**23 847**	**623 681**
2007				
Net interest income	153	2 339	7 108	474 569
Fee and commission income	1 368	4 158	-	64 259
Fee and commission expense	-	(24)	-	(4 263)
Principal transactions	40 654	47 042	-	-
Operating income from associates	-	-	-	-
Other operating income	-	-	-	537
Total operating income	**42 175**	**53 515**	**7 108**	**535 102**
Impairment losses on loans and advances	-	-	-	(7 494)
Operating income	**42 175**	**53 515**	**7 108**	**527 608**

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Other activities	Total
98 475	(512 139)	778	-	208 751
-	(232)	1 003	100 973	182 686
(820)	(404)	-	(3 113)	(10 010)
13 594	(3 430)	-	240	67 205
-	-	698	-	698
-	-	1 132	44 800	45 932
111 249	**(516 205)**	**3 611**	**142 900**	**495 262**
-	-	-	-	(27 945)
111 249	**(516 205)**	**3 611**	**142 900**	**467 317**
39 802	(356 663)	592	-	167 900
-	301	282	126 690	197 058
-	(420)	-	(2 971)	(7 678)
3 254	(9 151)	-	191	81 990
-	-	864	-	864
-	-	1 273	44 955	46 765
43 056	**(365 943)**	**3 011**	**168 865**	**486 899**
4	-	-	-	(7 490)
43 060	**(365 943)**	**3 011**	**168 865**	**479 409**

The table below provides details of the categorisation of on balance sheet assets and liabilities. For financial assets and financial liabilities carried at fair value the table provides further details of the basis used for determining fair value according to the following hierarchy:

- Level 1 - The use of quoted market prices for identical instruments in an active market.
- Level 2 - The use of a valuation technique using observable inputs. This may include:
  - using quoted prices in active markets for similar instruments;
  - using quoted prices in inactive markets for identical or similar instruments, or
  - using models where all significant inputs are observable.
- Level 3 - Using models where one or more significant inputs are not observable.

At 31 March 2008 £'000	At fair value through profit and loss		Held to maturity	Loans and receivables
	Trading	Designated at inception		
13. Analysis of financial assets and liabilities by measurement basis				
Assets				
Cash and balances at central banks	-	-	-	614 619
Loans and advances to banks	4 633	-	-	1 006 143
Cash equivalent advances to customers	7 183	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	133 594	-	-	217 022
Trading securities	258 326	175 139	-	-
Derivative financial instruments	486 153	-	-	-
Investment securities	-	-	77 749	-
Loans and advances to customers	-	212 883	580 436	5 917 176
Securitised assets	-	78 256	-	696 547
Interests in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	338 177
Property and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	889 889	**466 278**	**658 185**	**8 789 684**
Liabilities				
Deposits by banks	5 095	-	-	-
Derivative financial instruments	244 440	-	-	-
Other trading liabilities	192 987	-	-	-
Repurchase agreements and cash collateral on securities lent	156 382	-	-	-
Customer accounts	125 518	-	-	-
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	-	-	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	-	-	-	-
	724 422	-	-	-
Subordinated liabilities	-	-	-	-
	724 422	**-**	**-**	**-**

During the current year, a portfolio of loans that were previously carried at fair value, have been reclassified to be carried at amortised cost. The value of the loans at the date of reclassification was £598.4 million. The loans, which form part of loans and advances were previously classified as available for sale. Management intend to hold these loans to maturity and therefore these have been reclassified to held to maturity financial instruments.

* Although classified as level 3, the difference in fair value and amortised cost is immaterial.

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total	Assets and liabilities carried at fair value	Valuation technique applied		
					Level 1	Level 2	Level 3
-	-	-	614 619	-	-	-	-
-	-	-	1 010 776	4 633	4 633	-	-
-	-	-	7 183	7 183	7 183	-	-
-	-	-	350 616	133 594	68 594	65 000	-
-	-	-	433 465	433 465	239 160	178 134	16 171
-	-	-	486 153	486 153	-	444 864	41 289
1 038 726	-	-	1 116 475	1 038 726	15 801	1 022 925	-
-	-	-	6 710 495	212 883	-	-	*212 883
-	-	-	774 803	78 256	-	-	78 256
-	-	14 440	14 440	-	-	-	-
-	-	49 876	49 876	-	-	-	-
-	-	53 381	391 558	-	-	-	-
-	-	125 927	125 927	-	-	-	-
-	-	88 282	88 282	-	-	-	-
-	-	22 639	22 639	-	-	-	-
1 038 726	**-**	**354 545**	**12 197 307**	**2 394 893**	**335 371**	**1 710 923**	**348 599**
-	2 855 532	-	2 860 627	5 095	5 095	-	-
-	-	-	244 440	244 440	-	244 440	-
-	-	-	192 987	192 987	192 987	-	-
-	131 203	-	287 585	156 382	53 382	103 000	-
-	5 138 969	-	5 264 487	125 518	-	125 518	-
-	594 180	-	594 180	-	-	-	-
-	686 486	-	686 486	-	-	-	-
-	-	62 329	62 329	-	-	-	-
-	-	27 985	27 985	-	-	-	-
-	305 037	108 445	413 482	-	-	-	-
-	9 711 407	198 759	10 634 588	724 422	251 464	472 958	-
-	645 929	-	645 929	-	-	-	-
-	**10 357 336**	**198 759**	**11 280 517**	**724 422**	**251 464**	**472 958**	**-**

At 31 March 2007 £'000	At fair value through profit and loss Trading	 Designated at inception	Held to maturity	Loans and receivables
13. Analysis of financial assets and liabilities by measurement basis (continued)				
Assets				
Cash and balances at central banks	-	-	-	42 827
Loans and advances to banks	6 399	-	-	774 768
Cash equivalent advances to customers	55	-	-	23 155
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	1 979 936
Trading securities	278 370	266 271	-	-
Derivative financial instruments	332 862	-	-	-
Investment securities	-	-	145 234	-
Loans and advances to customers	-	139 417	-	4 012 947
Securitised assets	-	-	-	-
Interests in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	4 915	-	791 510
Property and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	617 686	410 603	145 234	7 625 143
Liabilities				
Deposits by banks	3 517	-	-	-
Derivative financial instruments	114 384	-	-	-
Other trading liabilities	96 252	-	-	-
Repurchase agreements and cash collateral on securities lent	255 571	-	-	-
Customer accounts	83 608	-	-	-
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	-	-	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	-	-	-	-
	553 332	-	-	-
Subordinated liabilities	-	-	-	-
	553 332	-	-	-

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total	Assets and liabilities carried at fair value	Valuation technique applied Level 1	Level 2	Level 3
-	-	-	42 827	-	-	-	-
-	-	-	781 167	6 399	6 399	-	-
-	-	-	23 210	55	55	-	-
-	-	-	1 979 936	-	-		
-	-	-	544 641	544 641	213 125	297 606	33 910
-	-	-	332 862	332 862	-	310 961	21 901
1 601 813	-	-	1 747 047	1 601 813	24 875	1 576 938	-
467 407	-	-	4 619 771	606 824	-	606 824	-
-	-	-	-	-	-	-	-
-	-	12 433	12 433	-	-	-	-
-	-	25 136	25 136	-	-	-	-
-	-	33 495	829 920	4 915	-	4 915	-
-	-	120 910	120 910	-	-	-	-
-	-	68 193	68 193	-	-	-	-
-	-	17 741	17 741	-	-	-	-
2 069 220	**-**	**277 908**	**11 145 794**	**3 097 509**	**244 454**	**2 797 244**	**55 811**
-	1 368 262	-	1 371 779	3 517	3 517	-	-
-	-	-	114 384	114 384	-	114 384	-
-	-	-	96 252	96 252	96 252	-	-
-	1 342 557	-	1 598 128	255 571	255 571	-	-
-	4 365 048	-	4 448 656	83 608	-	83 608	-
-	1 077 436	-	1 077 436	-	-	-	-
-	-	-	-	-	-	-	-
-	-	51 860	51 860	-	-	-	-
-	-	8 540	8 540	-	-	-	-
-	774 247	124 969	899 216	-	-	-	-
-	8 927 550	185 369	9 666 251	553 332	355 340	197 992	-
-	628 819	-	628 819	-	-	-	-
-	**9 556 369**	**185 369**	**10 295 070**	**553 332**	**355 340**	**197 992**	**-**

At 31 March £'000	Carrying value	Fair value adjustment attributable to credit risk Year to date	 Cumulative	Maximum exposure to credit risk
14. Designated at fair value: loans and receivables				
Loans and receivables designated at fair value through profit or loss				
2008				
Loans and advances to customers	212 883	4 767	4 767	212 883
Securitised assets	78 256	15 063	15 063	78 256
	291 139	**19 830**	**19 830**	**291 139**
2007				
Loans and advances to customers	139 417	66	66	139 417
	139 417	**66**	**66**	**139 417**

At 31 March £'000	2008	2007
15. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	133 594	-
Cash collateral on securities borrowed	217 022	1 979 936
	350 616	**1 979 936**

As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. £250 million (2007: £1 804 million) has been resold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.

	2008	2007
Liabilities		
Repurchase agreements	267 976	255 571
Cash collateral on securities lent	19 609	1 342 557
	287 585	**1 598 128**

At 31 March £'000	2008 Fair value	 Unrealised gains/(losses)	2007 Fair value	 Unrealised gains/(losses)
16. Trading securities				
Listed equities	96 558	12 105	213 125	7 449
Unlisted equities	9 144	-	5 836	-
Bonds	327 763	(20 570)	325 680	994
	433 465	**(8 465)**	**544 641**	**8 443**

