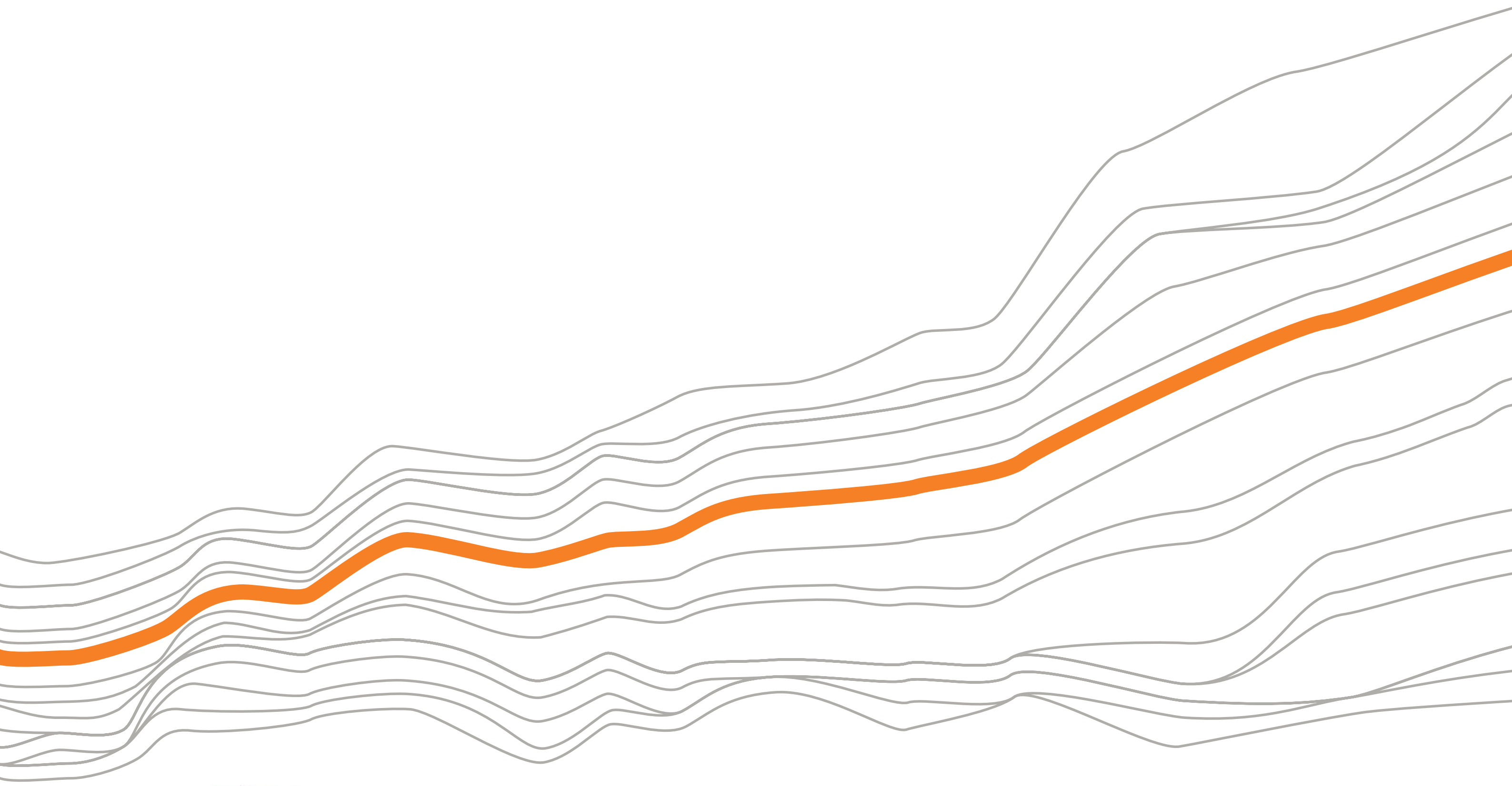
Investec



Investec plc silo (excluding Investec Limited) Annual Financial Statements **2008**

Corporate information

Investec plc

Secretary and Registered Office

David Miller
2 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4541
Facsimile (44) 20 7597 4491

Internet address
www.investec.com

Registration number
Investec plc
Reg. No. 3633621

Auditors
Ernst & Young LLP

Investec directors
Refer to pages 88 to 91.

Transfer Secretaries in the UK
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol B599 7NH
United Kingdom
Telephone (44) 870 702 0001

Investec offices - contact details
Refer to page 167.

For queries regarding information in this document:

Investor Relations
Telephone (27 11) 286 7070
(44) 20 7597 5546
Facsimile (27 11) 286 7014
e-mail: investorrelations@investec.com
Internet address: www.investec.com/grouplinks/investorrelations

Contents

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

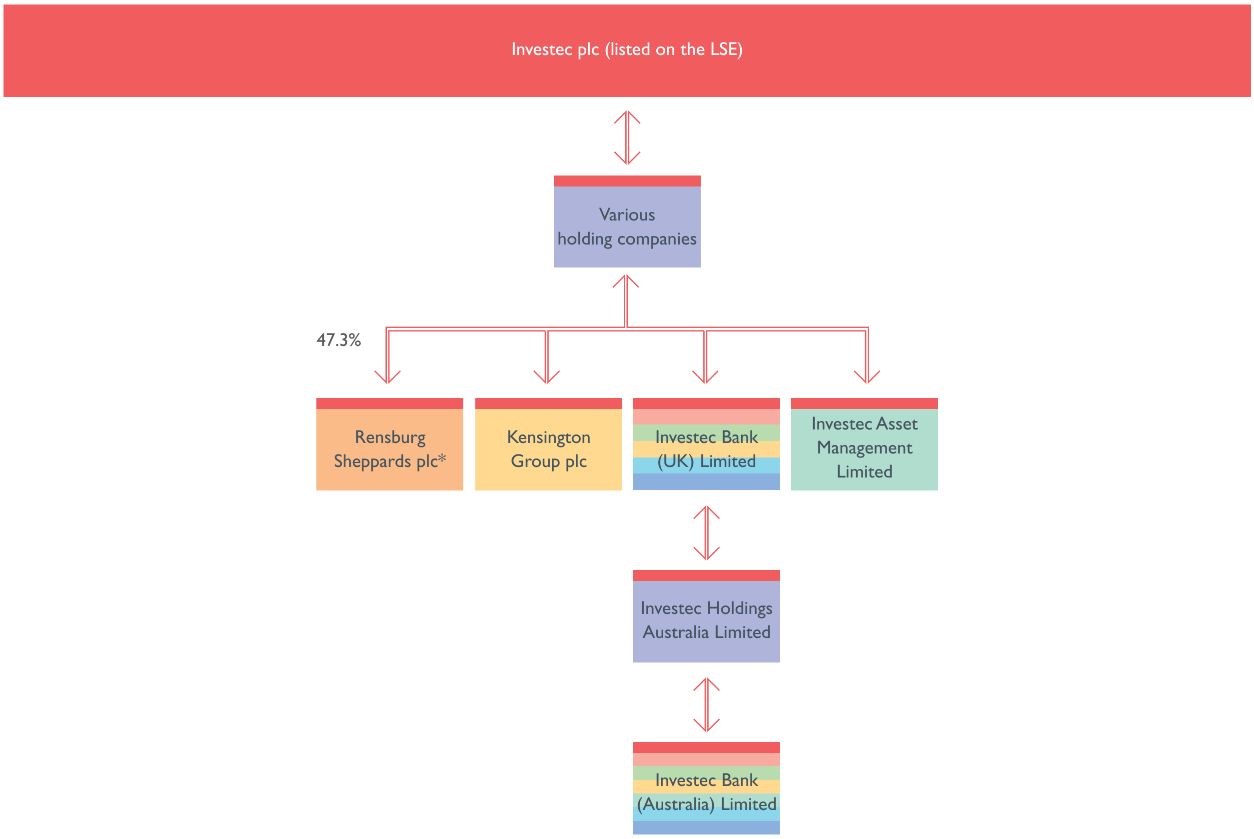
Philosophies

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

Investec plc 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 plc

The activities conducted by the significant 'operating' subsidiaries of Investec plc are discussed below.

1. Investec Bank (UK) Limited

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.

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 (including the Kensington Mortgage business, refer to page 8), commercial mortgages, collateralised debt obligations and leveraged loans. In addition we are involved in credit trading and structuring.

Structured and Asset Finance

This area focuses on structured and conventional lending, asset leasing and finance, mezzanine debt financing, leveraged buy-out funding and trading of financial assets.

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.

2. 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.

3. Kensington Group plc

Kensington Mortage Company (KMC) is a leading specialist lender, offering Prime, Self Certified and But to Let mortgages. Activities include:

- Originating mortgages through its broker network.
- Structuring deals in appropriate vehicles.
- Reviewing portfolios on an ongoing basis.

4. Rensburg Sheppards plc

Our Private Client Stockbroking business, Carr Sheppards Crosthwaite, was sold to Rensburg Sheppards plc on 6 May 2005. We retain a 47.3% interest in the combined entity, Rensburg Sheppards plc.

5. Investec Asset Management

Investec Asset Management provides a comprehensive range of portfolio management services and products to institutional and retail clients.

Our operation in the UK was launched in 1998, following Investec's acquisition of Guinness Flight Hambro. This provided us with, as at the date of the acquisition, approximately £7 billion of additional assets, and the infrastructure of Guinness Flight Hambro's operations. During 1999 and 2000, the product platform was redesigned to focus on the creation of a domestic franchise in the UK for both the institutional and mutual fund businesses. We emerged from the restructuring as a multi-specialist investment manager with key strengths in UK and global equities and UK and global fixed income. Today, we have a strong brand in the UK and European mutual funds market and continue to penetrate the UK institutional market. As at 31 March 2008, UK and international assets under management amounted to £13.8 billion.

We are committed to achieving excellent investment performance, delivering quality client service and creating appropriate investment solutions that fulfil the needs of our clients.

Financial review

Commentary on the results of Investec plc 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 of £197.7 million remained in line with the prior year (2007: £197.7 million) largely as a result of an increase in goodwill impairments (refer to page 143). Earnings attributable to ordinary shareholders decreased from £156.1 million to £72.6 million.

Financial highlights

	31 March 2008	31 March 2007	% Change
Operating profit (£'000)	197 701	197 915	(0.1%)
Earnings attributable to ordinary shareholders (£'000)	72 627	156 107	(53.5%)
Cost to income ratio	64.1%	65.5%	-
Total capital resources (including subordinated liabilities) (£'000)	2 132 110	1 729 309	23.3%
Total shareholders' equity (£'000)	1 358 951	1 100 490	23.5%
Total assets (£'000)	19 128 349	11 604 851	64.8%
Capital adequacy ratio*	15.3%	24.7%	-
Tier 1 ratio*	9.2%	14.8%	-

* 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	Asset Management	Property Activities	Group Services & Other Activities	Total
Net operating income	244 515	201 240	103 550	105 904	1 959	42 653	699 821
Operating expenses	(122 951)	(153 608)	(90 944)	(80 966)	(1 716)	(51 885)	(502 120)
Operating profit	**121 564**	**47 632**	**12 556**	**24 938**	**243**	**(9 232)**	**197 701**
Cost to income ratio (%)	46.0	58.7	87.9	76.5	87.6	>100.0	64.1

For the year ended 31 March 2007 £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services & Other Activities	Total
Net operating income	227 555	155 354	113 749	79 972	1 435	10 120	588 185
Operating expenses	(104 512)	(94 207)	(83 146)	(62 415)	(143)	(45 847)	(390 270)
Operating profit	**123 043**	**61 147**	**30 603**	**17 557**	**1 292**	**(35 727)**	**197 915**
Cost to income ratio (%)	45.5	58.7	73.1	78.0	10.0	>100.0	66.5

Business unit review

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

Private Client Activities

Overview of performance

Private Client Activities comprising Private Banking and Private Client Portfolio Management and Stockbroking posted an operating profit of £121.6 million (2007: £123.0 million).

Private Banking

Overview of performance

The Private Bank posted a decrease in operating profit to £109.6 million (2007: £113.0 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.

Private Client Portfolio Management and Stockbroking

Developments

Our UK Private Client Stockbroking business, Carr Sheppards Crosthwaite Limited was sold to Rensburg plc on 6 May 2005. We retain a 47.3% interest in the combined entity, Rensburg Sheppards plc. The results of the combined entity Rensburg plc have been equity accounted and are included in the line item 'operating income from associates'.

Rensburg Sheppards plc released its results for the year ended 31 March 2008 on 11 June 2008. Salient features of the results extracted directly from the announcement released by the company include:

"Key points:
- Profit before tax increased by 21.4% to £31.2 million (2007: £25.7 million).
- Adjusted* profit before tax increased by 15.6% to £41.5 million (2007: £35.9 million).
- Basic earnings per share increased by 27.7% to 47.9p (2007: 37.5p).
- Adjusted* basic earnings per share increased by 14.5% to 65.4p (2007: 57.1p).
- Recommended final dividend is 17p, making a total dividend of 25.5p (2007: 22.5p) for the year - an overall increase of 13.3%.
- Group funds under management at 31 March 2008 of £12.95 billion (2007: £14.40 billion).
- On 6 May 2008, the group's £5 million floating rate debt was repaid ahead of schedule.

* Before amortisation of the client relationships intangible asset and share-based charges relating to the Employee Benefit Trust ('EBT'). These items amount to a net charge before tax of £10.3 million (2007: £10.2 million) and a net charge after tax of £7.7 million (2007: £8.6 million)."

Capital Markets

Overview of performance

The Capital Markets division posted a decrease in operating profit to £47.6 million (2007: £61.1 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.

Kensington Group plc was acquired with effect from 8 August 2007. The businesses of Kensington now form part of the Capital Markets business in the UK. Salient information with respect to Kensington is provided on pages 13 to 15.

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.

Kensington Group plc - salient financial information

Purchase consideration

Investec plc acquired the entire issued share capital of Kensington with effect from 8 August 2007. In terms of the offer each Kensington shareholder has received 0.7 Investec plc shares plus a special dividend of 26 pence (paid by Kensington) for each Kensington share held. The acquisition was satisfied by the issue of 36 824 432 Investec plc shares at 587.5 pence per share. Net assets at the date of acquisition, total consideration paid and goodwill arising on the transaction are disclosed in the table below.

£'million

Value of Investec plc shares issued (36 824 432 shares at 587.5 pence)		216.3
Acquisition costs		5.0
Kensington net assets at acquisition	147.7	
Less: special dividend	(13.7)	
Less: fair value adjustments	(33.8)	
		100.2
Goodwill arising on acquisition		121.1
Impairment of goodwill (refer to page 143)		(59.9)
Net goodwill at 31 March 2008		**61.2**

Strategy and developments

- Challenging credit market conditions have resulted in a significant restructuring of the business in order to maintain a robust business model that can respond quickly when market conditions change.
- Restructuring efforts include:
  - Managed reduction in new business volumes. We are not writing any business within the adverse product range.
  - Reduction of overheads.
  - Tightening of lending criteria.
  - Appropriate pricing for current market conditions.
- Further efficiencies to be gained through increased automation across the operating model.
- Forward flow agreements are still operative and warehouse facilities of £2.0 billion were renewed towards the end of 2007 for a period of 2 to 3 years to support the current strategy.
- Investec retains a net equity investment in the securitised mortgage portfolio of £101 million and exposures in third party warehouse structures of £128 million. These investments would only be impaired if the excess spread earned and retained by the portfolio structure is not sufficient to cover costs and bad debts. In addition we retain an on balance sheet provision of £105 million.

Summary income statement for period 8 August 2007 to 31 March 2008

	£'000
Net interest income	109 200
Net fee and commission income	5 100
Principal transactions	5 500
Other income/(loss)	(191)
Impairment losses on loans and advances	(55 400)
Admin expenses and depreciation	(39 938)
Operating profit before goodwill, non-operating items and taxation	**24 271**

Key statistics

As at 31 March 2008	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	2 036	4 062	6 098	
IFRS adjustments	69	(59)	10	
Mortgage assets under management	1 967	4 121	6 088	
First charge % of total mortgage assets under management	91.5%	94.2%	93.3%	
Second charge % of total mortgage assets under management	8.5%	5.8%	6.7%	
Fixed rate loans % of total mortgage assets under management	60.9%	44.2%	49.6%	
Number of accounts	19 443	45 407	64 850	
Average loan balance (first charge)	135 369	109 793	116 782	
Largest loan balance	1 001 672	1 075 835	1 075 835	
Weighted average loan mature margin %	3.5%	3.7%	3.6%	
Ave early redemption charge income received % - March month	N/A	N/A	1.1%	
Product mix (pre-IFRS adjustments) (£'million)	**1 966**	**4 121**	**6 088**	**100.0%**
Prime	67	-	67	1.1%
Near prime	690	694	1 384	22.7%
Prime Buy to Let	12	-	12	0.2%
Adverse	551	2 842	3 393	55.7%
Adverse Buy to Let and Right to Buy	87	212	299	4.9%
Start - Irish operations	559	374	933	15.3%
Geographic distribution (£'million)	**1 966**	**4 121**	**6 088**	**100.0%**
UK - North	437	1 216	1 653	27.1%
UK - South West	108	259	367	6.0%
UK - South East	317	781	1 098	18.0%
Outer London	207	464	671	11.0%
Inner London	106	277	383	6.3%
Midlands	231	751	982	16.1%
Ireland	559	374	933	15.3%
Spread of value of properties (%)	**100.0%**	**100.0%**	**100.0%**	
>£500 000	3.0%	1.3%	1.8%	
>£250 000 - <£500 000	21.3%	11.7%	14.5%	
>£200 000 - <£250 000	16.1%	11.6%	13.0%	
>£150 000 - <£200 000	21.3%	20.0%	20.4%	
>£100 000 - <£150 000	24.7%	29.0%	27.7%	
>£70 000 - <£100 000	12.1%	19.8%	17.5%	
>£50 000 - <£70 000	1.4%	5.4%	4.2%	
<£50 000	0.1%	1.2%	0.9%	

Key statistics

As at 31 March 2008	Warehouse book	Securitised portfolio	Total	% of total
Asset quality statistics				
Weighted average current LTV of active portfolio (adjusted for house price inflation/deflation)	73.7%	68.1%	69.9%	
LTV spread - % of book	**100.0%**	**100.0%**	**100.0%**	
<= 65%	29.3%	24.7%	26.2%	
>65% - <70%	7.3%	6.8%	7.0%	
>70% - <75%	8.7%	10.5%	9.9%	
>75% - <80%	9.9%	13.4%	12.2%	
>80% - <85%	15.8%	17.8%	17.2%	
>85% - <90%	27.2%	24.3%	25.3%	
>90% - <95%	1.1%	2.4%	1.9%	
>95% - <100%	0.2%	0.1%	0.1%	
>100%	0.5%	0.0%	0.2%	
% of accounts > 90 days in arrears	5.4%	13.9%	11.3%	
Number of accounts > 90 in arrears	1 041	6 303	7 344	
Total capital lent in arrears (£'million)	**269**	**1 267**	**1 536**	**100.0%**
Arrears 0 - 60 days	98	377	475	30.9%
Arrears 61 - 90 days	50	215	265	17.3%
Arrears > 90 days	113	551	664	43.2%
Possession	8	124	132	8.6%
Debt to income ratio of clients (%)	23.4%	26.0%	25.1%	
Investec investment/exposure to assets reflected above	162	172	334	
On balance sheet provision	34	71	105	
Investec net investment/exposure to assets reflected above (£'million)	**128**	**101**	**229**	

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 £12.6 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.

Asset Management

Overview of performance

Investec Asset Management delivered a significant increase in operating profit to £24.9 million (2007: £17.6 million) underpinned by the general momentum in the business and strong mutual fund sales. Assets under management decreased by 3.8% to £28.8 billion.

Developments

UK and International

- We continue to develop our portfolio of investment propositions. The past year was particularly successful in certain highly specialised areas.
- Our wider distribution footprint is facilitating sales momentum and there was £1.2 billion of net flows for the financial year.
- With our breadth of investment products and good performance across the range, we are achieving good traction:
  - 75% by value and 71% by number of our mutual funds are in the first or second quartile over three years.
- 91% of institutional propositions outperformed their benchmarks since inception.

Outlook

- Momentum across the business remains solid.
- A solid long-term track record and a growing demand for specialist high performance products support the fundamentals of the business.
- Markets are uncertain. The liquidity crisis has impacted markets across the globe and there is continued uncertainty as to the impact this will have on the market in the short to medium term.

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 £9.2 million compared to a loss of £35.7 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 20 to page 79) with further disclosures provided within the financial statements section (page 103 to page 166). All sections, paragraphs, tables and graphs on which an audit opinion is expressed 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 as mandated by the board of directors through the Board Risk and Capital Committee. Business units are ultimately responsible for managing risks that arise.

We monitor and control risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue growth across our business.

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, South Africa, 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.

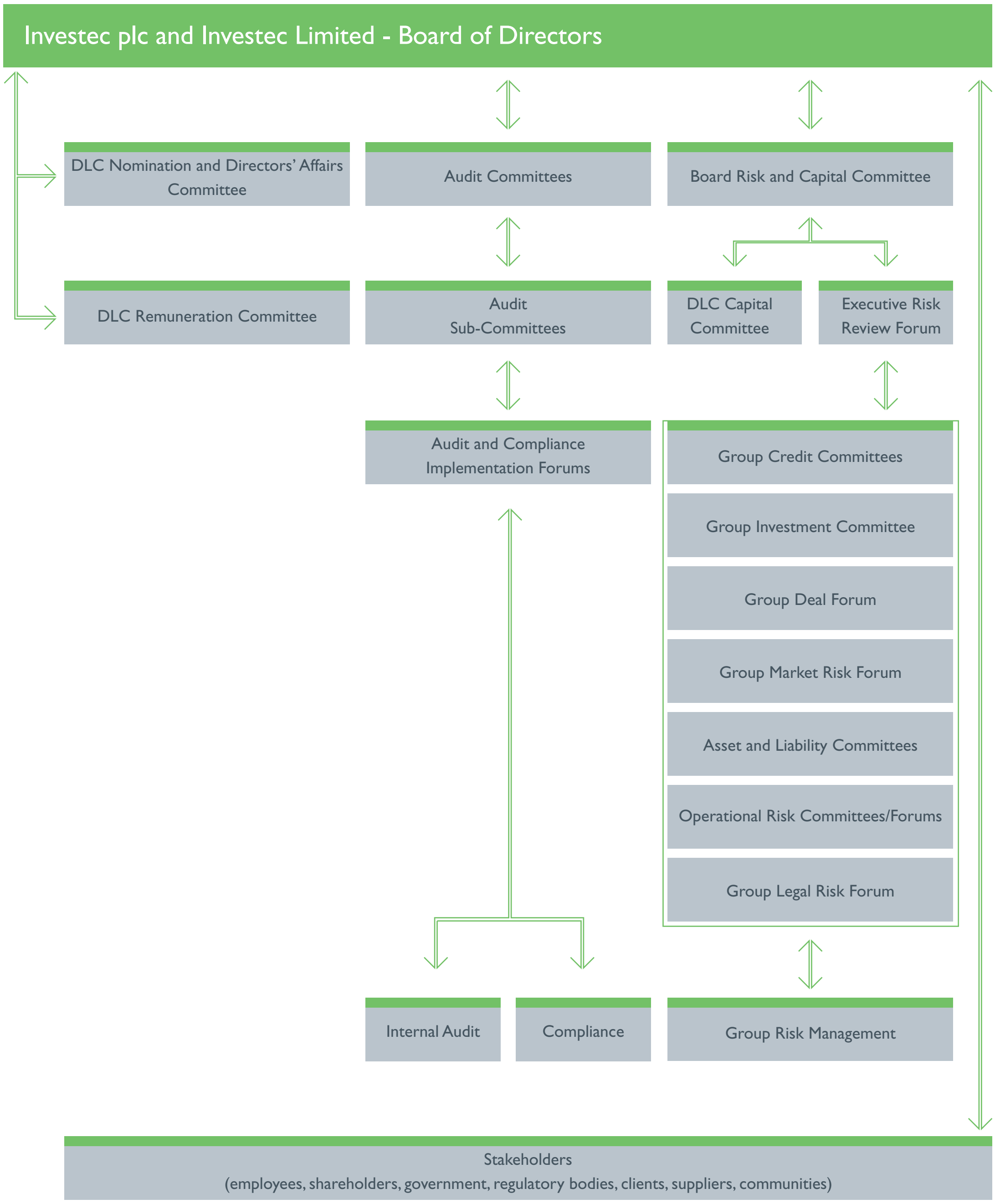
Group Risk Management's objectives

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 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 board. A diagram of our 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 23 to 51.
• Liquidity risk may impair our ability to fund our operations.	See pages 62 to 65.
• Our net interest earnings and net asset value may be adversely affected by interest rate risk.	See pages 58 to 61 and page 66.
• Market conditions and fluctuations could adversely affect our businesses in a number of ways.	See pages 54 to 58.
• 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 66 to 69.
• Operational risk may disrupt our business or result in regulatory action.	See pages 66 to 69.
• We may be vulnerable to the failure of our systems and breaches of our security systems.	See pages 66 to 69.
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required.	See pages 70 to 77.
• The financial services industry in which we operate is intensely competitive.	See page 22.
• Legal and regulatory risks are substantial in our businesses.	See pages 69 and 70.
• Reputational and strategic risk.	See page 69.
• We may be exposed to pension risk in our UK operations.	See page 70.

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.

Key markets indicators

The table below provides on 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	$1 243/oz	1 484/oz
Macro-economic			
UK GDP (% change over the period)	2.9%	3.0%	n/c
UK per capita GDP (£)	22 712	21 521	
Australia GDP (% change over the period)	4.2%	2.9%	n/c
Per capita GDP (A$)	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 created is 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 geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

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 group credit committee, consideration of the country risk element forms part of the sanctioning process. The local group credit committee has the power to recommend to the Global Credit Committee an appropriate country credit limit where undertaking a particular transaction could exceed the approved country limit. The Global Credit Committee is responsible for approving country limits.

Credit and counterparty risk appetite

We have a preference for exposure to EU countries, other G10 countries, Australasia, South Africa 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 51 for further information).

Risk management

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 28 for further information).

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 (see page 29 for further information).
- 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.

Asset Management

Investec Asset Management Limited regularly transact with well known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a move in the underlying security in the unlikely event a counterparty fails.

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 42). 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.

During the year Investec plc acquired Kensington. We retain residual exposures amounting to £229 million to the assets originated, warehoused and securitised by Kensington. Further information is provided on page 8 and pages 13 to 15.

Australia

As mentioned on page 8, Investec Bank (Australia) Limited acquired Experien. As is the case in the South African Private Banking division 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 139.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/principal finance activities reflect only those exposures to which we consider ourselves to be at risk notwithstanding accounting conventions. In addition, assets that have been securitised by our Private Banking division are reflected as part of our core lending exposures and not our securitisation/principal finance exposures as we believe this reflects the true nature and intent of these exposures and activities.