Notes to the financial statements

17. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

At 31 March £'000	Notional principal amounts 2008	Positive fair value 2008	Negative fair value 2008	Notional principal amounts 2007	Positive fair value 2007	Negative fair value 2007
Foreign exchange derivatives						
Forward foreign exchange	3 479 995	78 026	(56 861)	3 008 846	12 611	(6 294)
Currency swaps	682 219	6 949	(26 571)	2 116 881	4 495	(9 192)
OTC options bought and sold	63 474	516	(69)	21 501	104	-
Other foreign exchange contracts	-	-	-	766	-	-
OTC derivatives	4 225 688	85 491	(83 501)	5 147 994	17 210	(15 486)
Exchange traded futures	-	-	-	-	-	-
Exchange traded options	-	-	-	-	-	-
	4 225 688	**85 491**	**(83 501)**	**5 147 994**	**17 210**	**(15 486)**
Interest rate derivatives						
Caps and floors	525 588	98	(67)	113 399	161	(37)
Swaps	12 038 309	88 904	(41 741)	1 140 250	31 468	(33 953)
OTC options bought and sold	5 623	4	-	82 533	18	-
Other interest rate contracts	-	-	-	3 445	13	(13)
OTC derivatives	12 569 520	89 006	(41 808)	1 339 627	31 660	(34 003)
Exchange traded futures	22 359 770	494	(1 027)	7 669 681	113	(64)
Exchange traded options	594 783 497	13 669	(14 731)	118 533 157	-	(156)
	629 712 787	**103 169**	**(57 566)**	**127 542 465**	**31 773**	**(34 223)**
Equity and stock index derivatives						
OTC options bought and sold	15 931	3 122	(1 125)	424 470	7 037	(707)
Equity swaps and forwards	76 770	717	(1 071)	456 771	5 885	(9 215)
OTC derivatives	92 701	3 839	(2 196)	881 241	12 922	(9 922)
Exchange traded futures	35 463	-	(535)	735 632	1 926	(49)
Exchange traded options	97 923	6 917	(6 758)	15 116	1 062	(1 023)
Warrants	35 227	8 912	-	264 391	29 111	-
	261 314	**19 668**	**(9 489)**	**1 896 380**	**45 021**	**(10 994)**
Commodity derivatives						
OTC options bought and sold	423 191	29 650	(13 036)	595 353	42 447	(16 337)
Commodity swaps and forwards	2 347 049	278 474	(175 145)	1 564 390	191 011	(75 187)
OTC derivatives	2 770 240	308 124	(188 181)	2 159 743	233 458	(91 524)
Exchange traded futures	1 519 836	172 769	(146 229)	565 752	185 801	(143 278)
Exchange traded options	271 205	21 285	(27 552)	467 991	57 282	(78 060)
	4 561 281	**502 178**	**(361 962)**	**3 193 486**	**476 541**	**(312 862)**
Credit derivatives						
Credit swaps bought and sold	79 835	8 645	(6 209)	55 505	494	(897)
	79 835	**8 645**	**(6 209)**	**55 505**	**494**	**(897)**
Embedded derivatives		**41 289**	**-**		**21 901**	**-**
Gross fair values		760 440	(518 727)		592 940	(374 462)
Effect of on balance sheet netting		(274 287)	274 287		(260 078)	260 078
Derivatives per balance sheet		**486 153**	**(244 440)**		**332 862**	**(114 384)**

The replacement values of these contracts are their positive fair values.

Notes to the financial statements

At 31 March £'000	2008	2007
18. Investment securities		
Listed equities	15 801	24 875
Unlisted equities	43 724	12 340
Certificates of deposit, bank bills and other commercial paper	649 801	1 277 444
Floating rate notes	405 387	430 409
Bonds	1 610	1 824
Other investments	152	155
	1 116 475	**1 747 047**
19. Loans and advances to customers		
Category analysis		
Private banking - professional and high net worth individuals	3 553 423	2 670 480
Corporate sector	2 455 466	1 544 920
Banking, insurance and financial services	307 440	246 660
Public and government sector	159 746	131 762
Other	264 709	43 718
	6 740 784	**4 637 540**
Specific impairment	(28 053)	(16 229)
Portfolio impairment	(2 236)	(1 540)
	6 710 495	**4 619 771**
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments		
Specific impairment		
At beginning of year	16 229	8 679
Charge to the income statement	27 157	7 315
Acquired	-	7 916
Utilised	(17 023)	(7 833)
Exchange adjustments	1 690	152
At end of year	**28 053**	**16 229**
Portfolio impairment		
At beginning of year	1 540	1 369
Charge to the income statement	679	175
Exchange adjustments	17	(4)
At end of year	**2 236**	**1 540**
Interest income recognised on loans that have been impaired	1 356	-

At 31 March £'000	2008	2007
20. Securitised assets		
Investec enters into transactions in the normal course of business by which it transfers recognised financial assets directly to third parties or to special purpose entities. Where these financial assets do not qualify for derecognition, they are disclosed as securitised assets on the face of the balance sheet.		
Securitised assets comprise the following categories of assets:		
Loans and advances to customers	708 634	-
Cash and cash equivalents	16 083	-
Other financial instruments at fair value	50 327	-
	775 044	-
Impairment of loans and advances to customers	(241)	-
Total securitised assets	**774 803**	**-**
The associated liabilities are recorded on balance sheet in "Liabilities arising on securitisation". At 31 March, the carrying value was	686 486	-
Securitised loans and advances to customers category analysis		
Private banking - professional and high net worth individuals	708 634	-
	708 634	-
Specific impairments	(241)	-
	708 393	**-**
A charge to the income statement of £109 000 in respect of specific impairments on securitised assets has been made in the current year.		
21. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	6 837	4 830
Goodwill	7 603	7 603
Investment in associated undertakings	**14 440**	**12 433**
Analysis of the movement in our share of net assets:		
At beginning of year	4 830	4 420
Exchange adjustments	148	9
Acquisitions	1 676	266
Disposal of shareholding in associate undertaking	(304)	(306)
Operating income from associates	698	864
Dividends received	(211)	(423)
At end of year	**6 837**	**4 830**
Analysis of the movement in goodwill:		
At beginning and end of year	**7 603**	**7 603**
Associated undertakings:		
Unlisted	14 440	12 433
	14 440	**12 433**
Summarised financial information of the bank's principal associate, Hargreave Hale, is as follows:		
Total assets	199 961	140 342
Total liabilities	191 862	133 538
Total revenue	15 605	14 747
Profit before tax	1 921	2 156

At 31 March £'000	2008	2007
22. Deferred taxation		
Deferred taxation assets		
Capital allowances	27 364	5 738
Income and expenditure accruals	8 790	4 983
Arising from unexpired share options	3 971	11 954
Unrealised fair value adjustments on financial instruments	117	-
Other temporary differences	9 634	2 461
	49 876	**25 136**
Deferred taxation liabilities		
Capital allowances	(6 917)	(2 058)
Income and expenditure accruals	(4 540)	-
Unrealised fair value adjustments on financial instruments	(2 374)	-
Arising on anticipated foreign dividends	(6 766)	(3 111)
Other temporary differences	(7 388)	(3 371)
	(27 985)	**(8 540)**
Net deferred taxation asset	**21 891**	**16 596**
Reconciliation of net deferred taxation asset		
At beginning of year	16 596	21 231
Credit/(charge) to profit and loss	14 367	(8 632)
(Charge)/credit directly in equity	(10 451)	5 094
Arising on acquisition of subsidiary undertaking	589	(395)
Exchange adjustments	279	1 454
Transfer to corporation tax	511	(2 156)
At end of year	**21 891**	**16 596**
Deferred tax on available for sale instruments recognised directly in equity	(2 591)	1 344
Deferred tax on unexpired share options recognised directly in equity	(5 109)	5 109
Current tax recognised in equity	6 202	-
23. Other assets		
Settlement debtors	201 232	670 492
Trading initial margin	49 792	11 093
Operating leased assets in stock	10 672	53 237
Dealing properties	4 131	2 509
Other debtors	125 731	92 589
	391 558	**829 920**

At 31 March £'000	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
24. Property and equipment					
2008					
Cost					
At beginning of year	5 552	19 945	6 175	111 894	143 566
Exchange adjustments	27	330	245	(1 901)	(1 299)
Acquisition of subsidiary undertaking	-	-	-	232	232
Reclassifications	-	(200)	-	(973)	(1 173)
Additions	3 062	7 172	2 080	3 795	16 109
Disposals	-	(15)	(34)	(310)	(359)
At end of year	**8 641**	**27 232**	**8 466**	**112 737**	**157 076**
Accumulated depreciation					
At beginning of year	(13)	(7 797)	(5 308)	(9 538)	(22 656)
Exchange adjustments	-	(161)	(181)	137	(205)
Reclassifications	-	-	-	1 173	1 173
Disposals	-	10	23	240	273
Depreciation	(13)	(1 430)	(254)	(8 037)	(9 734)
Impairment losses	-	-	-	-	-
At end of year	**(26)**	**(9 378)**	**(5 720)**	**(16 025)**	**(31 149)**
Net book value	**8 615**	**17 854**	**2 746**	**96 712**	**125 927**
2007					
Cost					
At beginning of year	598	19 251	5 988	7 020	32 857
Exchange adjustments	(156)	(25)	(42)	(3 535)	(3 758)
Acquisition of subsidiary undertaking	3 893	196	29	89 310	93 428
Reclassifications	(53)	-	-	-	(53)
Additions	1 270	523	758	19 919	22 470
Disposals	-	-	(558)	(820)	(1 378)
At end of year	**5 552**	**19 945**	**6 175**	**111 894**	**143 566**
Accumulated depreciation					
At beginning of year	(53)	(6 364)	(5 005)	(5 761)	(17 183)
Exchange adjustments	-	4	27	6	37
Reclassifications	53	-	-	-	53
Disposals	-	-	211	796	1 007
Depreciation	(13)	(1 233)	(422)	(4 579)	(6 247)
Impairment losses	-	(204)	(119)	-	(323)
At end of year	**(13)**	**(7 797)**	**(5 308)**	**(9 538)**	**(22 656)**
Net book value	**5 539**	**12 148**	**867**	**102 356**	**120 910**

Notes to the financial statements

At 31 March £'000	2008	2007
25. Goodwill		
Cost		
At beginning of year	70 684	38 818
Additions	17 484	33 355
Reclassifications	(1 148)	-
Exchange adjustments	4 288	(1 489)
At end of year	**91 308**	**70 684**
Accumulated impairments		
At beginning of year	(2 491)	(2 627)
Exchange adjustments	(535)	136
At end of year	**(3 026)**	**(2 491)**
Net book value	**88 282**	**68 193**
Analysis of goodwill by line of business and geography		
UK and Europe		
Private Banking	13 529	12 933
Capital Markets	8 552	8 552
Investment Banking	31 478	32 022
	53 559	**53 507**
Australia		
Private Banking	18 536	-
Investment Banking	16 187	14 686
	34 723	**14 686**
Total group	**88 282**	**68 193**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired.

The recoverable amount of goodwill is determined based on expected cashflows within the cash generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure.

Discount rates are arrived at based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on most recent financial budgets for the next financial year and are extrapolated for a period of 3 years, adjusted for expected future events.

At 31 March £'000	Intellectual property	Core technology	Acquired software	Total
26. Intangible fixed assets				
2008				
Cost				
At beginning of year	5 688	5 109	12 315	23 112
Exchange adjustments	(105)	(94)	222	23
Reclassifications	(3 709)	4 256	-	547
Acquisition of a subsidiary undertaking	199	-	-	199
Additions	-	2 192	7 337	9 529
Disposals	-	-	(170)	(170)
At end of year	**2 073**	**11 463**	**19 704**	**33 240**
Accumulated amortisation and impairments				
At beginning of year	(238)	(222)	(4 911)	(5 371)
Exchange adjustments	5	5	(271)	(261)
Reclassifications	380	221	-	601
Disposals	-	-	168	168
Amortisation	(127)	(430)	(5 181)	(5 738)
At end of year	**20**	**(426)**	**(10 195)**	**(10 601)**
Net book value	**2 093**	**11 037**	**9 509**	**22 639**
2007				
Cost				
At beginning of year	-	-	5 247	5 247
Exchange adjustments	(263)	(245)	(16)	(524)
Acquisition of a subsidiary undertaking	5 743	5 354	4	11 101
Additions	208	-	7 136	7 344
Disposals	-	-	(56)	(56)
At end of year	**5 688**	**5 109**	**12 315**	**23 112**
Accumulated amortisation and impairments				
At beginning of year	-	-	(3 934)	(3 934)
Exchange adjustments	-	-	33	33
Disposals	-	-	55	55
Amortisation	(238)	(222)	(1 065)	(1 525)
At end of year	**(238)**	**(222)**	**(4 911)**	**(5 371)**
Net book value	**5 450**	**4 887**	**7 404**	**17 741**

Charge to the profit and loss account in 2008 of £5 738 000 comprises the following:
- Amortisation of acquired contracts and computer software of £5 181 000.
- Amortisation of intellectual property and core technology of £127 000 and £430 000 respectively.