Summary of exposures and activity over the course of the year

Nature of exposure/activity	Exposure as at 31 March 2008 - £'mn	Exposure as at 31 March 2007 - £'mn	Credit analysis internal risk classification	Asset quality - relevant comments	Capital treatment
Structured credit investments			On-balance sheet securitisation/ principal finance exposure.	During the year we wrote off £48.9 million against these exposures as discussed on page 12.	Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	121	37			
Unrated	79	126			
Other	19	-			
Kensington - mortgage assets					
Net exposures to the securitised book (i.e. those assets that have been securitised)	101	-	On-balance sheet securitisation/principal finance exposure. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures".	Refer to page 14.	Risk-weighted or supervisory deductions against primary and secondary capital.
Net exposures to the warehouse book (i.e. those assets that have been originated and placed in special purpose vehicles awaiting securitisation)	128	-	On-balance sheet securitisation/principal finance exposure. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures".	Refer to page 14.	Risk-weighted.
Irish warehouse funding facility (i.e. where we are the funding provider to the assets)	238	-	Average loan to value of the assets to which these funding lines support is 70%.		Risk-weighted.

Summary of exposures and activity over the course of the year (continued)

Nature of exposure/activity	Exposure as at 31 March 2008 - £'mn	Exposure as at 31 March 2007 - £'mn	Credit analysis internal risk classification	Asset quality - relevant comments	Capital treatment
UK - residual investments in other assets which have been securitised by us	29	-	On-balance sheet securitisation/principal finance exposure. We are required to fully consolidate these assets. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures".		Risk-weighted or supervisory deductions against primary and secondary capital.
Private Banking division assets which have been securitised	346	-	On-balance sheet exposure - reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes. During the year we acquired Experien in Australia.	Analysed as part of the bank's overall asset quality on core loans and advances as reflected on page 42.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.

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, South Africa 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 51.

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 36.3% 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 1.0% to 2.6%.

As mentioned above 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.

During the year Investec plc acquired Kensington (as discussed on page 8).

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

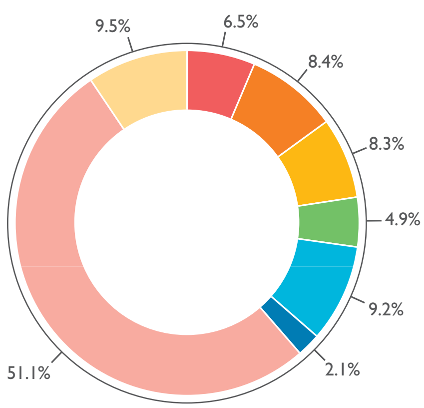
Pages 23 to 51 describe where and how credit and counterparty risk exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

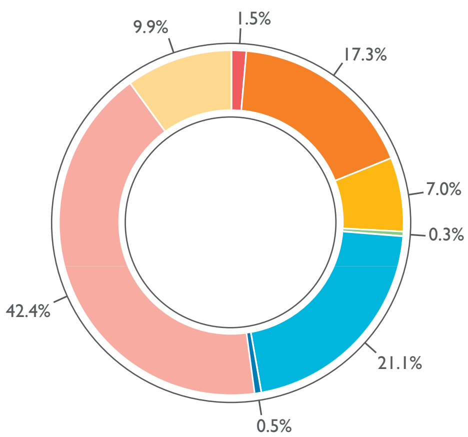
£'000 Audited	31 March 2008	31 March 2007	% change	Average* for the year ended 31 March 2008
On balance sheet exposures	**11 597 662**	**9 878 187**	**17.4%**	**10 737 928**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	821 380	162 661	>100.0%	492 021
Rated instruments	121 127	36 554	>100.0%	78 841
Unrated instruments	278 989	126 107	>100.0%	202 548
Other	421 264	-	>100.0%	210 632
Debt instruments (NCDs, bonds held, debentures)	1 063 722	1 889 127	(43.7%)	1 476 425
Bank placements	1 053 770	767 073	37.4%	910 422
Sovereign, government placements	616 122	37 487	>100.0%	326 805
Trading exposures (positive fair value excluding potential future exposures)	1 164 907	2 315 968	(49.7%)	1 740 438
Other credit exposures	268 656	58 111	>100.0%	163 384
Gross core loans and advances to customers**	6 609 105	4 647 760	42.2%	5 628 433
Off balance sheet exposures	**1 207 737**	**1 080 863**	**11.7%**	**1 144 301**
Guarantees	96 989	106 362	(8.8%)	101 676
Contingent liabilities and committed facilities and other	1 110 748	974 501	14.0%	1 042 625
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**12 805 399**	**10 959 050**	**16.8%**	**11 882 229**

* Where the average is based on a straight line average.
** As calculated on page 42.

31 March 2008



31 March 2007



- Securitisation/principal finance exposures
- Debt instruments
- Bank placements
- Sovereign, government placements
- Call facilities (non-bank entities)
- Trading exposures
- Other credit exposures
- Gross core loans and advances to customers
- Off-balance sheet exposures

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 and 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	-	1 045 047
Loans and advances to customers	415 528	13 236	-	402 292	-
Securitised assets	250 811	50 328	200 483	-	-
Interests in associated undertakings	-	-	-	-	-
Deferred taxation assets	-	-	-	-	-
Other assets	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total	821 380	121 127	278 989	421 264	1 063 722
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 to impairments and exposures arising from securitisation and principle finance activities. Further information is provided on page 138.

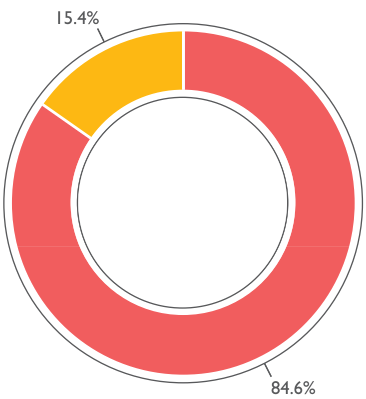
Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers (before impairments)	Total credit and counter-party exposure	Assets that we deem to have no credit exposure	Total balance sheet
6 607	608 004	-	-	-	614 611	17	614 628
1 047 163	-	-	81 583	-	1 129 458	37 121	1 166 579
-	-	7 124	-	-	7 124	59	7 183
-	-	325 162	-	-	325 162	25 454	350 616
-	-	189 622	2 566	-	352 347	105 744	458 091
-	-	481 993	-	-	490 988	228 433	719 421
-	8 118	-	111	-	1 057 126	60 035	1 117 161
-	-	-	-	6 263 021	6 678 549	*1 638 576	8 317 125
-	-	-	-	346 084	596 895	4 654 573	5 251 468
-	-	-	-	-	-	82 567	82 567
-	-	-	-	-	-	55 476	55 476
-	-	161 006	184 396	-	345 402	233 475	578 877
-	-	-	-	-	-	131 126	131 126
-	-	-	-	-	-	251 143	251 143
-	-	-	-	-	-	26 888	26 888
1 053 770	**616 122**	**1 164 907**	**268 656**	**6 609 105**	**11 597 662**	**7 530 687**	**19 128 349**
11 972	30 643	-	-	-	42 615	217	42 832
729 432	-	57 181	-	-	790 560	112 716	903 276
-	-	55	-	-	23 209	1	23 210
-	-	1 977 983	-	-	1 977 983	1 953	1 979 936
-	-	249 671	-	-	526 761	32 224	558 985
12 397	-	7 160	-	-	28 139	305 970	334 109
-	6 844	20 077	-	-	1 729 382	18 038	1 747 420
-	-	-	-	4 647 760	4 684 314	*(16 630)	4 667 684
-	-	-	-	-	-	-	-
-	-	-	-	-	-	70 321	70 321
-	-	-	-	-	-	28 130	28 130
13 272	-	3 841	58 111	-	75 224	864 169	939 393
-	-	-	-	-	-	122 742	122 742
-	-	-	-	-	-	168 963	168 963
-	-	-	-	-	-	17 850	17 850
767 073	**37 487**	**2 315 968**	**58 111**	**4 647 760**	**9 878 187**	**1 726 664**	**11 604 851**

Breakdown of gross credit and counterparty exposures by geography

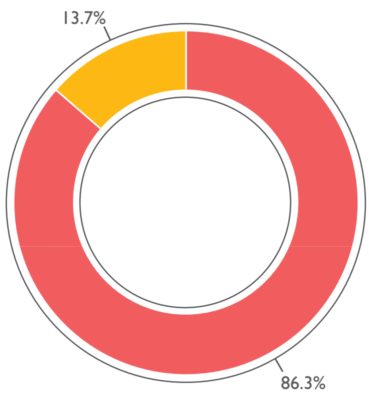
As at 31 March

£'000 Audited	UK and Europe		Australia		Total	
	2008	2007	2008	2007	2008	2007
On balance sheet exposures	**9 906 898**	**8 639 429**	**1 690 764**	**1 238 758**	**11 597 662**	**9 878 187**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	821 380	162 661	-	-	821 380	162 661
Rated instruments	121 127	36 554	-	-	121 127	36 554
Unrated instruments	278 989	126 107	-	-	278 989	126 107
Other	421 264	-	-	-	421 264	-
Debt instruments (NCDs, bonds held, debentures)	762 531	1 477 247	301 191	411 880	1 063 722	1 889 127
Bank placements	909 837	680 097	143 933	86 976	1 053 770	767 073
Sovereign, government placements	616 122	37 487	-	-	616 122	37 487
Call facilities (non-bank entities)	-	-	-	-	-	-
Trading exposures (positive fair value excluding potential future exposures)	1 100 903	2 249 119	64 004	66 849	1 164 907	2 315 968
Other credit exposures	268 656	58 111	-	-	268 656	58 111
Gross core loans and advances to customers	5 427 469	3 974 707	1 181 636	673 053	6 609 105	4 647 760
Off balance sheet exposures	**948 130**	**822 372**	**259 607**	**258 491**	**1 207 737**	**1 080 863**
Guarantees	50 246	64 115	46 743	42 247	96 989	106 362
Contingent liabilities, committed facilities and other	897 884	758 257	212 864	216 244	1 110 748	974 501
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**10 855 028**	**9 461 801**	**1 950 371**	**1 497 249**	**12 805 399**	**10 959 050**

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	891 683	842 103	4 582 157	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 service	131 017	140 187	24 800	3 787	155 817	143 974
Finance and insurance	307 440	336 292	3 853 032	4 846 676	4 160 472	5 182 968
Retailers and wholesalers	189 607	55 867	21 308	674	210 915	56 541
Manufacturing and commerce	283 415	276 303	53 694	7 725	337 109	284 028
Real estate	1 212 794	685 384	871 533	141 936	2 084 327	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	**6 609 105**	**4 647 760**	**6 196 294**	**6 311 290**	**12 805 399**	**10 959 050**

* 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 service
As at 31 March 2008					
On balance sheet exposures	**3 957 374**	**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	-
Call facilities (non-bank entities)	-	-	-	-	-
Trading exposures (positive fair value excluding potential future exposures)	28 485	-	-	-	26
Other credit exposures	238 415	-	-	220	810
Gross core loans and advances to customers	3 690 474	47 029	105 219	159 746	131 017
Off balance sheet exposures	**624 783**	**857**	**5 467**	**22 985**	**23 964**
Guarantees	34 410	83	3 516	3 356	165
Contingent liabilities and committed facilities and other	590 373	774	1 951	19 629	23 799
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**4 582 157**	**47 886**	**110 686**	**195 542**	**155 817**
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	-
Call facilities (non-bank entities)	-	-	-	-	-
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 and 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
4 050 294	**189 607**	**290 521**	**1 788 997**	**207 512**	**171 423**	**268 062**	**217 214**	**11 597 662**
52 164	-	-	564 059	-	-	-	205 157	821 380
-	-	-	-	-	-	-	121 127	121 127
-	-	-	200 483	-	-	-	78 506	278 989
52 164	-	-	363 576	-	-	-	5 524	421 264
1 057 882	-	-	217	-	-	-	5 623	1 063 722
1 053 770	-	-	-	-	-	-	-	1 053 770
603 531	-	-	-	-	-	-	-	616 122
-	-	-	-	-	-	-	-	-
973 618	-	6 233	4 156	145 942	13	-	6 434	1 164 907
1 889	-	873	7 771	-	-	18 678	-	268 656
307 440	189 607	283 415	1 212 794	61 570	171 410	249 384	-	6 609 105
110 178	**21 308**	**46 588**	**295 330**	**21 468**	**20 435**	**14 374**	**-**	**1 207 737**
22 431	103	26	21 093	11 806	-	-	-	96 989
87 747	21 205	46 562	274 237	9 662	20 435	14 374	-	1 110 748
4 160 472	**210 915**	**337 109**	**2 084 327**	**228 980**	**191 858**	**282 436**	**217 214**	**12 805 399**
5 176 182	**55 867**	**281 218**	**700 982**	**265 541**	**78 446**	**370 746**	**150 224**	**9 878 187**
-	-	-	12 437	-	-	-	150 224	162 661
-	-	-	-	-	-	-	36 554	36 554
-	-	-	12 437	-	-	-	113 670	126 107
-	-	-	-	-	-	-	-	-
1 889 127	-	-	-	-	-	-	-	1 889 127
767 073	-	-	-	-	-	-	-	767 073
30 643	-	-	-	-	-	-	-	37 487
-	-	-	-	-	-	-	-	-
2 094 936	-	4 915	3 161	209 108	-	2 784	-	2 315 968
58 111	-	-	-	-	-	-	-	58 111
336 292	55 867	276 303	685 384	56 433	78 446	367 962	-	4 647 760
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
5 182 968	**56 541**	**284 028**	**827 320**	**296 673**	**78 446**	**370 868**	**150 224**	**10 959 050**

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	**5 071 564**	**931 601**	**785 639**	**2 652 761**	**2 156 097**	**11 597 662**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	6 926	289 121	32	3 099	520 959	821 380
Rated instruments	-	40 603	-	1 057	79 467	121 127
Unrated instruments	4	7 656	32	2 042	269 255	278 989
Other	6 922	240 862	-	1 243	172 237	421 264
Debt instruments (NCDs, bonds held, debentures)	840 997	106 630	51 376	59 096	5 623	1 063 722
Bank placements	1 050 709	2 429	30	-	602	1 053 770
Sovereign, government placements	616 122	-	-	-	-	616 122
Call facilities (non-bank entities)	-	-	-	-	-	-
Trading exposures (positive fair value excluding potential future exposures)	1 094 359	8 898	25 164	31 367	5 119	1 164 907
Other credit exposures	226 890	17 007	19 094	5 654	11	268 656
Gross core loans and advances to customers	1 235 561	507 516	689 943	2 552 302	1 623 783	6 609 105
Off balance sheet exposures	**439 780**	**8 827**	**634 416**	**20 432**	**104 282**	**1 207 737**
Guarantees	53 222	7 207	11 803	19 182	5 575	96 989
Contingent liabilities, committed facilities and other	386 558	1 620	622 613	1 250	98 707	1 110 748
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**5 511 344**	**940 428**	**1 420 055**	**2 673 193**	**2 260 379**	**12 805 399**

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	**6 029 287**	**670 347**	**1 082 175**	**1 763 000**	**333 378**	**9 878 187**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	47 852	13 267	17 384	3 306	80 852	162 661
Rated instruments	-	-	17 384	-	19 170	36 554
Unrated instruments	47 852	13 267	-	3 306	61 682	126 107
Other	-	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	790 316	250 750	544 806	297 220	6 035	1 889 127
Bank placements	732 906	17 793	9 907	6 467	-	767 073
Sovereign, government placements	37 487	-	-	-	-	37 487
Call facilities (non-bank entities)	-	-	-	-	-	-
Trading exposures (positive fair value excluding potential future exposures)	2 223 480	6 752	18 758	66 978	-	2 315 968
Other credit exposures	52 300	5 811	-	-	-	58 111
Gross core loans and advances to customers	2 144 946	375 974	491 320	1 389 029	246 491	4 647 760
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	**6 072 918**	**692 730**	**1 948 710**	**1 893 030**	**351 662**	**10 959 050**

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. The risks associated with our securitisation and principal finance activities are discussed in detail on pages 28 to 30.

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)	8 366 824	4 684 314
Less: warehouse facilities and warehouse assets arising out of our Securitisation and Principal Finance activities	(2 103 803)	(36 554)
Add: own-originated securitised assets	346 084	-
Gross core loans and advances to customers (before intergroup loans and impairments)	**6 609 105**	**4 647 760**

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	**6 609 105**	**4 647 760**
Total impairments	**(30 827)**	**(17 769)**
Portfolio impairments	(2 236)	(1 540)
Specific impairments	(28 591)	(16 229)
Net core loans and advances to customers	**6 578 278**	**4 629 991**
Current loans and advances to customers	6 037 782	4 364 601
Total gross non-current loans and advances to customers	571 323	283 159
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	158 082	60 241
Gross core loans and advances to customers	**6 609 105**	**4 647 760**
Total gross non-current core loans and advances to customers (actual capital exposure)	**571 323**	**283 159**
Gross core loans and advances to customers that are past due but not impaired	475 615	240 923
Gross core loans and advances to customers that are impaired	95 708	42 236
Total gross non-current core loans and advances to customers (actual amount in arrears)	**33 764**	**21 577**
Bad debts written off during the period	**(168)**	**(5 287)**
Gross default loans and advances to customers	158 082	60 241
Collateral and other credit enhancements	126 373	52 201
Specific impairments	(28 591)	(16 229)
Net default loans and advances to customers (limited to zero)	**3 118**	**-**
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.43%	0.35%
Portfolio impairments as a % of gross core loans and advances to customers	0.03%	0.03%
Specific impairments as a % of gross default loans	18.09%	26.94%
Gross defaults as a % of gross core loans and advances to customers	2.39%	1.30%
Net defaults as a % of gross core loans and advances to customers	0.05%	-

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

£'000 Audited	31 March 2008	31 March 2007
1 - 60 days	356 944	217 192
61 - 90 days	59 833	22 166
91 - 180 days	154 546	28 663
181 - 365 days	-	2 551
>365 days	-	12 587
Total gross non-current loans and advances to customers (actual capital exposure)	**571 323**	**283 159**
1 - 60 days	14 911	3 200
61 - 90 days	942	844
91 - 180 days	17 911	6 597
181 - 365 days	-	2 510
>365 days	-	8 426
Total gross non-current loans and advances to customers (actual amount in arrears)	**33 764**	**21 577**

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	354 300	59 313	62 002	-	-	475 615
Amount in arrears	14 731	937	1 033	-	-	16 701
Gross core loans and advances to customers that are impaired						
Total capital exposure	2 644	520	92 544	-	-	95 708
Amount in arrears	180	5	16 878	-	-	17 063
As at 31 March 2007						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	209 392	22 149	5 221	-	4 161	240 923
Amount in arrears	3 184	275	347	-	-	3 806
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	16	579	6 240	2 510	8 426	17 771

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	3 016	520	154 546	-	-	158 082
Sub-standard	-	-	132 525	-	-	132 525
Doubtful	2 830	520	5 932	-	-	9 282
Loss	186	-	16 089	-	-	16 275
Total	356 944	59 833	154 546	-	-	571 323

An age analysis of gross non-current core loans and advances to customers as at 31 March 2008 (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)	14 731	-	-	-	-	14 731
Special mention	-	937	-	-	-	937
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	936	-	-	-	936
Special mention - watchlist	-	1	-	-	-	1
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	942	17 911	-	-	33 764

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	16 423	17	28 663	2 551	12 587	60 241
Sub-standard	15 674	-	16 618	-	810	33 102
Doubtful	154	17	106	41	-	318
Loss	595	-	11 939	2 510	11 777	26 821
Total	217 192	22 166	28 663	2 551	12 587	283 159

An age analysis of gross non-current core loans and advances to customers as at 31 March 2007 (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)	2 582	20	-	-	-	2 602
Special mention	23	834	-	-	-	857
Special mention (1 - 60 days in arrears and management concerned)	23	-	-	-	-	23
Special mention (61 - 90 days and item well secured)	-	834	-	-	-	834
Special mention - watchlist	-	-	-	-	-	-
Default	595	-	6 587	2 510	8 426	18 118
Sub-standard	-	-	639	-	-	639
Doubtful	-	-	19	-	-	19
Loss	595	-	5 929	2 510	8 426	17 460
Total	3 200	854	6 587	2 510	8 426	21 577

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	6 037 782	-	-	6 037 782
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	-	62 374	95 708	158 082
Sub-standard	-	62 001	70 524	132 525
Doubtful	-	373	8 909	9 282
Loss	-	-	16 275	16 275
Total	6 037 782	475 615	95 708	6 609 105
At 31 March 2007				
Current core loans and advances	4 364 601	-	-	4 364 601
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	-	18 005	42 236	60 241
Sub-standard	-	17 986	15 116	33 102
Doubtful	-	19	299	318
Loss	-	-	26 821	26 821
Total	4 364 601	240 923	42 236	4 647 760

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears	Bad debts written off during the period
-	-	6 037 782	-	-
-	(2 236)	325 309	14 731	-
-	-	85 696	937	-
-	-	-	-	-
-	-	42 972	936	-
-	-	42 724	1	-
(28 591)	-	129 491	18 096	(168)
(16 422)	-	116 103	1 808	-
(3 904)	-	5 378	33	-
(8 265)	-	8 010	16 255	(168)
(28 591)	(2 236)	6 578 278	33 764	(168)
-	-	4 364 601	-	-
-	(1 540)	163 536	2 602	-
-	-	57 842	857	-
-	-	3 855	23	-
-	-	22 149	834	-
-	-	31 838	-	-
(16 229)	-	44 012	18 118	(5 287)
(418)	-	32 684	639	-
(233)	-	85	19	(4 992)
(15 578)	-	11 243	17 460	(295)
(16 229)	(1 540)	4 629 991	21 577	(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	3 391 826	307 061	-	40 608	42 724
Corporate sector	2 151 445	20 484	-	2 364	-
Banking, insurance, financial services (excluding sovereign)	307 440	-	-	-	-
Public and government sector (including central banks)	159 746	-	-	-	-
Trade finance	23 005	-	-	-	-
Other	4 320	-	-	-	-
Total gross core loans and advances to customers	6 037 782	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	1 446 641	21 128	-	-	1 479
Banking, insurance, financial services (excluding sovereign)	336 292	-	-	-	-
Public and government sector (including central banks)	131 762	-	-	-	-
Trade finance	21 281	-	-	-	-
Other	860	-	-	-	-
Total gross core loans and advances to customers	4 364 601	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	3 899 506	2 670 480
Corporate sector	2 214 715	1 487 066
Banking insurance, financial services (excluding sovereign)	307 440	336 292
Public and government sector (including central banks)	159 746	131 762
Trade finance	23 378	21 300
Other	4 320	860
Total gross core loans and advances to customers	6 609 105	4 647 760

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments	Bad debts written off in period
96 184	4 952	16 151	3 899 506	(2 236)	(25 508)	(27 744)	(120)
36 341	3 957	124	2 214 715	-	(3 083)	(3 083)	(48)
-	-	-	307 440	-	-	-	-
-	-	-	159 746	-	-	-	-
-	373	-	23 378	-	-	-	-
-	-	-	4 320	-	-	-	-
132 525	**9 282**	**16 275**	**6 609 105**	**(2 236)**	**(28 591)**	**(30 827)**	**(168)**
21 686	-	20 718	2 670 480	(1 453)	(10 513)	(11 966)	(201)
11 416	299	6 103	1 487 066	(87)	(5 716)	(5 803)	(5 086)
-	-	-	336 292	-	-	-	-
-	-	-	131 762	-	-	-	-
-	19	-	21 300	-	-	-	-
-	-	-	860	-	-	-	-
33 102	**318**	**26 821**	**4 647 760**	**(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	5 427 469	3 974 707	1 181 636	673 053	6 609 105	4 647 760
Total impairments	**(22 037)**	**(8 159)**	**(8 790)**	**(9 610)**	**(30 827)**	**(17 769)**
Portfolio impairments	(2 236)	(1 540)	-	-	(2 236)	(1 540)
Specific impairments	(19 801)	(6 619)	(8 790)	(9 610)	(28 591)	(16 229)
Net core loans and advances to customers	**5 405 432**	**3 966 548**	**1 172 846**	**663 443**	**6 578 278**	**4 629 991**
% of total	82.2%	85.7%	17.8%	14.3%	100.0%	100.0%
% change year on year	36.3%	-	76.8%	-	42.2%	-
Current loans and advances to customers	4 948 696	3 752 532	1 089 086	612 069	6 037 782	4 364 601
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	139 163	41 203	18 919	19 038	158 082	60 241
Gross core loans and advances to customers	**5 427 469**	**3 974 707**	**1 181 636**	**673 053**	**6 609 105**	**4 647 760**
Total gross non-current loans and advances to customers (actual capital exposure)	**478 773**	**222 175**	**92 550**	**60 984**	**571 323**	**283 159**
Gross core loans and advances to customers that are past due but not impaired	399 966	197 399	75 649	43 524	475 615	240 923
Gross core loans and advances to customers that are impaired	78 808	24 776	16 900	17 460	95 708	42 236
Total gross non-current loans and advances to customers (actual amount in arrears)	**15 370**	**3 756**	**18 394**	**17 821**	**33 764**	**21 577**
Bad debts written off during the period	**-**	**(5 193)**	**(168)**	**(94)**	**(168)**	**(5 287)**
Gross default loans and advances to customers	139 163	41 203	18 919	19 038	158 082	60 241
Collateral and other credit enhancements	114 011	42 032	12 362	10 169	126 373	52 201
Specific impairments	(19 801)	(6 619)	(8 790)	(9 610)	(28 591)	(16 229)
Net default loans and advances to customers (limited to zero)	**5 351**	**-**	**-**	**-**	**3 118**	**-**
Gross defaults as a % of gross core loans and advances to customers	2.6%	1.0%	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**	**391 171**	**1 088 706**
Cash	442 249	8 958	451 207
Debt securities issued by sovereigns	-	133 352	133 352
Shares	255 286	248 861	504 147
Mortgage bonds	**5 899 220**	**694 126**	**6 593 346**
Residential property collateral	2 839 009	694 126	3 533 135
Commercial property collateral	1 578 249	-	1 578 249
Commercial property development collateral	1 481 962	-	1 481 962
Other collateral	**678 529**	**28 362**	**706 891**
Asset finance collateral	320 069	18 436	338 505
Guarantees	23 576	-	23 576
Other	334 884	9 926	344 810
Total collateral	**7 275 284**	**1 113 659**	**8 388 943**

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

Equity and investment risk in the banking book

Equity and investment risk description

Audited

Equity and investment risk in the banking book arises primarily from the following activities conducted within the group:

- Investment Banking Principal Investments (Private Equity and Direct Investments): We actively seek and select expansion and buy-out investments as principal in unlisted companies. Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio of assets. These investment positions are carefully researched with the intent to stimulate corporate activity. In South Africa, we also continue to pursue opportunities to help create and grow black owned and controlled companies.
- Lending transactions (within the Private Banking and Capital Markets divisions): The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies.
- Property Activities: We source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters.
- Central Funding: In South Africa the Central Funding division is the custodian of certain equity and property investments, which have largely arisen from corporate acquisitions made, notably in the early 2000s.