Charge to the profit and loss account in 2007 of £1 525 000 comprises the following:
- Amortisation of acquired contracts and computer software of £1 065 000.
- Amortisation of intellectual property and core technology of £238 000 and £222 000 respectively.

27. Acquisitions

2008

The group has made the following acquisition of a subsidiary undertaking in the year ended 31 March 2008 which was accounted for on an acquisition basis:

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.

The loss for the period 1 October 2007 to 31 March 2008 included in the group's consolidated results was A$0.7 million. For the year ended 31 March 2008 the Experien Group's loss was A$1.1 million. The total cost of the combination was A$31.7 million and comprised of the payment of cash of A$3.2 million, future earn-out payments of A$8.1 million and the reclassification of an option already 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.

Assets and liabilities at the date of acquisition and total consideration paid are set out in the table below:

£'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	14 360	-	14 360
Loans and advances to customers	32 888	-	32 888
Securitised assets	270 645	(2 141)	268 504
Deferred taxation assets	749	3 486	4 235
Other assets	2 106	-	2 106
Property and equipment	232	-	232
Intangible assets	-	199	199
Total assets	**320 980**	**1 544**	**322 524**
Liabilities arising on securitisation	280 163	-	280 163
Other liabilities	42 436	-	42 436
Deferred tax liabilities	3 646	-	3 646
Total liabilities and minorities	**326 245**	**-**	**326 245**
Fair value of net assets	**(5 265)**	**1 544**	**(3 721)**
Goodwill			17 484
Fair value of consideration			**13 763**

27. Acquisitions (continued)

2007

i. On 7 July 2006 Investec Bank (UK) Limited ("IBUK") acquired the entire share capital of N.M. Rothschild Australia Holdings Pty Limited and its subsidiary, N.M. Rothschild and Sons (Australia) Limited ("Rothschild") resulting in negative goodwill of £10 680 000 which has been released to the income statement. At acquisition, Rothschild changed its name to Investec Australia Limited ("IAL") and on 29 September 2006 all the assets and liabilities of IAL were transferred to IBUK's subsidiary, Investec Bank (Australia) Limited (IBAL). In the period between acquisition and the transfer of all the assets and liabilities of IAL the profit made by the acquired company was £12 000.

The acquisition was satisfied by the payment of cash. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below:

£'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Cash and balances at central banks	10 582	-	10 582
Loans and advances to banks	31 950	-	31 950
Trading securities	434 309	-	434 309
Derivative financial instruments	101 047	-	101 047
Loans and advances to customers	207 341	(7 725)	199 616
Deferred taxation assets	1 187	1 725	2 912
Other assets	3 063	-	3 063
Property and equipment	555	(140)	415
Total assets	**790 034**	**(6 140)**	**783 894**
Deposits by banks	77 050	-	77 050
Derivative financial instruments	73 191	-	73 191
Customer accounts	497 024	-	497 024
Other liabilities	6 113	1 953	8 066
Subordinated liabilities	40 634	-	40 634
Total liabilities and minorities	**694 012**	**1 953**	**695 965**
Fair value of net assets	**96 022**	**(8 093)**	**87 929**
Negative goodwill arising on acquisition			(10 680)
Fair value of consideration			**77 249**

ii. In May 2006, Global Ethanol Holdings Limited ("GEHL"), acquired a 60% holding in Midwest Grain Processors LLC, a company engaged in the production and marketing of ethanol in the USA. The acquisition was financed by the issue of equity and shareholder loans which resulted in the Investec group having a 71.4% holding in GEHL. During the year GEHL has also completed a small number of acquisitions. For the period since acquisition GEHL contributed £1 646 000 to the group's profit before tax.

27. Acquisitions (continued)

iii. On 19 July 2006, IBUK acquired a 99.73% holding in IdaTech LLC, a company engaged in the development of fuel processors and fuel call systems in the USA. The acquisition was satisfied by the payment of cash. For the period since acquisition, the loss before tax included within the group results is £2 329 000.

Assets and liabilities at the date of acquisition and total consideration paid are set out in the table below:

£'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	2 862	-	2 862
Other assets	14 777	-	14 777
Property and equipment	83 002	10 011	93 013
Intangible assets	1 464	9 637	11 101
Total assets	**102 105**	**19 648**	**121 753**
Deposits by banks	38 432	-	38 432
Other liabilities	10 522	6 469	16 991
Deferred tax liabilities	-	3 307	3 307
Minority interests	22 091	-	22 091
Total liabilities and minorities	**71 045**	**9 776**	**80 821**
Fair value of net assets	**31 060**	**9 872**	**40 932**
Goodwill			33 355
Fair value of consideration			**74 287**
Total fair value of cash consideration less cash arising on acquisitions			**140 954**

At 31 March £'000	2008	2007
28. Other trading liabilities		
Short positions		
- equities	59 635	96 252
- gilts	133 352	-
	192 987	**96 252**
29. Debt securities in issue		
Bonds and medium term notes repayable:		
Up to one year	54 182	295 996
Greater than one year but less than five years	12 576	12 832
Greater than five years	-	-
	66 758	308 828
Other unlisted debt securities in issue repayable:		
Not more than three months	224 663	235 067
Over three months but not more than one year	151 293	403 291
Over one year but not more than five years	151 466	130 250
	527 422	768 608
	594 180	**1 077 436**
30. Other liabilities		
Settlement liabilities	237 465	729 610
Other creditors and accruals	130 655	136 590
Other non interest bearing liabilities	45 362	33 016
	413 482	**899 216**

At 31 March £'000	2008	2007
31. Pension commitments		
Cost of defined contribution schemes	8 506	6 659

Pension costs relate to defined contribution schemes. The group has adopted IAS 19 in respect of defined benefit schemes. Employees of the bank participate in the Guinness Mahon Pension scheme ("the scheme") which is a non-contributory defined benefit scheme and its assets are held in separate trustee administered funds. Employees from other Investec plc undertakings also participate in this scheme and the bank is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the bank has accounted for this scheme on a defined contribution basis. The scheme is closed to new entrants and accrual of service ceased on 31 March 2002. The bank made no contributions to the scheme in the year ended 31 March 2008 (31 March 2007: nil).

The accounts of Investec plc, the bank's ultimate parent company, disclose the actuarial valuation of the scheme under IAS 19 at 31 March 2008. This was performed by a qualified, independent actuary. The valuation showed a surplus in the scheme of £17 631 000 (31 March 2007: surplus of £4 178 000). This surplus has been recognised in the financial statements of Investec plc.

The major assumptions used were:

For the year to 31 March	2008	2007
Discount rate	6.70%	5.40%
Rate of increase in salaries	3.50%	3.00%
Rate of increase in pensions in payment	3.30%	2.90%
Inflation	3.50%	3.10%
Demographic assumptions		
One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables with allowance for future improvements in line with the medium cohort projection, subject to a 1% underpin. The life expectancies underlying the valuation are as follows:		
Male aged 65	87.5	86.9
Female aged 65	90.8	89.8
Male aged 45	89.5	88.0
Female aged 45	92.9	90.8

The assets held in the schemes and the expected rates of return were:

For the year to 31 March	Value at 2008 £'000	Long-term rate of return expected	Value at 2007 £'000	Long-term rate of return expected
Equities	34 720	7.50%	40 122	7.60%
Gilts	60 121	4.50%	53 873	4.60%
Cash	3 109	5.25%	1 361	5.25%
Total market value of assets	**97 950**		**95 356**	

31. Pension commitments (continued)

The following amounts have been recognised in the financial statements of the bank's ultimate parent company, Investec plc, in accordance with IAS 19:

£'000	2008	2007
Recognised in the balance sheet		
Fair value of fund assets	97 950	95 356
Present value of obligations	(80 319)	(91 178)
Net asset	**17 631**	**4 178**
Amounts in balance sheet		
Asset	17 631	4 178
Net assets	**17 631**	**4 178**
Recognised in the income statement		
Expected return on pension scheme assets	5 582	5 272
Interest on pension obligations	(4 814)	(4 414)
Net return	**768**	**858**
Recognised in the statement of recognised income and expense		
Actuarial losses on plan assets	(2 410)	(3 315)
Actuarial gains/(losses)	11 543	(165)
Actuarial gain/(loss)	9 133	(3 480)
Deferred tax	(2 557)	1 044
Actuarial gain/(loss) in statement of recognised income and expense	**6 576**	**(2 436)**

The cumulative amount of net actuarial losses recognised in the consolidated statement of recognised income and expense of Investec plc in respect of the scheme is £2.6 million (£1.6 million net of deferred tax). 2007: £11.7 million (£8.2 million net of deferred tax).

£'000	Total
Changes in the fair value of defined benefit obligations	
Defined benefit obligation at 31 March 2006	89 927
Interest cost	4 414
Actuarial losses	165
Benefits paid	(3 328)
Defined benefit obligation at 31 March 2007	91 178
Interest cost	4 814
Actuarial gains	(11 543)
Benefits paid	(4 130)
Defined benefit obligation at 31 March 2008	**80 319**
Changes in the fair value of plan assets	
Assets at 31 March 2006	93 175
Expected return	5 272
Actuarial losses	(3 315)
Contributions by the employer	3 552
Benefits paid	(3 328)
Assets at 31 March 2007	95 356
Expected return	5 582
Actuarial losses	(2 410)
Contributions by the employer	3 552
Benefits paid	(4 130)
Assets at 31 March 2008	**97 950**

The group expects to make £3.55 million of contributions to the scheme in 2009.