Management of equity and investment risk

As equity and investment risk arise from a variety of activities conducted by us, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of equity and investment risk	Management of risk
Listed equities	Investment Committee and Market Risk Management
Investment Banking Principal Finance investments	Investment Committee
Embedded derivatives, profit shares and investments arising from lending transactions	Credit Risk Management Committees
Central Funding investments	DLC Capital Committee and Investment Committee

We have recently implemented a central database to store all quantitative and qualitative information with respect to our equity, profit share, embedded derivatives and property investments. Stress testing scenario analyses are performed regularly and reported to ERRF, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to page 108 and pages 132 to 135 for factors taking into consideration in determining fair value.

The table below provides an analysis of income and revaluations recorded with respect to these investments.

£'000 Audited	Income (pre funding costs) - for the year ended Unrealised	Realised	Dividends, net interest and other	Total	Fair value directly to equity
31 March 2008					
Unlisted investments	**605**	**13 899**	**37 297**	**51 801**	**1 687**
UK and Europe	(1 892)	12 854	36 981	47 943	1 687
Australia	2 497	1 045	316	3 858	-
Listed equities	**2 890**	**15 550**	**1 257**	**19 697**	**(6 494)**
UK and Europe	3 616	15 077	362	19 055	(4 705)
Australia	(726)	473	895	642	(1 789)
Warrants, profit shares and other embedded derivatives	**(5 805)**	**39 070**	**5 064**	**38 329**	**-**
UK and Europe	(5 805)	39 070	5 064	38 329	-
Total	**(2 310)**	**68 519**	**43 618**	**109 827**	**(4 807)**
31 March 2007					
Unlisted investments	**5 006**	**2 948**	**39 152**	**47 106**	**1 392**
UK and Europe	3 525	2 387	38 236	44 148	1 392
Australia	1 481	561	916	2 958	-
Listed equities	**330**	**9 969**	**409**	**10 708**	**5 628**
UK and Europe	1 245	10 294	228	11 767	5 628
Australia	(915)	(325)	181	(1 059)	-
Warrants, profit shares and other embedded derivatives	**3 999**	**53 881**	**-**	**57 880**	**-**
UK and Europe	3 999	53 881	-	57 880	-
Total	**9 335**	**66 798**	**39 561**	**115 694**	**7 020**

Unrealised revaluation gains are included in Tier 1 capital. Revaluations that are posted directly to equity are included in Tier 2 capital within Investec plc.

Summary of investments held and stress testing analyses

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

£'000 Audited	Balance sheet value of investments 31 March 2008	Valuation change stress test* 31 March 2008	Balance sheet value of investments 31 March 2007	Valuation change stress test* 31 March 2007
Unlisted investments	**139 940**	**20 991**	**135 572**	**20 974**
UK and Europe	120 872	18 131	135 572	20 336
Australia	19 068	2 860	-	638
Listed equities	**42 251**	**10 563**	**44 202**	**11 051**
UK and Europe	40 359	10 090	36 372	9 093
Australia	1 892	473	7 830	1 958
Warrants, profit shares and other embedded derivatives	**41 879**	**14 658**	**26 742**	**9 360**
UK and Europe	41 879	14 658	26 742	9 360
Total	224 070	46 212	206 516	41 385

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

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

Stress testing summary

Based on the information above we could have a £46.2 million reversal in revenue (which assumes a year in which there is a "worst case scenario"). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of "Equity Risk" and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 76 for further detail.

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; 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.

Risk management

VaR

Audited

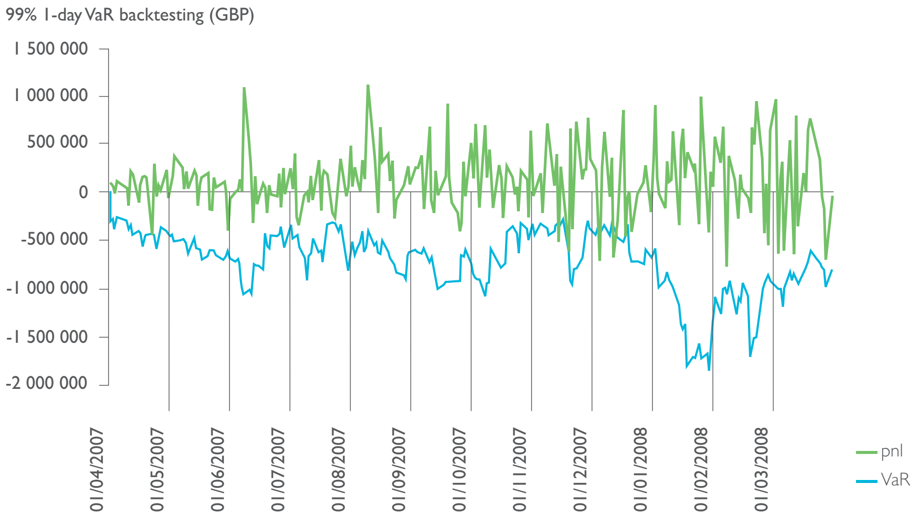
	IBUK^ 95% (one-day) £'000	IBAL^ 99% (one-day) A$'000
31 March 2008		
Commodities	93	-
Equity derivatives	275	-
Foreign exchange	23	34
Interest rates	397	343
Consolidated*	**434**	**374**
High	951	374
Low	130	59
Average	385	178
31 March 2007		
Commodities	79	72
Equity derivatives	124	-
Foreign exchange	5	30
Interest rates	77	132
Consolidated*	**179**	**234**
7.0		
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

The graphs below show total daily VaR and profit and loss figures 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

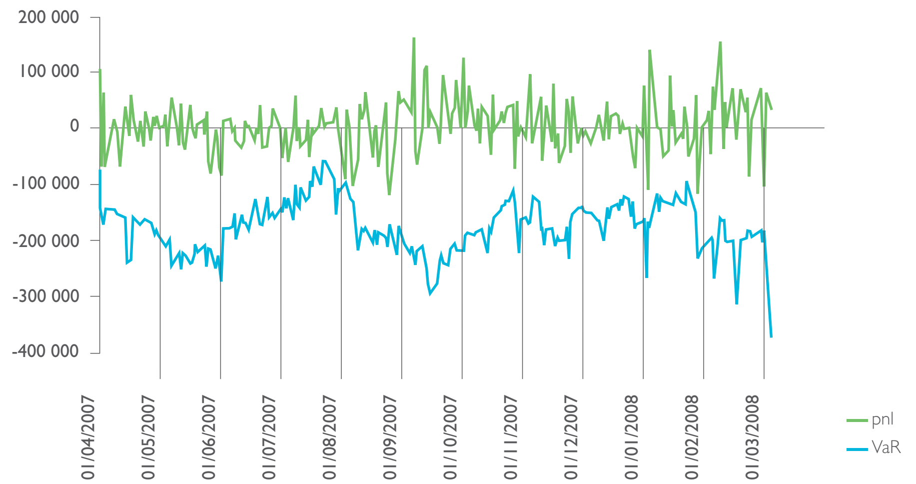


There have been seven exceptions i.e. where the loss is greater than the VaR. This exceeds the expectations at the 99% level. All exceptions arose on the Fixed Income desk. These exceptions arose largely in November and December 2007, a particularly volatile period in the markets with extreme moves across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

Risk and governance

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 and each entity is lower than the sum of the individual ETLs. This arises from the correlation offset between various asset classes.

Risk management

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, all desks are currently at the Capital Adequacy (CAD) I level and will be applying for CAD II later in the year.

In the UK, the bank continues to build its customer base in an attempt to replicate the South African model. 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 trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 137.

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.

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.

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 risk 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.

Risk management

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	1 509	14	-	-	-	3	1 526
Investment/trading assets	1 316	149	19	4	24	157	1 669
Securitised assets	4 563	5	134	204	-	-	4 906
Advances	5 611	948	129	708	87	4	7 487
Non-rate assets	187	84	14	5	12	601	903
Assets	**13 186**	**1 200**	**296**	**921**	**123**	**765**	**16 491**
Deposits - banks	(4 102)	(238)	(146)	(44)	(11)	-	(4 541)
Deposits - non-banks	(4 006)	(160)	(34)	(73)	(36)	-	(4 309)
Negotiable paper	(97)	(111)	(15)	-	-	-	(223)
Investment/trading liabilities	(190)	(4)	-	-	-	(42)	(236)
Securitised liabilities	(4 627)	-	-	-	-	(1)	(4 628)
Subordinated liabilities	9	(2)	(10)	(208)	(357)	(159)	(727)
Non-rate liabilities	(340)	(3)	(48)	-	-	(357)	(748)
Liabilities	**(13 353)**	**(518)**	**(253)**	**(325)**	**(404)**	**(559)**	**(15 412)**
Net interdivs and interco's	291	(46)	(56)	(242)	(9)	(57)	(119)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**(1 050)**	**(1 050)**
Balance sheet	**124**	**636**	**(13)**	**354**	**(290)**	**(901)**	**(91)**
Hedges	(368)	96	(204)	135	340	-	
Repricing gap	**(244)**	**732**	**(217)**	**489**	**50**	**(901)**	**(91)**
Cumulative repricing gap	**(244)**	**488**	**271**	**760**	**810**	**(91)**	**-**

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. These entities form part of the consolidated group balance sheet as reported.

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 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.

Risk management

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	1 479	97	7	16	-	1	-	1 600
Cash and short term funds - non-banks	-	-	1	1	5	-	-	7
Statutory liquids	-	-	-	-	-	-	-	-
Investment/trading assets*	825	834	85	12	44	56	461	2 317
Securitised assets	16	-	-	-	-	1	4 889	4 906
Advances**	302	361	577	638	489	2 033	3 088	7 488
Non-rate assets	299	213	16	44	16	34	351	973
Assets	**2 921**	**1 505**	**686**	**711**	**554**	**2 125**	**8 789**	**17 291**
Deposits - banks	(287)	(312)	(71)	(521)	(312)	(2 833)	(299)	(4 635)
Deposits - non-banks	(1 170)	(510)	(2 004)	(382)	(166)	(190)	(20)	(4 442)
Negotiable paper	(1)	(44)	(57)	(91)	(18)	(12)	-	(223)
Securitised liabilities	-	-	-	-	-	-	(4 627)	(4 627)
Investment/trading liabilities	(511)	(23)	(115)	4	(6)	(5)	(18)	(674)
Subordinated liabilities	-	-	-	-	(9)	(197)	(521)	(727)
Non-rate liabilities	(396)	(174)	(31)	(21)	(111)	(3)	(20)	(756)
Liabilities	**(2 365)**	**(1 063)**	**(2 278)**	**(1 011)**	**(622)**	**(3 240)**	**(5 505)**	**(16 084)**
Net interdivs and interco's	(443)	(11)	530	(35)	(41)	(103)	(47)	(150)
Shareholders' funds	**-**	**-**	**-**	**-**	**-**	**-**	**(1 057)**	**(1 057)**
Balance sheet	**113**	**431**	**(1 062)**	**(335)**	**(109)**	**(1 218)**	**2 180**	**-**
Liquidity gap	**113**	**431**	**(1 062)**	**(335)**	**(109)**	**(1 218)**	**2 180**	**-**
Cumulative liquidity gap	**113**	**544**	**(518)**	**(853)**	**(962)**	**(2 180)**	**-**	**-**

Note: contractual liquidity adjustments (as discussed on page 63)

£'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 63)

£'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	**722**	**560**	**(645)**	**(499)**	**(274)**	**(2 044)**	**2 180**	**-**
Cumulative	722	1 282	637	138	(136)	(2 180)-	-	

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 63)

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 63)

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)	-	-

Risk management

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.

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 such as power load shedding, 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 the 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 plc is expected to provide funds to reduce any deficit in the schemes. There are two defined benefit schemes within Investec plc 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 plc 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 29 and 29.

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.

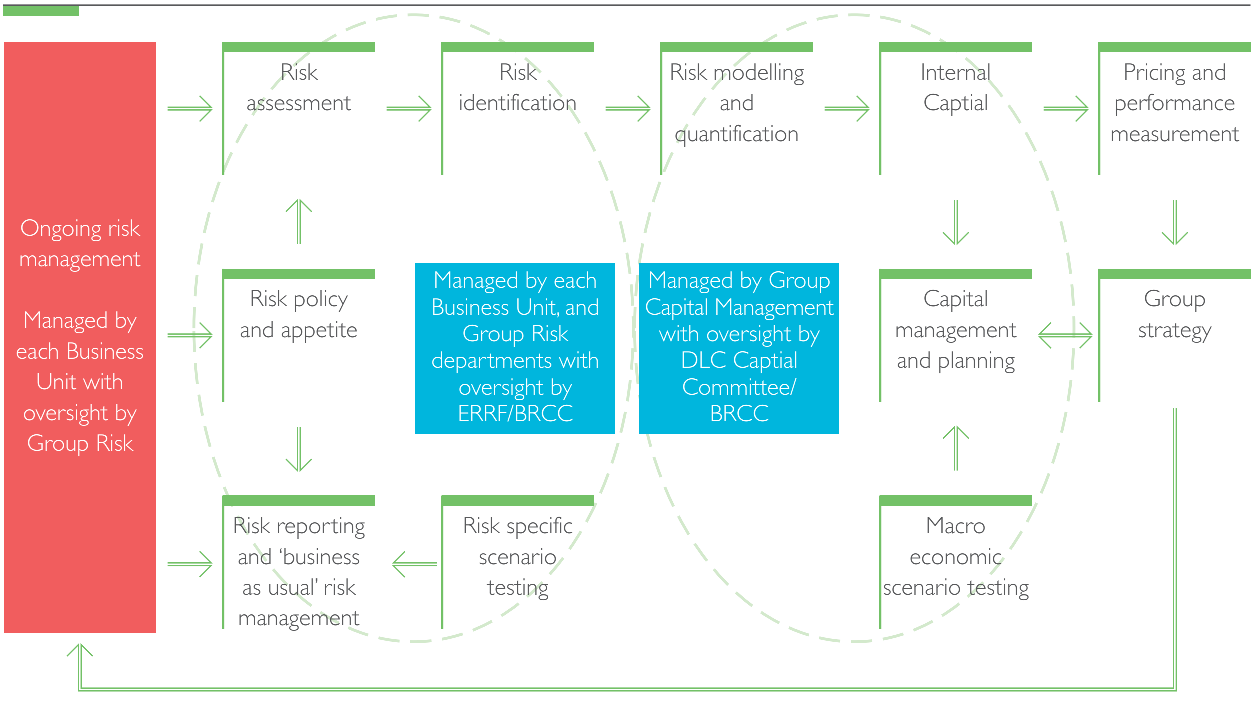
The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Invested Limited were a single unified enterprise. Investec plc is regulated by the UK FSA and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

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.