31. Pension commitments (continued)

At 31 March	2008	2007	2006	2005
History of experience gains and losses				
GM Scheme				
Defined benefit obligation	(80 319)	(91 178)	(89 927)	(82 871)
Plan assets	97 950	95 356	93 175	74 447
Surplus/(deficit)	17 631	4 178	3 248	(8 424)
Experience adjustments on plan liabilities	11 543	(165)	(5 765)	1 731
Experience adjustments on plan assets	(2 410)	(3 315)	8 125	1 905

At 31 March £'000	2008	2007
32. Subordinated liabilities		
Issued by Investec Bank (UK) Limited		
Zero coupon bonds	18 087	21 254
Issued by subsidiaries of Investec Bank (UK) Limited:		
Issued by Investec Finance plc		
Guaranteed subordinated step-up notes	200 865	195 055
Guaranteed undated subordinated callable step-up notes	356 728	345 658
Issued by Investec Bank (Australia) Limited		
Guaranteed subordinated medium term notes	45 748	41 077
Issued by Global Ethanol Holdings Limited		
Subordinated loan notes	24 501	25 775
	645 929	**628 819**
Remaining maturity:		
In one year or less, or on demand	8 501	-
In more than one year, but not more than two years	9 586	7 890
In more than two years, but not more than five years	271 114	275 271
In more than five years	356 728	345 658
	645 929	**628 819**

Zero coupon bonds

On 29 March 2004 the bank issued 9 253 zero coupon bonds of £1 000 each at an effective yield of 6.89094%. The bonds mature on 25 March 2009.

On 16 November 2004 the bank issued 10 434 zero coupon bonds of £1 000 each at an effective yield of 6.948%. The bonds mature on the 16 November 2009.

During the year 10 000 zero coupon bonds of US$1 000 each were repurchased and cancelled.

Guaranteed subordinated step-up notes

On 1 March 2004 Investec Finance plc issued £200 000 000 of 7.75% guaranteed subordinated step-up notes due 2016 at a discount. Interest is paid annually. The notes are guaranteed by Investec Bank (UK) Limited and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 1 March 2011, subject to the prior consent of the Financial Services Authority. On 1 March 2011 the interest rate will be reset to become the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt.

Guaranteed undated subordinated callable step-up notes

On 23 January 2007 Investec Finance plc issued £350 000 000 of 6.25% guaranteed undated subordinated step-up notes callable 2017 at a discount. Interest is paid semi-annually. The notes are guaranteed by Investec Bank (UK) Limited and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 23 January 2017, subject to the prior consent of the Financial Services Authority. On 23 January 2017 the interest rate will be reset to become three month LIBOR plus 2.11% payable quarterly in arrears.

32. Subordinated liabilities (continued)

As a result on the acquisition of N.M. Rothschild, in July 2006, Investec Bank (Australia) Limited has the following subordinated debt instruments in issue:

Guaranteed subordinated medium term notes
A$53 500 000 of floating rate medium term notes (MTN) issued on 3 December 2004 at 3 month Bank Bills Swap Rate (BBSW)

plus 1.05%. The maturity date is 3rd December 2014. Interest is payable quarterly up to and excluding the early redemption date 3 December 2009. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears.

A$21 500 000 of fixed rate MTN at 6.75% issued on the 3 December 2004. The maturity date is 3 December 2014. Interest is payable semi-annually up to and excluding the early redemption date 3 December 2009. After this date, if the issuers call is not exercised, the MTN will convert to floating rate and the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears.

A$25 000 000 of floating rate MTN issued on 10 August 2005 at 3 month BBSW plus 0.90%. The maturity date is 10 August 2015. Interest is payable quarterly up to and excluding the early redemption date 10 August 2010. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.40% payable quarterly in arrears.

Subordinated loan notes
Global Ethanol Holdings Limited has issued loan notes which are redeemable on a date determined by the board of the company, at its absolute discretion. The loan notes will be redeemed on the earlier of: (i) the sale of all or substantially all of their business or assets of the company and its subsidiaries: (ii) the quotation of the company's shares on the Australian Stock Exchange or other stock exchange; (iii) a date on which 50% or more of the shares or more of the shares on issue are sold to any one party; or (iv) on 31 December 2011, the redemption date. The Shareholders may agree with the company the interest (if any) which will accrue on the loan notes. They are currently non interest bearing.

At 31 March £'000	2008	2007
33. Called up share capital		
Authorised		
The authorised share capital is £1 000 million (2007 : £1 000 million) comprising:		
1 000 million ordinary shares of £1 each (2007 : 1 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	505 000 000	354 000 000
Issued during the year	50 000 000	151 000 000
At end of year	**555 000 000**	**505 000 000**
Nominal value of ordinary shares	£'000	£'000
At beginning of year	505 000	354 000
Issued during the year	50 000	151 000
At end of year	**555 000**	**505 000**
The unissued shares are under the control of the directors until the next annual general meeting.		
34. Minority interests		
Minority interests attributable to holders of ordinary shares in subsidiaries	48 623	40 703
	48 623	**40 703**

At 31 March £'000	2008 Total future minimum payments	2008 Present value	2007 Total future minimum payments	2007 Present value
35. Miscellaneous balance sheet items				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than 1 year	121 367	95 772	34 497	26 020
1 - 5 years	232 941	197 406	69 966	58 386
Later than 5 years	6 977	6 136	10 577	8 981
	361 285	**299 314**	**115 040**	**93 387**
Unearned finance income	**61 971**		**21 653**	

At 31 March 2008, unguaranteed residual values of £773 000 (2007: £2 220 000) have been accrued.

36. Cash flow reconciliations

At 31 March £'000	2008	2007
Reconciliation of operating profit to net operating cash flows		
Operating profit	**115 152**	**185 169**
Adjustment for non cash items included in operating profit:		
Impairment of goodwill	-	(10 680)
Depreciation, amortisation and impairment of property, equipment and intangible assets	15 472	8 095
Impairment of loans and advances	27 945	7 490
Operating income from associates	(698)	(864)
Dividends received from associates	211	423
Reconciliation of operating profit to net operating cash flows	**158 082**	**189 633**

At 31 March £'000	2008	2007
37. Commitments		
Undrawn facilities	1 012 448	974 501
	1 012 448	**974 501**

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

	2008	2007
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	15 213	12 534
1 - 5 years	53 533	45 594
Later than 5 years	35 272	42 996
	104 018	**101 124**

At 31 March 2008, future minimum sublease payments of £728 000 (2007: £1 595 000) were expected to be received under non-cancellable subleases at the balance sheet date.

	2008	2007
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	2 044	34 497
1 - 5 years	3 129	69 966
Later than 5 years	92	10 577
	5 265	**115 040**

Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property.

The term of the leases range between 3 and 5 years with no annual escalation clauses.

The majority of the leases have renewal options.

	Carrying amount		Related liability	
	2008	2007	2008	2007
Pledged assets				
Loans and advances to customers	571 221	-	474 011	-
Investment securities	109 002	255 571	103 464	253 107
Trading securities	155 603	-	156 382	-
	835 826	**255 571**	**733 857**	**253 107**

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. In addition, the group has borrowed securities from market counterparties and pledged cash or other securities as collateral. To the extent that the collateral is in cash then this is classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed. Refer to note 15.

At 31 March £'000	2008	2007
38. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
- guarantees and irrevocable letters of credit	93 458	101 691
- assets pledged as collateral security	364	365
	93 822	**102 056**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued on behalf of third parties and other group companies. The guarantees are issued as part of its banking business.

Legal proceedings

The bank is party to various legal proceedings, the ultimate resolution of of which is not expected to have a material adverse effect on the financial position of the group.

39. 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 recognised on the balance sheet. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 March £'000	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and balances at central banks	614 619	614 619	42 827	42 827
Loans and advances to banks	1 010 776	1 010 776	781 167	781 167
Cash equivalent advances to customers	7 183	7 183	23 210	23 210
Reverse repurchase agreements and cash collateral on securities borrowed	350 616	350 616	1 979 936	1 979 936
Trading securities	433 465	433 465	544 641	544 641
Derivative financial instruments	486 153	486 153	332 862	332 862
Investment securities	1 116 475	1 116 475	1 747 047	1 747 047
Loans and advances to customers	6 710 495	6 630 074	4 619 771	4 606 258
Securitised assets	774 803	769 797	-	-
Other assets	338 177	338 177	796 425	796 425
Financial liabilities				
Deposits by banks	2 860 627	2 870 914	1 371 779	1 371 779
Derivative financial instruments	244 440	244 440	114 384	114 384
Other trading liabilities	192 987	192 987	96 252	96 252
Repurchase agreements and cash collateral on securities lent	287 585	287 585	1 598 128	1 598 128
Customer accounts	5 264 487	5 272 957	4 448 656	4 449 652
Debt securities in issue	594 180	595 144	1 077 436	1 075 841
Liabilities arising on securitisation	686 486	686 486	-	-
Other liabilities	305 037	305 037	774 247	774 247
Subordinated liabilities	645 929	515 026	628 819	651 767

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

Assets for 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 also applies to demand deposits, savings accounts 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 and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market process are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

For the year ended 31 March £'000	2008 Highest balance during the year#	2008 Balance at end of year#	2007 Highest balance during the year#	2007 Balance at end of year#
40. Related party transactions				
Transactions, arrangements and agreements involving:				
Directors, key management and connected persons and companies controlled by them				
Loans	6 810	13 343	6 837	17 012
The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment.				
Amounts due from associates	4 509	7 585	4 509	8 118

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

Employees of the bank participate, along with employees from other Investec plc undertakings, in a non-contributory defined benefit scheme. Full details of the scheme are included in note 31.

The disclosure of the year-end balance and highest balance during the year is considered the most meaningful information to represent transactions during the year.

41. Hedges

The group uses derivatives for the 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. Below is a description of each category of accounting hedges achieved by the group:

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains/ (losses) on hedging instrument	Current year gains/ (losses) on hedging instrument	Cumulative gains/ (losses) on hedged item	Current year gains/ (losses) on hedged item
2008						
Assets	Interest rate swap	(3 504)	(21 211)	(24 861)	20 362	23 962
Liabilities	Interest rate swap	1 914	(2 502)	1 026	2 622	(1 306)
	Fx currency swap	24 540	24 696	24 348	(24 696)	(24 348)
		22 950	983	513	(1 712)	(1 692)
2007						
Assets	Interest rate swap	3 956	2 741	2 710	(2 478)	(2 650)
Liabilities	Interest rate swap	(5 641)	5 365	3 623	(5 285)	(3 851)
	Fx currency swap	(102)	(348)	102	348	(102)
		(1 787)	7 758	6 435	(7 415)	(6 603)

41. Hedges (continued)

Hedges of net investments in foreign operations

The group has entered into foreign exchange contracts to hedge the exposure of the group balance sheet to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	Negative fair value of hedging instrument	Ineffective portion recognised in principal transactions
2008	18 014	-
2007	2 982	-

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
42. Liquidity analysis of financial liabilities based on undiscounted cash flows								
2008								
Liabilities								
Deposits by banks	467 418	302 132	94 468	600 453	643 613	820 869	13 099	2 942 052
Derivative financial instruments	149 591	29 094	6 451	10 308	4 749	9 041	6 328	215 562
Repurchase agreements and cash collateral on securities lent	175 991	32	111 626	-	-	-	-	287 649
Customer accounts	1 230 676	805 884	2 361 170	218 025	206 489	429 172	50 486	5 301 902
Debt securities in issue	-	107 939	158 746	94 500	74 008	215 090	-	650 283
Liabilities arising on securitisation	2 081	47 976	22 089	26 263	109 758	198 782	338 295	745 244
Other liabilities including other trading liabilities	296 089	205 120	51 501	43 039	47 761	12 728	552	656 790
	2 321 846	**1 498 177**	**2 806 051**	**992 588**	**1 086 378**	**1 685 682**	**408 760**	**10 799 482**
Subordinated liabilities	-	-	850	11 733	38 456	343 802	528 029	922 870
On balance sheet liabilities	**2 321 846**	**1 498 177**	**2 806 901**	**1 004 321**	**1 124 834**	**2 029 484**	**936 789**	**11 722 352**
Contingent liabilities	101 043	357	7 440	1 070	2 140	11 758	1 746	125 554
Total liabilities	**2 422 889**	**1 498 534**	**2 814 341**	**1 005 391**	**1 126 974**	**2 041 242**	**938 535**	**11 847 906**
2007								
Liabilities								
Deposits by banks	84 477	354 689	8 290	57 767	108 658	760 979	-	1 374 860
Derivative financial instruments	367 993	16 863	141	7 140	185	7 700	-	400 022
Repurchase agreements and cash collateral on securities lent	1 598 127	-	-	-	-	-	-	1 598 127
Customer accounts	973 652	919 952	1 734 611	153 714	109 888	349 865	99 003	4 340 685
Debt securities in issue	-	108 246	132 021	161 557	550 794	138 952	-	1 091 570
Other liabilities including other trading liabilities	541 724	351 826	33 052	107 747	8 011	4 767	196	1 047 323
	3 565 973	**1 751 576**	**1 908 115**	**487 925**	**777 536**	**1 262 263**	**99 199**	**9 852 587**
Subordinated liabilities	-	-	879	11 551	27 977	368 191	509 590	918 188
On balance sheet liabilities	**3 565 973**	**1 751 576**	**1 908 994**	**499 476**	**805 513**	**1 630 454**	**608 789**	**10 770 775**
Contingent liabilities	68 583	704	3 108	3 151	17 089	28 801	7 504	128 940
Total liabilities	**3 634 556**	**1 752 280**	**1 912 102**	**502 627**	**822 602**	**1 659 255**	**616 293**	**10 899 715**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the "Demand" time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For management's analysis of liquidity risk, please refer to pages 55 and 56.

	Principal activity	Country of incorporation	Interest % 2008	Interest % 2007
43. Principal subsidiary and associated companies				
Direct subsidiaries of Investec Bank (UK) Limited				
Investec Asset Finance plc	Leasing company	England and Wales	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
European Capital Company Limited	Project finance	England and Wales	100	100
Investec Property Services Limited (trading as Taylor Rose)	Commercial property agency	England and Wales	100	100
Indirect subsidiaries of Investec Bank (UK) Limited				
Experien Pty Limited	Financial services	Australia	100	-
Investec Bank (Australia) Limited	Banking institution	Australia	100	100
Investec Australia Limited (formerly N.M.Rothschild & Sons (Australia) Limited)	Holding company	Australia	-	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust company	Guernsey	100	100
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100	100
Investec Trust (Jersey) Limited	Trust company	Jersey	100	100
Global Ethanol Holdings Limited	Holding company	Australia	44.4	46.4
Global Ethanol LLC (formally Midwest Grain Processors LLC)	Production and marketing of Ethanol	USA	26.6	27.8
IdaTech plc	Development of fuel cell technology	USA	73.1	86.7
All of the above subsidiary undertakings are included in the consolidated accounts.				
Principal associated company				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35	35

The following subsidiaries are not consolidated for regulatory purposes:
Global Ethanol Holdings Limited
Global Ethanol LLC (formerly Midwest Grain Processors LLC)
IdaTech plc

There are no subsidiaries which are not consolidated for accounting purposes but are consolidated for regulatory purposes.

Directors' responsibility statement

In respect of the parent company financial statements.

The directors are responsible for preparing the annual report and parent company financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that financial year. The company's financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard and applicable law).

The directors consider that in preparing the financial statements and the additional information, the company has used appropriate accounting policies which have been consistently applied and have been supported by reasonable and prudent judgements and estimates, and that all accounting standards which the directors consider to be applicable have been followed.

The financial statements of the company have been prepared on the going concern basis. The directors are of the opinion, based on their knowledge of the company, key processes in operation and specific enquiries, that adequate resources exist to support the company on a going concern basis over the next year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware, there is no relevant audit information of which the bank's auditors are unaware; and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the bank's auditors are aware of that information.

Signed on behalf of the board

Bradley Fried
Chief Executive Officer

30 June 2008

Independent auditors' report to the members of Investec Bank (UK) Limited

We have audited the bank's financial statements for the year ended 31 March 2008 which comprise the balance sheet, the statement of recognised gains and losses and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the bank's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the bank's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the bank and the bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the bank has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the bank's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

30 June 2008

Balance sheet

At 31 March £'000	Notes	2008	2007
Assets			
Cash and balances at central banks		608 004	30 655
Treasury bills and other eligible bills	7	8 118	6 851
Loans and advances to banks	6	650 080	1 066 791
Loans and advances to customers	6/8	5 776 737	4 679 831
Debt securities	9	1 043 912	1 472 184
Equity shares	11	91 963	229 216
Interests in associated undertakings	12	10 134	1 342
Other participating interests	12	-	8 750
Shares in group undertakings	13	457 289	433 187
Intangible fixed assets	14	1 186	2 195
Tangible fixed assets	16	21 398	15 871
Derivative assets	25	397 120	251 836
Other assets	17	332 845	728 965
Prepayments and accrued income		6 435	2 458
		9 405 221	**8 930 132**
Liabilities			
Deposits by banks	6	3 687 475	1 938 573
Customer accounts	6	3 341 861	4 671 708
Debt securities in issue	6	421 059	92 519
Derivative liabilities	25	174 888	64 938
Trading liabilities - short positions		192 987	96 252
Other liabilities	18	294 774	777 649
Accruals and deferred Income		93 857	101 473
		8 206 901	7 743 112
Subordinated liabilities	6/20	573 060	560 390
		8 779 961	**8 303 502**
Equity			
Called up share capital	21	555 000	505 000
Share premium		37 365	37 365
Other reserves		(6 983)	6 504
Profit and loss account		39 878	77 761
Total shareholder's equity	**22**	**625 260**	**626 630**
Total liabilities and shareholder's equity		**9 405 221**	**8 930 132**
Memorandum items			
Commitments	23	686 367	596 433
Contingent liabilities	24	83 173	83 025
		769 540	**679 458**

The directors approved, and authorised for issue, the accounts on 30 June 2008.

Bradley Fried
Chief Executive Officer

Statement of total recognised gains and losses

For the year to 31 March £'000	2008	2007
Profit for the year attributable to shareholders	42 117	78 807
Fair value movements on available for sale assets	(23 034)	4 553
Currency translation movements	9 547	(142)
Total recognised gains relating to the year	**28 630**	**83 218**

There was no material difference between the results as reported and the results that would have been reported on an unmodified historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

Accounting policies

A summary of the principal accounting policies is set out below.

Basis of presentation

These financial statements have been prepared having regard to Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 in accordance with applicable UK accounting standards.

Goodwill

Goodwill represents the net excess of the purchase consideration over the fair value of net identifiable assets of entities acquired. Goodwill is capitalised and tested for impairment at balance sheet dates or when there is an indication of impairment. Goodwill is allocated to cash generating units for the purposes of testing impairment based on the synergies expected in the business combination, with any impairments arising being recognised immediately in the income statement. Impairments recognised are not reversed in subsequent periods.

Positive goodwill is amortised against income over its useful economic life, for a period not exceeding 20 years.

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of the bank (Sterling) at the applicable closing rate.

Goodwill arising on investment in associates is included within the investment in associates.

Share based payments to employees

The bank engages in equity settled share based payments and in certain limited circumstances cash-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 instrument 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 number 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.

Foreign currency transactions

The presentation currency of the bank is Sterling, being the functional currency of Investec Bank (UK) Limited.

The bank has a foreign branch whose functional currency is other than that of the bank. The functional currency of the bank is determined based on the primary economic environment in which the bank operates.

The results and financial positions of the foreign branch are translated into the presentation currency of the bank as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expense items are translated at exchange rates ruling at the date of the transaction;
- All resulting exchange differences are recognised in equity (foreign currency translation reserve) which is recognised in profit and loss on disposal of the foreign operation;
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:
- Foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in profit and loss;

- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates are recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment;
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

Revenue recognition

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest yield, but excludes those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument, and, where this estimate is not readily available, the contractual life.

Commissions and fees include fees earned from providing advisory services as well as portfolio management. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commission income are only recognised when they can be estimated reliably.

Principal transaction income includes trading profits, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties.

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly.

Financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabilities.

Regular way purchase and sale transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded on trade date.

Financial assets and liabilities held at fair value through profit and loss

Financial instruments held at fair value through profit and loss include all instruments classified as held for trading and those instruments designated as held at fair value through profit and loss.

Financial instruments classified as held for trading or designated as held at fair value through profit and loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit and loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition. In certain instances debt instruments which contain equity features are designated as held at fair value through profit and loss.

Financial assets and liabilities are designated as held at fair value through profit and loss only if:

- It eliminates or significantly reduces an inconsistent measurement or recognition that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the group's key management personnel; and
- If a contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit and loss.

Accounting policies (continued)

Held-to-maturity assets

Held to maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Held-to-maturity assets are measured at amortised cost using the effective interest method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the bank intends to trade in, which are classified as held for trading, and those that the bank designates as at fair value through profit and loss;
- Those that the bank designates as available for sale; and
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for at fair value through profit and loss.

Loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses subsequent to initial recognition. The effective interest rate represents the rate that exactly discounts future projected cashflows, through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Available for sale assets

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

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

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

Impairments on available for sale equity instruments are not reversed once recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest method.

Held for trading or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

Valuation of financial instruments

All financial instruments are initially recognised at fair value. On initial recognition, the fair value of a financial instrument is the transaction price unless it is determined appropriate that the fair value of a financial instrument is more accurately determined by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. In circumstances where unobservable data has a significant impact on the valuation of a financial instrument, the entire difference between the model determined fair value and the transaction price is not recognised on initial recognition. The difference arising is recognised in the income statement over the life of the transaction, or when inputs become observable, or when the transaction is effectively closed out.

Subsequent to initial recognition the following financial instruments are measured at fair value:

- Fixed maturity securities classified as trading, held at fair value through profit or loss and available for sale,
- Equity securities,
- Private equity investments,
- Derivative positions,
- Loans and advances designated as held at fair value through profit and loss,
- Loans and advances designated as available for sale, and
- Financial liabilities classified as trading or designated as held at fair value through profit and loss

Subsequent to initial recognition, the fair value of financial instruments quoted in an active market is based on published price quotations. Where market prices are not available fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment. In certain instances model pricing may be used to determine fair values. For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the bank would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogenous assets. Assets specifically identified as impaired are excluded from the portfolio assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the bank. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net proceeds on realisation of collateral) discounted at the original effective rate.

Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the bank's rights to cash flows has expired; or when the bank has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or has expired.

Derivative instruments

All derivative instruments of the bank are recorded on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

Derivative positions are entered into either for trading purposes or as part of the bank's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

Hedge accounting

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

- At inception of the hedge the bank formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable

to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument is initially recognised in equity and is released to the initial cost of any asset/liability recognised or in all other cases, to the income statement when the hedged firm commitment or forecasted transaction affects net profit.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in equity and is released to the income statement in the same period during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in profit and loss.

Trading derivatives

Derivative instruments transacted as economic hedges but which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held for trading.

Embedded derivatives

To the extent that a derivative may be embedded in a host contract and the host contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the bank are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the bank are classified as equity where they confer on the holder a residual interest in the bank. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments are initially measured net of directly attributable issue costs.

Dividends on ordinary shares are recognised as a deduction from equity in the period in which they are declared.

Sale and repurchase agreements (including stock borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under "repurchase agreements and cash collateral on securities lent". Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under "reverse repurchase agreements and cash collateral on securities borrowed".

Securities borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Instalment credit, leases and rental agreements

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the bank is the lessor and included in liabilities where the bank is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the profit and loss account on a straight line basis over the lease term. Contingent rentals (if any) are accrued to profit and loss account when incurred.

Property, plant and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairments.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the bank would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life of the asset.

The annual depreciation rates for each class of property and equipment is as follows:

• Computer and related equipment	20-33%
• Motor vehicles	20-25%
• Furniture and fittings	10-20%
• Freehold buildings	2%
• Leasehold improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.

No depreciation is provided on freehold land, however, similar to other property related assets, it is subject to impairment testing when deemed necessary.

Routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the bank.

Dealing properties

Dealing properties are included in the balance sheet under other assets and are considered to be inventories which are stated at the lower of cost and net realisable value.

Impairment of non-financial assets

At each balance sheet date the bank reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of fair value less cost to sell and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that the asset is not revalued to a carrying value that would have been calculated without impairment.

Trust and fiduciary activities

The bank acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the bank, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current tax payable is provided on taxable profits at rates that are enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise:

- From the initial recognition of goodwill;
- From the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit or loss;
- In respect of the taxable temporary differences associated with the investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Employee benefits

The Investec group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme all employer contributions are charged to income, as incurred in accordance with the rules of the scheme, and included under staff costs.

The bank has no liabilities for other post retirement benefits.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently 3 to 8 years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the bank would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Intangible assets with an infinite life are not amortised, however they are tested for impairment on an annual basis.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the bank has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Contingent assets and contingent liabilities are not recognised on balance sheet.

Bank's own profit and loss account

The bank has taken advantage of the exemption in Section 230 of the Companies Act 1985 to not present its own profit and loss account.

Accounting policies (continued)

Cash flow statement

The bank has taken advantage of the exemption in Financial Reporting Standard 1 to not present its own cash flow statement. A cash flow statement, prepared under International Accounting Standards, is included in the consolidated financial statements of the bank.

Financial instruments: disclosures

The bank has taken advantage of the exemption in Financial Reporting Standard 29 to not present its own disclosures in respect of financial instruments as disclosures, prepared in accordance with International Financial Reporting Standard 7, are included in the consolidated financial statements of the bank.

For the year to 31 March £'000	2008	2007
2. Taxation		
Corporation tax		
UK		
- current tax on income for the year	16 380	25 009
- adjustments in respect of prior years	-	79
Corporation tax before double tax relief	16 380	25 088
- double tax relief	(6 897)	-
	9 483	25 088
Overseas		
- current tax on foreign income	6 836	-
Total corporation tax	**16 319**	**25 088**
Deferred tax		
UK	**(20 407)**	**970**
Total tax charge for the year	**(4 088)**	**26 058**
Deferred tax comprises:		
Origination and reversal of temporary differences	(22 534)	(203)
Change in tax rates	2 059	-
Adjustment in respect of prior years	68	1 173
	(20 407)	970
The rates of corporation tax for the relevant years are:		
UK	30%	30%
Profit on ordinary activities before taxation	**38 029**	**104 865**
Tax on profit on ordinary activities	**(4 088)**	**26 058**
Effective tax rate	**(11%)**	**25%**
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation, at UK rate of 30%	11 409	31 460
Taxation relating to prior years	-	79
Capital allowance in excess of depreciation	(8 938)	(721)
Goodwill	303	97
Permanently disallowed items for corporation tax purposes	6 901	2 250
Non-taxable income	(4 713)	(4 576)
Other timing differences	29 166	-
Capital losses utilised	88	-
Share options accounting expense	3 933	1 894
Share options exercised during the year	(4 505)	(2 987)
Overseas profits	102	176
UK - UK transfer pricing	201	220
Losses surrendered by fellow group companies without charge	(17 628)	(2 804)
Current corporation tax charge	**16 319**	**25 088**

Notes to the financial statements

For the year to 31 March £'000	2008	2007
3. Dividends		
Final dividend in respect of previous year	50 000	30 000
Interim dividends for current year	30 000	35 000
Total dividend attributable to ordinary shareholder recognised in current financial year	**80 000**	**65 000**
4. Directors' emoluments		
Aggregate emoluments (excluding pension contributions)	8 077	9 222
Contributions to defined contributions scheme	887	284
	8 964	**9 506**
Number of directors in defined contributions scheme	4	4

Emoluments of the highest paid director were £3 246 024 (2007: £3 507 171) excluding £223 583 (2007: £212 083) of pension contributions to the defined contributions scheme.

The directors' emoluments of Messrs. Herman, Koseff, B Kantor and I Kantor have been borne by Investec plc.These directors were employed and remunerated as directors, or executives, of Investec plc and its subsidiaries in respect of their services to that group as a whole. It is considered that there is no appropriate basis on which they can apportion part of their remuneration for services to the company.

Notes to the financial statements

At 31 March 2008 £'000	At fair value through profit and loss Trading	At fair value through profit and loss Designated at inception	Loans and receivables	Available for sale
5. Classification of financial assets and financial liabilities				
Assets				
Cash and balances at central banks	-	-	608 004	-
Treasury bills and other eligible bills	-	-	-	8 118
Loans and advances to banks	138 227	-	511 853	-
Loans and advances to customers	7 183	291 139	4 430 419	467 408
Debt securities	160 015	202 029	-	681 868
Equity shares	57 472	16 362	-	18 129
Interests in associated undertakings	-	-	-	-
Shares in group undertakings	-	-	-	-
Intangible fixed assets	-	-	-	-
Tangible fixed assets	-	-	-	-
Derivative assets	397 120	-	-	-
Other assets	-	-	286 821	-
Prepayments and accrued income	-	-	-	-
	760 017	**509 530**	**5 837 097**	**1 175 523**
Liabilities				
Deposits by banks	161 477	-	-	-
Customer accounts	19 609	-	-	-
Debt securities in issue	-	-	-	-
Derivative liabilities	174 888	-	-	-
Trading liabilities - short positions	192 987	-	-	-
Other liabilities	-	-	-	-
Accruals and deferred Income	-	-	-	-
Subordinated liabilities	-	-	-	-
	548 961	**-**	**-**	**-**

During the current year a portfolio of loans that were previously carried at fair value have been reclassified to be carried at amortised cost. The value of the loans at the date of reclassification was £598.4 million. The loans, which form part of loans and advances to customers were previously classified as available for sale. Management intend to hold these loans to maturity and therefore these have been reclassified to held to maturity financial instruments.

Held to maturity	Financial liabilities at amortised cost	Non-financial instruments	Total
-	-	-	608 004
-	-	-	8 118
-	-	-	650 080
580 588	-	-	5 776 737
-	-	-	1 043 912
-	-	-	91 963
-	-	10 134	10 134
-	-	457 289	457 289
-	-	1 186	1 186
-	-	21 398	21 398
-	-	-	397 120
-	-	46 024	332 845
-	6 435	-	6 435
580 588	**6 435**	**536 031**	**9 405 221**
-	3 525 998	-	3 687 475
-	3 322 252	-	3 341 861
-	421 059	-	421 059
-	-	-	174 888
-	-	-	192 987
-	247 998	46 776	294 774
-	93 857	-	93 857
-	573 060	-	573 060
-	**8 184 224**	**46 776**	**8 779 961**

At 31 March 2007 £'000	At fair value through profit and loss Trading	 Designated at inception	Loans and receivables	Available for sale
5. Classification of financial assets and financial liabilities (continued)				
Assets				
Cash and balances at central banks	-	-	30 655	-
Treasury bills and other eligible bills	-	-	6 851	-
Loans and advances to banks	6 399	-	1 060 392	-
Loans and advances to customers	55	139 417	4 072 951	467 408
Debt securities	4 167	258 009	-	1 210 008
Equity shares	199 711	7 049	-	22 456
Interests in associated undertakings	-	-	-	-
Shares in group undertakings	-	-	-	-
Intangible fixed assets	-	-	-	-
Tangible fixed assets	-	-	-	-
Derivative assets	251 836	-	-	-
Other assets	448 116	-	253 467	-
Prepayments and accrued income	-	-	-	-
	910 284	404 475	5 424 316	1 699 872
Liabilities				
Deposits by banks	3 517	-	-	-
Customer accounts	255 571	-	-	-
Debt securities in issue	-	-	-	-
Derivative liabilities	64 938	-	-	-
Trading liabilities - short positions	96 252	-	-	-
Other liabilities	-	-	-	-
Accruals and deferred Income	-	-	-	-
Subordinated liabilities	-	-	-	-
	420 278	-	-	-

Held to maturity	Financial liabilities at amortised cost	Non-financial instruments	Total
-	-	-	30 655
-	-	-	6 851
-	-	-	1 066 791
-	-	-	4 679 831
-	-	-	1 472 184
-	-	-	229 216
-	-	10 092	10 092
-	-	433 187	433 187
-	-	2 195	2 195
-	-	15 871	15 871
-	-	-	251 836
-	-	27 382	728 965
-	2 458	-	2 458
-	**2 458**	**488 727**	**8 930 132**
-	1 935 056	-	1 938 573
-	4 416 137	-	4 671 708
-	92 519	-	92 519
-	-	-	64 938
-	-	-	96 252
-	760 761	16 888	777 649
-	101 473	-	101 473
-	560 390	-	560 390
-	**7 866 336**	**16 888**	**8 303 502**

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months
6. Maturity of loans and deposits				
2008				
Assets				
Loans and advances to banks	603 451	11 911	-	-
Loans and advances to customers	573 772	356 457	354 749	581 255
Liabilities				
Deposits by banks	665 355	453 650	640 620	612 707
Customer accounts	1 000 416	300 283	1 519 658	114 563
Debt securities in issue	-	12 690	30 346	25 379
Subordinated liabilities	-	-	-	-
2007				
Assets				
Loans and advances to banks	790 882	208 271	7 788	2 234
Loans and advances to customers	1 705 395	261 848	319 259	276 253
Liabilities				
Deposits by banks	70 391	546 243	412 980	55 205
Customer accounts	2 364 938	355 484	1 145 856	143 724
Debt securities in issue	-	-	51 099	25 888
Subordinated liabilities	-	-	-	-