Risk management

While capital requirements under "Pillar 1" form the minimum capital for Investec plc, Investec Limited and their 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 for Investec plc and Investec Limited.

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 Investec plc and Investec Limited boards of directors are ultimately responsible for the respective silo's capital management. At the highest level, the boards have delegated direct responsibility for capital management to the BRCC, and in turn the DLC Capital Committee, to oversee the effective control and use of capital.

In order to feed into this forum, Investec plc 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. The Southern African operations meet monthly through the Regulatory Forum, which analyses regulatory information, including capital use in Investec Bank Limited and Investec Bank (Mauritius) Limited. 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.

Accounting and regulatory treatment of group subsidiaries

Identity of investment/interest held	Regulator	% interest held	Regulatory treatment Fully consoli-dated	Entities that are given a deduction treatment	Country of operations	Restrictions and major impediments on the transfer of funds and regulatory capital within the group
Bank controlling company						
Investec plc	**Subject to consolidated supervision**				UK	None
Investec I Limited	**Subject to consolidated supervision**	100%	Yes		UK	None
Regulated subsidiaries						
Banking and securities trading						
Investec Bank (Australia) Limited	Australian Prudential Regulation Authority	100%	Yes		Australia	Subject to regulatory rules
Investec Bank (UK) Limited*	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Bank (Channel Islands) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Bank (Switzerland) AG	Swiss Federal Banking Commission	100%	Yes		Switzerland	Subject to regulatory rules
Investec Ireland Limited	Irish Financial Services Regulatory Authority	100%	Yes		Ireland	Subject to regulatory rules
Investec Trust (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Trust (Jersey) Limited	Jersey Financial Services Commission	100%	Yes		Jersey	Subject to regulatory rules
Investec Securities (US) LLC	Securities and Exchange Commission and Financial Industry Regulatory Authority	100%	Yes		USA	Subject to regulatory rules
Kensington Mortgage Company Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Kensington Personal Loans Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Rensburg Sheppards Investment Management Limited	FSA	47.3%	Proportionately consolidated		UK	Subject to regulatory rules
Rensburg Fund Management Limited	FSA	47.3%	Proportionately consolidated		UK	Subject to regulatory rules
Rensburg Sheppards Trustees Limited	FSA	47.3%	Proportionately consolidated		UK	Subject to regulatory rules

* Investec Bank (UK) Limited has obtained a solo consolidation waiver from FSA.

Accounting and regulatory treatment of group subsidiaries (continued)

Identity of investment/interest held	Regulator	% interest held	Regulatory treatment Fully consoli-dated	 Entities that are given a deduction treatment	Country of operations	Restrictions and major impediments on the transfer of funds and regulatory capital within the group
Mayflower Management Limited	FSA	47.3%	Proportio-nately consolidated		UK	Subject to regulatory rules
Hargreave Hale Limited	FSA	35%	Proportio-nately Proportio-		UK	Subject to regulatory rules
European Capital Company Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Asset Management						
Investec Asset Management Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management US Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Management Ltd	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Fund Managers Ltd	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Investment Management Ltd	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management Asia Ltd	Hong Kong Securities and Futures Commission	100%	Yes		Hong Kong	Subject to regulatory rules
Investec Asset Management (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Asset Management (Ireland) Limited	Irish Financial Services Regulatory Authority	100%	Yes		Ireland	Subject to regulatory rules
Unregulated subsidiaries	**Not regulated subject to consolid-ated super-vision**					
Investec Holdings (UK) Limited		100%	Yes		UK	None
Investec Group (UK) PLC		100%	Yes		UK	None
Investec Asset Finance PLC		100%	Yes		UK	None
Investec Finance plc		100%	Yes		UK	None
Investec Group Investments (UK) Limited		100%	Yes		UK	None
Investec Investment Holdings AG		100%	Yes		Switzerland	None
Investec Trust (Switzerland) S.A.		100%	Yes		Switzerland	None
Kensington Group plc		100%	Yes		UK	None
Kensington Mortgages Limited		100%	Yes		UK	None
Newbury Park Mortgage Funding Limited		100%	Yes		UK	None
St James's Park Mortgage Funding Limited		100%	Yes		UK	None
Start Mortgages Limited		65.1%	Yes		Ireland	Minority interests
Experien Pty Limited		100%	Yes		Australia	None
Guinness Mahon & Co Limited		100%	Yes		UK	None
Global Ethanol Holdings Limited		44.4%	No	Deduction	USA	Minority interests
Global Ethanol LLC		26.6%	No	Deduction	USA	Minority interests
Ida Tech plc		73.1%	No	Deduction	USA	Minority interests

Risk management

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 153 to 156.

As at 31 March 2008
£'000

Regulatory capital	
Tier 1	
Share capital	131
Share premium	651 023
Non-redeemable, non-cumulative, non-participating preference shares	129 558
Retained income	299 345
Treasury shares	(16 511)
Other reserves	89 522
Minority interests in subsidiaries	159 420
Less: impairments (goodwill and other deductions)	(376 675)
	935 813
Tier 2	
Aggregate amount	735 462
Less: deductions	(69 015)
	666 447
Tier 3	
Aggregate amount	18 087
Less: deductions	-
	18 087
Other deductions from Tier 1 and Tier 2	**(66 838)**
Total eligible capital	**1 553 509**

Capital requirements

As at 31 March 2008 **£'000**	**Capital requirements**	**Risk-weighted assets**
Credit risk - FSA prescribed standardised exposure classes	675 140	8 439 250
- Corporates	265 469	3 318 362
- Secured on real estate property	222 505	2 781 312
- Counterparty risk on trading positions	40 299	503 738
- Short term claims on institutions and corporates	32 507	406 338
- Retail	28 388	354 850
- Institutions	27 452	343 150
- Other exposure classes	58 520	731 500
Equity risk - standardised approach	11 363	142 038
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	96 749	1 209 363
Total	**812 969**	**10 162 114**

Capital adequacy

At 31 March 2008	Investec plc £'million	IBUK* £'million	IBAL* A$'million
Primary capital (Tier 1)	1 005	894	637
Other capital (Tier 2 and 3)	754	620	118
	1 759	1 514	755
Less: impairments	(205)	(248)	(213)
Net qualifying capital	**1 554**	**1 266**	**542**
Risk-weighted assets (banking and trading)	**10 162**	**8 687**	**2 933**
Credit risk	8 439	7 174	2 509
Equity risk	142	138	102
Market risk	372	371	18
Operational risk	1 209	1 004	304
Capital adequacy ratio	**15.3%**	**14.6%**	**18.5%**
Tier 1 ratio	9.2%	9.1%	15.3%
Capital adequacy ratio - pre operational risk	**17.4%**	**16.5%**	**20.6%**
Tier 1 ratio - pre operational risk	10.5%	10.3%	17.1%

* Where: IBUK is Investec Bank (UK) Limited and 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 in the UK and Europe 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.

All jurisdictions - 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, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

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 and King II. 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 plc 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 plc is set out on pages 88 to 91.

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.

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainable growth and prosperity.

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.

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

Additional information

Shareholder analysis

We have implemented a Dual Listed Companies (DLC) structure in terms of which we have primary listings both in Johannesburg and London. Investec plc, which houses the majority of our non-Southern African businesses, was listed on the London Stock Exchange on 29 July 2002. Investec plc also has a secondary listing on the JSE Limited (JSE). Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

As at 31 March 2008 Investec plc had and 423.3 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2008

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
6 164	1 to 500	32.6	1 765 234	0.4
4 385	501 to 1 000	23.2	3 477 335	0.8
5 596	1 001 to 5 000	29.6	13 235 804	3.1
1 026	5 001 to 10 000	5.3	7 664 017	1.8
1 031	10 001 to 50 000	5.4	23 804 401	5.6
257	50 001 to 100 000	1.4	17 990 847	4.2
464	100 001 and over	2.5	355 381 861	84.1
18 923		**100.0**	**423 319 499**	**100.0**

Shareholder classification as at 31 March 2008

	Investec plc number of shares	% holding
Public*	410 337 813	96.9
Non-public	12 981 686	3.1
Non-executive directors of Investec plc/Investec Limited	3 362 190	0.8
Executive directors of Investec plc/Investec Limited	*7 507 128	1.8
Investec staff share schemes	2 112 368	0.5
Total	**423 319 499**	**100.0**

* As per the JSE Limited listing requirements.

Shareholder analysis

Largest shareholders as at 31 March 2008

In accordance with the terms provided for in Section 793 of the UK Companies Act 2006 and Section 140A of the South African Companies Act, 1973, we have conducted investigations into the registered holders of our ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec plc

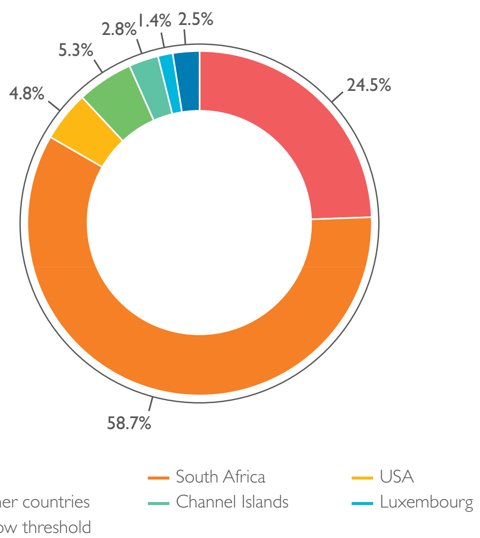
	Shareholder analysis by manager group	Number of shares	% holding
1	Public Investment Commissioner (ZA)	38 386 376	9.1
2	Old Mutual Asset Managers (ZA)	30 738 426	7.3
3	Investec Securities (Pty) Limited (ZA)*	27 170 269	6.4
4	Legal & General Investment Mgmt Ltd (UK)	19 383 804	4.6
5	Coronation Fund Managers (ZA)	19 212 614	4.5
6	RMB Asset Management (ZA)	15 332 295	3.6
7	JP Morgan Asset Management (UK)	14 320 783	3.4
8	Jupiter Asset Management Limited (UK)	13 173 074	3.1
9	Investec Asset Management (ZA)*	10 663 833	2.5
10	Sanlam Investment Management (ZA)	10 232 649	2.4
	Cumulative total	**198 614 123**	**46.9**

The top 10 shareholders account for 46.9% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* Managed on behalf of clients.

Geographic holding by beneficial owner as at 31 March 2008

Investec plc



Additional information

Shareholder analysis

Share statistics

Investec plc ordinary shares in issue

For the year ended 31 March[1]	2008	2007	2006	2005	2004	2003
Closing market price per share (Pounds)[1]						
- year end	3.39	6.58	5.88	3.11	2.18	1.23
- highest	7.65	6.76	6.07	3.47	2.36	1.92
- lowest	2.94	4.95	3.04	1.84	1.22	1.21
Number of ordinary shares in issue (million)[1]	423.3	381.6	373.0	373.0	373.0	373.0
Market capitalisation (£'million)[2]	1 435	2 511	2 194	1 160	812	459
Daily average volume of shares traded ('000)	3 925.9	2 832.5	1 489.0	741.0	498.0	349.5

Notes:

[1] Investec plc has been listed on the LSE since 29 July 2002.

[2] The LSE only include the shares in issue for Investec plc i.e. 423.3 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

Directorate Investec plc

Executive directors

Name	Age at 31 March 2008	Qualifications	Current directorships	Investec committee membership	Brief biography
Chief Executive Officer Stephen Koseff	56	BCom CA (SA) H Dip BDP MBA	The Bidvest Group Limited, JSE Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer and General Manager of Banking, Treasury and Merchant Banking.
Managing Director Bernard Kantor	58	CTA	Phumelela Gaming and Leisure Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Bernard joined Investec in 1980. He has had varied experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer.
Group Risk and Finance director Glynn R Burger	51	BAcc CA(SA) H Dip BDP MBL	Investec Bank Limited and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Glynn joined Investec in 1980. His positions within Investec have included Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa.
Alan Tapnack	61	BCom CA (SA)	Investec Bank (UK) Limited and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Alan is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and has held the positions of Chief Finance Officer and Chief Executive Officer of Investec Bank (UK) Limited and Chief Executive Officer of Investec's UK operations.

Directorate Investec plc

Non-executive directors

Name	Age at 31 March 2008	Qualifications	Current directorships	Investec committee membership	Brief biography
Non-executive Chairman Hugh S Herman	67	BA LLB LLD (hc)	Growthpoint Properties Limited, Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and a number of Investec subsidiaries	DLC Nomination and Directors' Affairs Committee	Hugh practised as an attorney before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director.
Sam E Abrahams	69	FCA CA (SA)	Investec Bank Limited, Foschini Limited, Super Group Limited and Phumelela Gaming and Leisure Limited	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, DLC Nomination and Directors' Affairs Committee, Board Risk and Capital Committee and DLC Capital Committee	Sam is a former international partner and Auditing South African Managing Partner of Arthur Andersen.
George FO Alford	59	BSc (Econ) FCIS FIPD MSI	Investec Bank (UK) Limited	DLC Audit Committee, Investec plc Audit Committee Investec Limited Audit Committee, Remuneration Committee and Board Risk and Capital Committee	George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority.
Cheryl A Carolus	49	BA (Law) B Ed	De Beers Consolidated Mines Limited, The IQ Business Group (Pty) Limited, Fenner Conveyor Belting South Africa (Pty) Limited, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd and Executive Chairperson of Peotona Group Holdings (Pty) Limited	-	Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was Chief Executive Officer of South African Tourism. She is Chairperson of South African National Parks.