Six months to one year	One year to five years	Greater than five years	Total	Balances with group companies
2 875	15 220	16 623	650 080	39 524
412 250	2 179 452	1 318 802	5 776 737	565 691
571 330	727 190	16 623	3 687 475	962 828
158 132	210 619	38 190	3 341 861	497 053
15 228	-	337 416	421 059	-
8 507	208 294	356 259	573 060	554 973
-	46 837	10 779	1 066 791	63 130
301 907	1 639 490	175 679	4 679 831	252 421
96 948	746 027	10 779	1 938 573	697 959
402 870	245 988	12 848	4 671 708	730 143
15 532	-	-	92 519	-
-	19 073	541 317	560 390	546 831

For the year to 31 March £'000	2008	2007
7. Treasury bills and other eligible bills		
Securities		
Other eligible bills - other	8 118	6 851
	8 118	**6 851**
At beginning of year	6 851	7 003
Purchases	28 315	27 291
Maturities	(28 315)	(27 291)
Movement in fair value during the year	99	15
Exchange adjustments	1 168	(167)
Fair value at end of year	**8 118**	**6 851**
Treasury bills and other eligible bills are unlisted, mainly short term in maturity and have a book value not materially different from market value.		
8. Customer accounts		
Total loans and advances to customers	5 776 737	4 679 831
Less: trading book loans and cash equivalent debtors	(182 315)	(1 298 475)
	5 594 422	**3 381 356**
Category analysis		
Private banking	2 830 640	2 087 894
Corporate and public sector	2 211 758	1 046 825
Other	571 093	254 146
	5 613 491	3 388 865
Specific impairment	(16 834)	(5 970)
Portfolio impairment	(2 235)	(1 539)
	5 594 422	**3 381 356**
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.		
Specific impairment		
At beginning of year	5 970	1 772
Charge to the income statement	18 596	6 010
Utilised	(7 773)	(1 802)
Exchange adjustments	41	(10)
At end of year	**16 834**	**5 970**
Portfolio impairment		
At beginning of year	1 539	1 368
Charge to the income statement	679	172
Exchange adjustments	17	(1)
At end of year	**2 235**	**1 539**

Notes to the financial statements

For the year to 31 March £'000	2008	2007
9. Debt securities		
Trading securities and securities designated as at fair value through profit and loss		
Unlisted debt securities	362 044	262 176
	362 044	**262 176**
Securities designated as available-for-sale		
Unlisted bank and building society certificates of deposit	278 907	814 680
Other unlisted debt securities	402 961	395 328
	681 868	**1 210 008**
Total debt securities	**1 043 912**	**1 472 184**
Amounts include:		
Unamortised net premiums on investment securities	-	571
The cost of trading securities has not been disclosed as it cannot be determined without unreasonable expense.		
Available-for-sale securities		
At beginning of year	1 210 008	953 140
Additions	419 139	1 112 469
Sold/matured	(940 888)	(826 338)
Exchange adjustments	(6 356)	(20 954)
Movement in fair value during the year	(35)	(8 309)
At end of year	**681 868**	**1 210 008**
10. Securitisation		
Investec Bank (UK) Limited has, during the year, entered into transactions, in the normal course of its business, in which it has transferred portfolios of financial assets directly to special purpose entities. Where this has transferred the majority of the risks to third parties, but the bank has retained a portion of the risks of the assets by way of investments in notes issued by the SPVs, the financial assets retained are held at fair value and shown within other debt securities in note 9 above.		
Transactions during the year:		
Carrying amount of transferred assets	43 855	832 928
Carrying amount of associated liabilities	(37 319)	(791 001)
	6 536	**41 927**
Where the financial assets transferred do not qualify for derecognition the assets continue to be disclosed on the face of the balance sheet.		
The financial assets that have been transferred during the year but which continue to be disclosed are:		
Loans and advances to banks	2 732	-
Loans and advances to customers	884 853	-
	887 585	**-**
The associated liabilities raised are recorded on balance sheet in deposits by banks or debt securities in issue. At 31 March, the carrying value of these liabilities was:		
Deposits by banks	239 740	-
Debt securities in issue	337 416	-
	577 156	**-**

Notes to the financial statements

For the year to 31 March £'000	2008	2007
11. Equity shares		
Trading securities and securities designated as at fair value through profit and loss		
Listed	73 104	206 760
Unlisted	730	-
	73 834	**206 760**
Securities designated as available-for-sale		
Listed	12 382	19 604
Unlisted	5 747	2 852
	18 129	**22 456**
Total equity shares	**91 963**	**229 216**

The cost of trading securities has not been disclosed as it cannot be determined without unreasonable expense.

Available-for-sale securities		
At beginning of year, net of provisions	22 456	7 195
Additions	3 401	12 975
Disposals	(19 499)	(594)
Exchange adjustments	706	(1 981)
Movement in fair value during the year	11 065	4 861
Fair value at end of year	**18 129**	**22 456**
12. Interests in associated undertakings/other participating interests		
Analysis of the movement in investment in associated undertakings		
At beginning of year	2 413	2 408
Addition	42	5
Reclassification	8 750	-
At end of year	**11 205**	**2 413**
Provision for impairment in value		
At beginning of year	(1 071)	(1 071)
Provision made	-	-
At end of the year	**(1 071)**	**(1 071)**
Net book value at the end of the year	**10 134**	**1 342**

The associated undertakings are unlisted.

From 1 April 2007 the directors consider Hargreave Hale Limited to be an associated undertaking and consequently the cost of investment has been reclassified from other participating interests.

Analysis of the movement in investment in other participating interests		
Cost of investment		
At beginning of year	9 161	9 161
Reclassification	(8 750)	-
Disposal	(411)	-
At end of the year	**-**	**9 161**
Provision for impairment in value		
At beginning of year	(411)	(411)
Disposal	411	-
At end of the year	**-**	**(411)**
Net book value at end of year	**-**	**8 750**

Notes to the financial statements

For the year to 31 March £'000	2008	2007
13. Shares in group undertakings		
Cost		
At beginning of year	433 558	355 977
Additions	-	76 391
Liquidation of subsidiary	(1 349)	-
Recapitalisation of subsidiaries	2 606	500
Exchange adjustments	22 845	690
At end of the year	**457 660**	**433 558**
Provision for impairment in value:		
At beginning and end of year	**(371)**	**(371)**
Net book value at the end of the year	**457 289**	**433 187**

All subsidiary undertakings are unlisted.

For the year ended 31 March 2007:
On 7 July 2006 the bank acquired the entire share capital of N.M. Rothschild Australia Holdings Pty Limited and its subsidiary, N.M. Rothschild and Sons (Australia) Limited.

For the year to 31 March £'000	2008
14. Intangible fixed assets	
Goodwill	
At beginning and end of year	**19 533**
Accumulated amortisation	
At beginning of year	(17 338)
Charge to the profit and loss account	(1 009)
At end of year	**(18 347)**
Net book value at 31 March 2008	**1 186**
Net book value at 31 March 2007	**2 195**

15. Acquisitions

For the year ended 31 March 2007:
On 7 July 2006 the bank acquired the entire share capital of N.M. Rothschild Australia Holdings Pty Limited and its subsidiary, N.M. Rothschild and Sons (Australia) Limited ("Rothschild"). At acquisition, Rothschild changed its name to Investec Australia Limited ("IAL") and on 29 September 2006 all the assets and liabilities of IAL were transferred to the bank's existing subsidiary, Investec Bank (Australia) Limited.

The acquisition was satisfied by the payment of cash. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below.

	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Cash and balances at central banks	10 582	-	10 582
Loans and advances to banks	31 950	-	31 950
Trading securities	434 309	-	434 309
Derivative financial instruments	101 047	-	101 047
Loans and advances to customers	207 341	(5 999)	201 342
Deferred taxation assets	1 187	-	1 187
Other assets	3 063	-	3 063
Property and equipment	555	(140)	415
	790 034	**(6 139)**	**783 895**
Deposits by banks	77 050	-	77 050
Derivative financial instruments	73 191	-	73 191
Customer accounts	497 024	-	497 024
Other liabilities	6 113	1 953	8 066
Subordinated liabilities	40 634	-	40 634
	694 012	**1 953**	**695 965**
Fair value of net assets	**96 022**	**(8 092)**	**87 930**
Negative goodwill arising on acquisition			(10 680)
Fair value of consideration			**77 250**

Notes to the financial statements

At 31 March £'000	Leasehold improvements	Furniture and vehicles	Computer equipment	Total
16. Tangible fixed assets				
Cost or valuation				
At beginning of year	15 551	4 087	12 849	32 487
Additions	5 489	287	5 294	11 070
At end of year	**21 040**	**4 374**	**18 143**	**43 557**
Accumulated depreciation and amortisation				
At beginning of year	(6 401)	(3 840)	(6 375)	(16 616)
Charge for the year	(1 050)	(74)	(4 419)	(5 543)
At end of year	**(7 451)**	**(3 914)**	**(10 794)**	**(22 159)**
Net book value at 31 March 2008	**13 589**	**460**	**7 349**	**21 398**
Net book value at 31 March 2007	**9 150**	**247**	**6 474**	**15 871**

At 31 March £'000	2008	2007
17. Other assets		
Settlement debtors	201 225	670 492
Trading initial margin	49 792	11 093
Deferred tax asset (note 19)	27 769	8 707
Dealing properties	2 413	2 413
Other debtors	51 646	36 260
	332 845	**728 965**

Dealing properties are recorded at the lower of cost or selling price less cost to sell.

18. Other liabilities		
Settlement creditors	237 174	729 610
Corporation and other taxes	41 561	36 234
Deferred tax liabilities (note 19)	1 008	-
Other creditors and accruals	15 031	11 805
	294 774	**777 649**

For the year to 31 March £'000	2008	2007
19. Deferred tax		
Deferred taxation assets		
Deferred capital allowances	23 204	392
Arising from unexpired share options	4 448	6 846
Other timing differences	117	1 469
	27 769	**8 707**
Deferred taxation liabilities		
Other timing differences	(1 008)	-
	(1 008)	**-**
Net deferred taxation asset	**26 761**	**8 707**
Reconciliation of net deferred taxation asset		
At beginning of year	8 707	8 115
Movement directly in equity	(2 353)	1 562
Credit/(charge) to profit and loss	20 407	(970)
At end of year	**26 761**	**8 707**

Deferred taxation assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

Notes to the financial statements

For the year to 31 March £'000	2008	2007
20. Subordinated liabilities		
Date subordinated debt		
Zero coupon bonds	18 087	21 254
Subordinated loans	554 973	539 136
	573 060	**560 390**
Remaining maturity:		
In one year or less, or on demand	8 507	-
In more than one year, but not more than two years	9 580	7 890
In more than two years, but not more than five years	198 714	206 870
In more than five years	356 259	345 630
	573 060	**560 390**

Zero coupon bonds

On 29 March 2004 the bank issued 9 253 zero coupon bonds of £1 000 each at an effective yield of 6.89094%. The bonds mature on 25 March 2009.

On 16 November 2004 Investec Bank (UK) Limited issued 10 434 zero coupon bonds of £1 000 each at an effective yield of 6.948%. The bonds mature on 16 November 2009.

During the year 10 000 zero coupon bonds of US$1 000 each were repurchased and cancelled.

Subordinated loans

The net proceeds of two issues of step-up notes by a subsidiary of the bank, Investec Finance plc, have been lent to the bank on a subordinated basis.

1. The term of the first loan is 2016 but it may be redeemed at any time after 1 March 2011. The interest rate on the loan is fixed at 8.1618% until 1 March 2011 and interest is paid annually. After 1 March 2011 the interest rate will be reset in line with the interest rate on the step-up notes.

2. The second loan is undated but it may be redeemed at any time after 23 January 2017. The interest rate on the loan is fixed at 6.4578% until 23 January 2017 and the interest is paid semi-annually. After 23 January 2017 the interest rate will be reset in line with the interest rate on the step-up notes. The terms of the step-up notes, which are guaranteed by the bank, are detailed in note 32 of the consolidated financial statements of the bank.

At 31 March £'000	2008	2007
21. Called up share capital		
Authorised		
The authorised share capital is £1 000 million (2007: £1 000 million) comprising: 1 000 million ordinary shares of £1 each (2007: 1 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	505 000 000	354 000 000
Issued during the year	50 000 000	151 000 000
At end of year	555 000 000	505 000 000
Nominal value of ordinary shares	£'000	£'000
At beginning of year	505 000	354 000
Issued during the year	50 000	151 000
At end of year	555 000	505 000

The unissued shares are under the control of the directors until the next Annual General Meeting.

22. Reconciliation of shareholder's funds and movements in reserves

£'000	Share capital	Share premium	Available for sale reserves	Foreign currency reserves	Profit and loss account	Total
At 31 March 2006	354 000	37 365	1 483	610	63 954	457 412
Foreign currency adjustments	-	-	-	(142)	-	(142)
Retained profit for the year	-	-	-	-	78 807	78 807
Issue of ordinary shares	151 000	-	-	-	-	151 000
Fair value movements on available for sale assets	-	-	4 553	-	-	4 553
Dividends paid to ordinary shareholders	-	-	-	-	(65 000)	(65 000)
At 31 March 2007	505 000	37 365	6 036	468	77 761	626 630
Foreign currency adjustments	-	-	-	9 547	-	9 547
Retained profit for the year	-	-	-	-	42 117	42 117
Issue of ordinary shares	50 000	-	-	-	-	50 000
Fair value movements on available for sale assets	-	-	(23 034)	-	-	(23 034)
Dividends paid to ordinary shareholders	-	-	-	-	(80 000)	(80 000)
At 31 March 2008	555 000	37 365	(16 998)	10 015	39 878	625 260

Notes to the financial statements

For the year to 31 March £'000	2008	2007
23. Commitments		
Undrawn facilities	686 367	596 433
The bank has entered into loan commitments in the normal course of its banking business.		
24. Contingent liabilities		
Guarantees and irrevocable letters of credit	83 173	83 025

The amounts shown above are only intended to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by the bank on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

A subsidiary of the bank, Investec Finance plc, has issued both medium term notes and other debt securities. The proceeds of these issues have been placed on deposit with the bank. The bank has issued a guarantee to the holders of these notes and securities. The amount of these guarantees is supported by, and limited to, the amount of the cash deposits.

Legal proceedings

The bank is party to various legal proceedings, the ultimate resolution of which are not expected to have a material adverse effect on the financial position of the bank.

25. Derivatives

The bank enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

At 31 March £'000	Notional principal amounts 2008	Positive fair value 2008	Negative fair value 2008	Notional principal amounts 2007	Positive fair value 2007	Negative fair value 2007
Foreign exchange derivatives						
Forward foreign exchange	2 826 707	36 143	(35 130)	2 650 658	10 993	(3 365)
Currency swaps	637 180	6 912	(25 907)	2 234 642	4 591	(9 375)
OTC options bought and sold	63 474	515	(69)	21 501	105	-
OTC derivatives	3 527 361	43 570	(61 106)	4 906 801	15 689	(12 740)
Exchange traded futures	-	-	-	-	-	-
Exchange traded options	-	-	-	-	-	-
	3 527 361	**43 570**	**(61 106)**	**4 906 801**	**15 689**	**(12 740)**
Interest rate derivatives						
Caps and floors	525 588	98	(66)	113 399	161	(37)
Swaps	9 486 793	79 094	(34 927)	477 522	28 699	(31 619)
Forward rate agreements	-	-	-	-	-	-
OTC options bought and sold	-	-	-	80 000	13	-
OTC derivatives	10 012 381	79 192	(34 993)	670 921	28 873	(31 656)
Exchange traded futures	21 960 641	202	(92)	7 542 438	58	(6)
Exchange traded options	594 783 497	13 669	(14 730)	118 533 158	-	(156)
	626 756 519	**93 063**	**(49 815)**	**126 746 517**	**28 931**	**(31 818)**
Equity and stock index derivatives						
OTC options bought and sold	15 931	3 122	(1 125)	424 470	7 037	(707)
Equity swaps and forwards	76 770	717	(1 071)	455 582	5 881	(9 212)
OTC derivatives	92 701	3 839	(2 196)	880 052	12 918	(9 919)
Exchange traded futures	35 463	-	(535)	735 632	1 931	(54)
Exchange traded options	97 924	6 917	(6 758)	15 116	1 062	(1 022)
Warrants	35 224	8 821	-	264 390	29 110	-
	261 312	**19 577**	**(9 489)**	**1 895 190**	**45 021**	**(10 995)**
Commodity derivatives						
OTC options bought and sold	235 317	22 670	(5 804)	9 344	37 830	(12 062)
Commodity swaps and forwards	2 350 551	272 798	(157 554)	843 641	132 496	(43 837)
OTC derivatives	2 585 868	295 468	(163 358)	852 985	170 326	(55 899)
Exchange traded futures	1 521 634	158 796	(144 711)	556 649	176 301	(141 801)
Exchange traded options	280 957	21 285	(18 696)	463 094	55 677	(70 866)
	4 388 459	**475 549**	**(326 765)**	**1 872 728**	**402 304**	**(268 566)**
Credit derivatives						
Credit swaps bought and sold	79 835	8 645	(6 209)	55 505	494	(897)
	79 835	**8 645**	**(6 209)**	**55 505**	**494**	**(897)**
Embedded derivatives		**35 212**	**-**		**19 475**	**-**
Gross fair values		675 616	(453 384)		511 914	(325 016)
Effect of on balance sheet netting		(278 496)	278 496		(260 078)	260 078
Derivatives per balance sheet		**397 120**	**(174 888)**		**251 836**	**(64 938)**

The replacement values of these contracts are their positive fair values.

26. Hedges

The bank 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. 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 a hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group:

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates:

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains/ (losses) on hedging instrument	Current year gains/ (losses) on hedging instrument	Cumulative gains/ (losses) on hedged item	Current year gains/ (losses) on hedged item
2008						
Assets	Interest rate swap	(4 197)	(21 904)	(23 838)	21 571	22 819
Liabilities	Interest rate swap	2 300	(2 117)	1 231	2 052	(1 463)
	Fx currency swap	24 541	24 696	24 348	(24 696)	(24 348)
		22 644	675	1 741	(1 073)	(2 992)

Hedges of net investments in foreign operations

The group has entered into foreign exchange contracts to hedge the exposure of the Investec plc group balance sheet to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	Negative fair value of hedging instrument	Ineffective portion recognised in principal transactions
2008	18 014	-
2007	2 982	-

For the year ended 31 March £'000	2008 Highest balance during the year#	2008 Balance at end of year#	2007 Highest balance during the year#	2007 Balance at end of year#
27. Related party transactions				
Transactions, arrangements and agreements involving directors, key management and connected persons and companies controlled by them				
Loans	2 690	905	5 350	3 341

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment.

Transactions with other related parties of the group

As the bank is a 100% subsidiary undertaking, and consolidated financial statements for its ultimate parent, Investec plc, are publicly available, group transactions have not been disclosed pursuant to exemptions permitted in Financial Reporting Standard No 8.

For the year to 31 March £'000	2008	2007
28. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	133 594	-
Cash collateral on securities borrowed	217 022	1 979 936
	350 616	**1 979 936**
As part of the reverse repurchase and securities borrowing agreements, the bank has received securities that it is allowed to sell or repledge. The fair value of the securities accepted under these terms as at 31 March 2008 amounts to £377 million (2007: £1 844 million) of which £250 million (2007:£1 804 million) has been resold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	267 976	255 571
Cash collateral on securities lent	19 609	1 342 557
	287 585	**1 598 128**

29. Ultimate parent undertaking

The bank's immediate parent undertaking is Investec 1 Limited.

The bank's ultimate parent undertaking and controlling party is Investec plc, a company incorporated in the UK and registered in England and Wales, which is the smallest and largest company into which the bank is consolidated.

The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2V 7QP.

At 31 March	Principal activity	Country of incorporation	Interest % 2008	Interest % 2007
30. Principal subsidiary and associated undertakings				
Direct subsidiaries of Investec Bank (UK) Limited				
European Capital Company Limited	Project finance	England and Wales	100	100
Guinness Mahon & Co Limited	Investment holding company	England and Wales	100	100
Investec Asset Finance plc	Leasing	England and Wales	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Limited	Investment holding company	England and Wales	100	100
Investec Property Services Limited (trading as Taylor Rose)	Commercial property agency	England and Wales	100	100
Indirect subsidiary undertakings of Investec Bank (UK) Limited				
Experien Pty Limited	Financial services	Australia	100	-
Investec Bank (Australia) Limited	Banking Institution	Australia	100	100
Investec Australia Limited	Holding company	Australia	-	100
Investec Bank (Channel Islands) Limited	Banking Institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking Institution	Switzerland	100	100
Investec Investment Holdings AG	Investment holding company	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust company	Guernsey	100	100
Investec Trust (Jersey) Limited	Trust company	Jersey	100	100
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100	100
Global Ethanol Holdings Limited	Holding company	Australia	44.4	46.4
GEH LLC (formerly Midwest Grain Processors LLC)	Production and marketing of Ethanol	USA	26.6	27.8
IdaTech plc	Development of fuel cell technology	USA	73.1	86.7
All of the above subsidiary undertakings are included in the consolidated accounts.				
Principal associated undertaking of Investec Bank (UK) Limited				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35	35

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Notes

Group financial statements

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