Directorate Investec plc

Non-executive directors

Name	Age at 31 March 2008	Qualifications	Current directorships	Investec committee membership	Brief biography
Haruko Fukuda OBE	61	MA (Cantab) DSc	Chairman Caliber Global Investments Ltd, Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Metro AG, Centaurus Capital Ltd and Aspis Bank SA	-	Haruko was previously Chief Executive Officer of the World Gold Council, and senior advisor at Lazard. She is former vice Chairman of Nikko Europe plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.
Geoffrey MT Howe	58	MA (Hons)	Jardine Lloyd Thompson Group plc (Chairman) and Nationwide Building Society (Chairman)	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk and Capital Committee	Geoffrey is a former Managing Partner of Clifford Chance LLP and was Director and Group General Counsel of Robert Fleming Holdings Ltd. He is also a former Chairman of Railtrack Group plc.
Ian R Kantor	61	BSc (Eng) MBA	Insinger de Beaufort Holdings SA (in which Investec holds an 9.2% interest), Bank Insinger de Beaufort NV where he is Chairman of the management board	-	Former Chief Executive of Investec Limited.
Senior Independent Director					
Sir Chips Keswick	68	-	Investec Bank (UK) Limited, De Beers SA, Arsenal Holdings Plc and Arsenal Football Club Plc	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee, DLC Nomination and Directors' Affairs Committee and Board Risk and Capital Committee	Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc. He was on the Court of the Bank of England.

Additional information

Directorate Investec plc

Non-executive directors

Name	Age at 31 March 2008	Qualifications	Current directorships	Investec committee membership	Brief biography
M Peter Malungani	50	BCom MAP LDP	Super Group Limited (Chairman), Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited, Peu Group (Pty) Limited and a number of Peu subsidiaries	Board Risk and Capital Committee	Peter is Chairman and founder of Peu Group (Pty) Limited.
Sir David Prosser	64	BSc (Hons) FIA	Pippbrook Limited, Epsom Downs Racecourse Limited, The Royal Automobile Club Limited and Intercontinental Hotels Group PLC	DLC Audit Committee, Investec plc Audit Committee and Investec Limited Audit Committee	Sir David was previously Chief Executive of Legal & General Group PLC, joining Legal & General in 1998 as Group Director (Investments) becoming Deputy Chief Executive in January 1991 and Group Chief Executive in September 1991. Sir David was previously Chairman of the Financial Services Skills Council.
Peter RS Thomas	63	CA (SA)	Investec Bank Limited, various Investec companies and JCI Limited	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Board Risk and Capital Committee and DLC Nomination and Directors' Affairs Committee. Peter is the director responsible for our Sustainability process.	Peter was the former Managing Director of The Unisec Group Limited.
Fani Titi	45	BSc (Hons) MA MBA	Investec Bank Limited (Chairman), AECI Limited and Investec Asset Management Holdings (Pty) Ltd	Board Risk and Capital Committee and DLC Nomination and Directors' Affairs Committee	Fani is Chairman of Investec Bank Limited and was the former Chairman of Tiso Group Limited.

Notes:
- Donn Jowell resigned with effect from 30 September 2007.

Financial statements

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

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

30 June 2008

Independent auditors' report to the members of Investec plc

We have audited these special purpose financial statements of Investec plc for the year ended 31 March 2008 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expenses, consolidated cash flow statement and the related notes 1 to 44.These financial statements have been prepared on the basis of the accounting policies set out therein.

Under the contractual arrangements implementing the Dual Listed Companies structure, Investec plc and Investec Limited effectively form a single economic enterprise, in which the economic and voting rights of shareholder are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined financial statements are prepared separately so as to show a true and fair view in accordance with International Financial Reporting Standards.

As explained in Note 1, these consolidated financial statements have been prepared to present the financial position, results and cash flows of Investec plc and its directly owned subsidiaries. For the avoidance of doubt, they exclude Investec Limited and the subsidiaries directly owned by Investec Limited

This report is made solely to the board of Investec plc as a body, in accordance with the terms of our engagement. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of Investec plc as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of partners and auditors

As described in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the accounting policies as set out in note 1.

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

We report to you our opinion as to whether the financial statements have been properly prepared, in all material aspects, in accordance with the accounting policies as set out in note 1.

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, 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.

Independent auditors' report to the members of Investec plc

Opinion

In our opinion the financial statements for the year ended 31 March 2008 have been properly prepared, in all material aspects, in accordance with the accounting policies as set out in note 1.

Restriction on use of the auditors' report

These special purpose financial statements have been prepared in accordance with the accounting policies as set out in note 1 for regulatory purposes. These special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the board of Investec plc.

Ernst & Young LLP

Ernst & Young LLP
Registered auditors
London

30 June 2008

Directors' report

Business review

We are an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the UK and Australia. We are organised into five principal business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities. In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding as well as other activities, such as trade finance.

A review of the operations for the year can be found on pages 9 to 18.

Authorised and issued share capital

Details of the share capital are set out in note 35 to the financial statements.

During the year the following shares were issued:
- 3 003 040 ordinary shares on 25 June 2007 at 213 pence per share.
- 3 772 740 special converting shares on 25 June 2007 at par.
- 37 449 427 ordinary shares on 8 August 2007 at 587.5 pence.
- 1 253 825 ordinary shares on 23 November 2007 at 196 pence per share.
- 2 867 154 special converting shares on 23 November 2007 at par.

Financial results

The results of Investec plc are set out in the financial statements and accompanying notes for the year ended 31 March 2008.

Ordinary dividends

An interim dividend was declared to shareholders as follows:
- 11.5 pence per ordinary share to non-South African resident shareholders (2007: 10 pence) registered on 14 December 2007.
- to South African resident shareholders registered on 14 December 2007, a dividend paid by Investec Limited on the SA DAS share, equivalent to 5.5 pence per ordinary share and 6 pence per ordinary share paid by Investec plc.

The dividends were paid on 21 December 2007.

The directors have proposed a final dividend to shareholders registered on 25 July 2008, which is subject to the approval of the members of Investec plc at the Annual General Meeting which is scheduled to take place on 7 August 2008 and, if approved, will be paid on 12 August 2008 as follows:
- 13.5 pence per ordinary share to non-South African resident shareholders (2007: 13 pence) registered on 25 July 2008.
- to South African resident shareholders registered on 25 July 2008, a dividend paid by Investec Limited on the SA DAS share, equivalent to 9.0 pence per ordinary share and 4.5 pence per ordinary share paid by Investec plc.

Shareholders in Investec plc will receive a distribution of 13.5 pence (2007: 13 pence) per ordinary share.

Preference dividends

Perpetual preference shares

Preference dividend number 3 for the period 1 April 2007 to 30 September 2007, amounting to 32.93 pence per share, was declared to members holding preference shares registered on 30 November 2007 and was paid on 11 December 2007.

Preference dividend number 4 for the period 1 October 2007 to 31 March 2008, amounting to 32.67 pence per share, was declared to members holding preference shares registered on 20 June 2008 and will be paid on 3 July 2008.

Preferred securities

The third annual distribution, fixed at 7.075 per cent, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005, is due on 24 June 2008 and will be paid on 24 June 2008.

Directors and secretary

Details of directors and the secretary of Investec plc are reflected on pages 88 to 91 and at the beginning of the annual report.

In accordance with the Articles of Association, SE Abrahams, CA Carolus, H Fukuda OBE, HS Herman, GMT Howe, B Kantor, IR Kantor, Sir Chips Keswick, MP Malungani and PRS Thomas retire by rotation at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

DE Jowell resigned as a director of Investec plc with effect from 30 September 2007.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in the Investec group's 2008 annual report.
The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Share incentive trusts

Details regarding options granted during the year are set out in the Investec group's 2008 annual report.

Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems. Further details on the role and responsibility of the Audit Committee are set out in the Investec group's 2008 annual report.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc. A resolution to reappoint them as auditors will be proposed at the next Annual General Meeting scheduled to take place on 7 August 2008.

Contracts

Refer to the Investec group's 2008 annual report for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary companies are reflected on pages 162 and 163 and details of associated companies on pages 140 and 141.

Major shareholders

The largest shareholders of Investec plc are reflected on page 86.

Special resolutions

At the Annual General Meeting held on 8 August 2007, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own shares in terms of Section 166 of the Companies Act, 1985.
- A renewable authority was granted to Investec plc to allot equity securities of the company for cash without application of the pre-emption rights provided by section 89 of the UK Companies Act, 1985.

- An amendment was made to Article 85 of the Articles of Association of Investec plc to reflect the implementation of a policy in accordance with the best practice principles of corporate governance requiring non-executive directors serving more than 9 (nine) years to seek annual re-election and that all eligible directors retiring by rotation, could offer themselves for re-election.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom law and International Financial Reporting Standards. These policies are set out on pages 106 to 115.

Creditor payment policy

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

Employees

Our 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. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

Donations

During the year, Investec plc made donations for charitable purposes, totalling £1.1 million.

Environment

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate. Further information on our sustainability practices can be found on our website.

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006).

David Miller
Company Secretary
Investec plc

30 June 2008

Schedule A to the directors' report

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the "Articles") and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together the "Companies Acts"). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required. Certain amendments will be proposed to the Articles at the Annual General Meeting to be held on 7 August 2008.

Authorised share capital

The share capital of Investec plc at 17 June 2008 consists of 560 000 000 plc ordinary shares of £0.0002 each, 1 000 000 plc preference shares of 0.01 each, 100 000 000 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 277 500 000 plc special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 1985, the Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc's Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the Companies Acts, Investec plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25 per cent. or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Acts.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the share. Under the Companies Acts members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meetings as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Acts.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not more than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Acts, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system. The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require.

Subject to the Companies Acts and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:
- to receive a non-cumulative preferential dividend out of the profits of Investec plc in priority to the plc ordinary shares but pari passu with the perpetual preference shares, on such dates in respect of such periods and on such other terms and conditions as may be determined by the directors prior to the allotment thereof;
- the plc preference shares will rank as regards participation in profits pari passu inter se and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with the perpetual preference shares;
- on a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, pari passu inter se and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with any other shares of Investec plc that are expressed to rank pari passu therewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc;
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter; and
- holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards dividends and a repayment of capital on the winding-up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but pari passu with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference share and equal basis, the right to a return of capital on the winding-up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued divided by the number of perpetual preference shares in issue;
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but pari passu with the plc preference shares, the preference dividend calculated in accordance with the Articles;
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail as at the date of the meeting:
  - (i) the preference dividend or any part thereof remains in arrear and unpaid as determined in accordance with Article 150.2(e).
  - (ii) after six months from the due date thereof; and a resolution of Investec plc is proposed which resolution directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding-up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders.

Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC. Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than twenty in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each Annual General Meeting held in each year (other than 2002) any director who was elected or last re-elected or, if later, deemed in terms of the Articles to have been elected or re-elected a director at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation. Any further directors, other than those retiring under any other provision in Investec plc's Articles shall retire by rotation to bring the number retiring by rotation up to one-third of the number of directors in office at the date of the notice of meeting.

Investec plc may by ordinary resolution in accordance with the relevant provisions of the Articles appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

Schedule A to the directors' report

Powers of directors

Subject to the Articles, the Companies Acts, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Association of both Investec plc and Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Consolidated income statement

For the year to 31 March £'000	Notes	2008	2007
Interest income		989 927	472 085
Interest expenses		(637 087)	(299 992)
Net interest income		**352 840**	**172 093**
Fee and commission income		349 173	324 385
Fee and commission expense		(52 976)	(43 921)
Principal transactions	4	75 523	85 542
Operating income from associates	20	12 150	10 685
Other operating income	5	46 453	46 891
Other income		**430 323**	**423 582**
Total operating income		**783 163**	**595 675**
Impairment losses on loans and advances	18/19	(83 342)	(7 490)
Operating income		**699 821**	**588 185**
Administrative expenses	6	(483 881)	(381 773)
Depreciation, amortisation and impairment of property,equipment and intangible assets	23/25	(18 239)	(8 497)
Operating profit before goodwill		**197 701**	**197 915**
Goodwill	24	(59 900)	10 680
Operating profit		**137 801**	**208 595**
Profit on disposal of group operations		-	-
Profit before taxation		**137 801**	**208 595**
Taxation	8	(36 963)	(46 843)
Profit after taxation		**100 838**	**161 752**
Earnings attributable to minority shareholders		28 211	5 645
Earnings attributable to shareholders		72 627	156 107
		100 838	**161 752**
Dividends per share (pence)			
- Interim	9	11.5	10.0
- Final	9	13.5	13.0

Consolidated statement of total recognised income and expenses

For the year to 31 March £'000	Notes	2008	2007
Profit after taxation		100 838	161 752
Total gains and losses recognised directly in equity		13 707	4 429
Fair value movements on available for sale assets		(23 667)	5 319
Foreign currency movements		29 755	1 580
Pension fund acturial gains/(losses)	30	7 619	(2 470)
Total recognised income and expenses		**114 545**	**166 181**
Total recognised income and expenses attributable to minority shareholders		27 683	9 028
Total recognised income and expenses attributable to ordinary shareholders		69 164	146 605
Total recognised income and expenses attributable to perpetual preferred securities		17 698	10 548
		114 545	**166 181**

Consolidated balance sheet

At 31 March £'000	Notes	2008	2007
Assets			
Cash and balances at central banks		614 628	42 832
Loans and advances to banks		1 166 579	903 276
Cash equivalent advances to customers		7 183	23 210
Reverse repurchase agreements and cash collateral on securities borrowed	14	350 616	1 979 936
Trading securities	15	458 091	558 985
Derivative financial instruments	16	719 421	334 109
Investment securities	17	1 117 161	1 747 420
Loans and advances to customers	18	8 317 125	4 667 684
Securitised assets	19	5 251 468	-
Interests in associated undertakings	20	82 567	70 321
Deferred taxation assets	21	55 476	28 130
Other assets	22	578 877	939 393
Property and equipment	23	131 126	122 742
Goodwill	24	251 143	168 963
Intangible assets	25	26 888	17 850
		19 128 349	**11 604 851**
Liabilities			
Deposits by banks		3 094 624	1 516 123
Deposits by banks - Kensington warehouse funding		1 778 438	-
Derivative financial instruments	16	256 123	112 700
Other trading liabilities	27	192 987	96 252
Repurchase agreements and cash collateral on securities lent	14	287 585	1 598 128
Customer accounts		4 999 378	4 245 612
Debt securities in issue	28	621 672	1 159 139
Liabilities arising on securitisation	19	4 976 656	-
Current taxation liabilities		53 993	42 971
Deferred taxation liabilities	21	41 856	9 391
Other liabilities	29	692 927	1 093 759
Pension fund liabilities	30	-	1 467
		16 996 239	**9 875 542**
Subordinated liabilities	31	773 159	628 819
		17 769 398	**10 504 361**
Equity			
Called up share capital	2/32	131	122
Share premium	2	651 023	422 229
Treasury shares	2/33	(16 511)	(23 870)
Perpetual preference shares	2/34	129 558	129 558
Other reserves	2	79 127	93 344
Profit and loss account	2	306 858	302 555
Shareholders' equity excluding minority interests		**1 150 186**	**923 938**
Minority interests	2/35	208 765	176 552
- Perpetual preferred securities issued by subsidiaries		159 420	136 051
- Minority interests in partially held subsidiaries		49 345	40 501
Total equity		**1 358 951**	**1 100 490**
Total liabilities and shareholders' equity		**19 128 349**	**11 604 851**

Consolidated cash flow statement

For the year to 31 March £'000	Notes	2008	2007
Operating profit adjusted for non cash items	37	311 879	219 442
Taxation paid		(28 790)	(31 524)
Decrease/(increase) in operating assets		1 554 593	(2 641 205)
(Decrease)/increase in operating liabilities		(582 022)	2 311 774
Net cash inflow/(outflow) from operating activities		**1 255 660**	**(141 513)**
Cash flow on acquisition of group operations	26	(32 419)	(140 954)
Cash flow on net acquisition of associates		(1 563)	40
Cash flow on acquisition and disposal of property, equipment and intangible assets		(28 911)	(22 753)
Net cash outflow from investing activities		**(62 893)**	**(163 667)**
Dividends paid to ordinary shareholders		(85 022)	(67 081)
Dividends paid to other equity holders		(20 610)	(16 958)
Proceeds on issue of shares, net of issue costs		10 390	77 206
Proceeds on issue of other equity instruments*		6 777	129 558
Net inflow on subordinated debt raised		4 094	366 460
Net cash (outflow)/ inflow from financing activities		**(84 371)**	**489 185**
Effects of exchange rates on cash and cash equivalents		1 290	320
Net increase in cash and cash equivalents		1 109 686	184 325
Cash and cash equivalents at the beginning of the year		386 472	202 147
Cash and cash equivalents at the end of the year		**1 496 158**	**386 472**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		614 628	42 832
On demand loans and advances to banks		874 347	320 430
Cash equivalent advances to customers		7 183	23 210
Cash and cash equivalents at the end of the year		**1 496 158**	**386 472**

* 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

Under the contractual arrangements implementing the Dual Listed Companies (DLC) structure, Investec plc and Investec Limited, the latter a company incorporated in South Africa, effectively form a single economic enterprise, in which the economic and voting rights of shareholders are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards (IFRS) is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined financial statements have been separately prepared.

These financial statements have been prepared to present the financial position and results of Investec plc and its directly owned subsidiaries as if the contractual arrangements which create the DLC structure did not exist, and with this exception and the exclusion of certain other disclosures, are prepared in accordance with IFRS. For an understanding of the financial position, results and cash flows of the Investec DLC structure, the user is referred to the combined consolidated financial statements of Investec plc and Investec Limited (combined financial statements).

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 five 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 reassess 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 plc.

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 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.

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 administration 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 as 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.

Accounting policies (continued)

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.

Accounting policies (continued)

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.

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 plc 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.

Accounting policies (continued)

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 assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus or deficit in the balance sheet (to the extent that it is considered recoverable). Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in equity.

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 if 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.

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 15 Trading Securities and note 17 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. In prior periods, securitised assets were included within loans and advances to customers and trading securities and securitised liabilities were included in debt securities in issue. This change in disclosure follows the acquisition of Kensington which resulted in a significant increase in these assets and liabilities, rendering it more appropriate to disclose these financial instruments on separate lines to provide information more relevant and useful to users.
- 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 certain consolidated private equity entities was incorrectly classified as minority interest on the balance sheet. The correct classification was subordinated debt. The impact of this correction is a reduction to minority interest (equity) from £202.3 million to £176.5 million at 31 March 2007. There was no effect on reported earnings or financial reporting periods prior to 31 March 2007.

For the year to 31 March £'000	Share capital	Share premium account	Perpetual preference shares	Treasury shares
2. Reconciliation of equity				
At 1 April 2006	119	393 267	-	(21 656)
Movement in reserves 1 April 2006 - 31 March 2007				
Foreign currency adjustments	-	-	-	-
Profit after taxation	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-
Pension fund actuarial losses	-	-	-	-
Total recognised income and expenses for the year	-	-	-	-
Share based payments adjustments	-	-	-	1 112
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Dividends paid to perpetual preferred securities	-	-	-	-
Issue of ordinary shares	3	28 985	-	(28 986)
Issue of perpetual preference shares by the holding company	-	-	131 187	-
Issue of equity by subsidiaries	-	-	-	-
Minorities arising on acquisition of subsidiaries	-	-	-	-
Share issue expenses	-	(23)	(1 629)	-
Net movement of treasury shares	-	-	-	31 238
Transfer from capital reserves	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-
Transfer from treasury shares	-	-	-	(5 578)
Dividends paid to minorities	-	-	-	-
At 31 March 2007	122	422 229	129 558	(23 870)
Movement in reserves 1 April 2007 - 31 March 2008				
Foreign currency adjustments	-	-	-	-
Profit after taxation	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-
Pension fund actuarial gains	-	-	-	-
Total recognised income and expenses for the year	-	-	-	-
Share based payments adjustments	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Dividends paid to perpetual preferred securities	-	-	-	-
Issue of ordinary shares	9	228 859	-	(12 524)
Minorities arising on acquisition of subsidiaries	-	-	-	-
Share issue expenses	-	(65)	-	-
Net movement of treasury shares	-	-	-	19 883
Transfer from capital reserves	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-
Dividends paid to minorities	-	-	-	-
Issue of equity by subsidiaries	-	-	-	-
At 31 March 2008	131	651 023	129 558	(16 511)

Other reserves: Capital reserve account	Other reserves: Available for sale reserve	Other reserves: Regulatory general risk reserve	Other reserves: Foreign currency reserves	Profit and loss account	Shareholder's equity excluding minority interests	Minority interests	Total
43 421	5 982	5 012	(2 487)	210 959	634 617	139 635	774 252
(10)	-	70	(1 912)	49	(1 803)	3 383	1 580
-	-	-	-	156 107	156 107	5 645	161 752
-	5 319	-	-	-	5 319	-	5 319
-	-	-	-	(2 470)	(2 470)	-	(2 470)
(10)	5 319	70	(1 912)	153 686	157 153	9 028	166 181
-	-	-	-	15 246	16 358	-	16 358
-	-	-	-	(67 081)	(67 081)	-	(67 081)
-	-	-	-	(872)	(872)	-	(872)
-	-	-	-	(9 676)	(9 676)	-	(9 676)
-	-	-	-		2	-	2
-	-	-	-	-	131 187	-	131 187
-	-	-	-	-	-	12 441	12 441
-	-	-	-	-	-	21 858	21 858
-	-	-	-	-	(1 652)	-	(1 652)
32 664	-	-	-	-	63 902	-	63 902
1 127	-	-	-	(1 127)	-	-	-
-	-	4 158	-	(4 158)	-	-	-
-	-	-	-	5 578	-	-	-
-	-	-	-	-	-	(6 410)	(6 410)
77 202	11 301	9 240	(4 399)	302 555	923 938	176 552	1 100 490
-	-	742	29 541	-	30 283	(528)	29 755
-	-	-	-	72 627	72 627	28 211	100 838
-	(23 667)	-	-	-	(23 667)	-	(23 667)
-	-	-	-	7 619	7 619	-	7 619
-	(23 667)	742	29 541	80 246	86 862	27 683	114 545
-	-	-	-	18 037	18 037	-	18 037
-	-	-	-	(85 022)	(85 022)	-	(85 022)
-	-	-	-	(8 170)	(8 170)	-	(8 170)
-	-	-	-	(9 528)	(9 528)	-	(9 528)
-	-	-	-	-	216 344	-	216 344
-	-	-	-	-	-	665	665
-	-	-	-	-	(65)	-	(65)
(12 093)	-	-	-	-	7 790	-	7 790
(9 397)	-	-	-	9 397	-	-	-
-	-	657	-	(657)	-	-	-
-	-	-	-	-	-	(2 912)	(2 912)
-	-	-	-	-	-	6 777	6 777
55 712	(12 366)	10 639	25 142	306 858	1 150 186	208 765	1 358 951

Notes to the financial statements

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities and Other Activities	Group Services	Total
3. Segmental analysis							
Business analysis 2008							
Net interest income	**155 441**	**165 804**	**(11 184)**	**4 455**	**(485)**	**38 809**	**352 840**
Fee and commission income	81 363	57 514	59 691	147 351	1 206	2 048	349 173
Fee and commission expense	(3 762)	(526)	(2 690)	(45 902)	-	(96)	(52 976)
Principal transactions	22 459	39 116	12 717	-	1 238	(7)	75 523
Operating income from associates	11 954	(266)	215	-	-	247	12 150
Other operating income	-	-	44 801	-	-	1 652	46 453
Other income	**112 014**	**95 838**	**114 734**	**101 449**	**2 444**	**3 844**	**430 323**
Total operating income	**267 455**	**261 642**	**103 550**	**105 904**	**1 959**	**42 653**	**783 163**
Impairment losses on loans and advances	(22 940)	(60 402)	-	-	-	-	(83 342)
Operating income	**244 515**	**201 240**	**103 550**	**105 904**	**1 959**	**42 653**	**699 821**
Administrative expenses	(121 745)	(146 987)	(83 091)	(80 847)	(1 716)	(49 495)	(483 881)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 206)	(6 621)	(7 903)	(119)	-	(2 390)	(18 239)
Operating profit before goodwill	**121 564**	**47 632**	**12 556**	**24 938**	**243**	**(9 232)**	**197 701**
Goodwill	-	(59 900)	-	-	-	-	(59 900)
Operating profit	**121 564**	**(12 268)**	**12 556**	**24 938**	**243**	**(9 232)**	**137 801**
Profit on disposal of group operations	-	-	-	-	-	-	-
Profit before taxation	**121 564**	**(12 268)**	**12 556**	**24 938**	**243**	**(9 232)**	**137 801**
Net intersegment revenue	(15 774)	(34 830)	(6 506)	-	(62)	59 147	1 975
Cost to income ratio	46.0%	58.7%	87.9%	76.5%	87.6%	>100.0%	64.1%
Number of permanent employees	747	665	192	312	11	393	2 320
Total assets (£'million)	4 950	12 869	507	269	6	528	19 128

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally.

Notes to the financial statements

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities and Other Activities	Group Services	Total
3. Segmental analysis (continued)							
Business analysis 2007							
Net interest income	**122 525**	**43 165**	**(3 727)**	**2 404**	**(185)**	**7 911**	**172 093**
Fee and commission income	91 937	55 071	61 586	116 058	52	(319)	324 385
Fee and commission expense	(2 716)	(1 160)	(1 551)	(38 490)	-	(4)	(43 921)
Principal transactions	7 805	63 530	11 812	-	1 568	827	85 542
Operating income from associates	10 253	(11)	147	-	-	296	10 685
Other operating income	-	-	45 482	-	-	1 409	46 891
Other income	**107 279**	**117 430**	**117 476**	**77 568**	**1 620**	**2 209**	**423 582**
Total operating income	**229 804**	**160 595**	**113 749**	**79 972**	**1 435**	**10 120**	**595 675**
Impairment losses on loans and advances	(2 249)	(5 241)	-	-	-	-	(7 490)
Operating income	**227 555**	**155 354**	**113 749**	**79 972**	**1 435**	**10 120**	**588 185**
Administrative expenses	(103 054)	(93 396)	(78 702)	(62 338)	(143)	(44 140)	(381 773)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 458)	(811)	(4 444)	(77)	-	(1 707)	(8 497)
Operating profit before goodwill	**123 043**	**61 147**	**30 603**	**17 557**	**1 292**	**(35 727)**	**197 915**
Goodwill	3 560	3 560	-	-	-	3 560	10 680
Operating profit	**126 603**	**64 707**	**30 603**	**17 557**	**1 292**	**(32 167)**	**208 595**
Profit on disposal of group operations	-	-	-	-	-	-	-
Profit before taxation	**126 603**	**64 707**	**30 603**	**17 557**	**1 292**	**(32 167)**	**208 595**
Net intersegment revenue	(2 091)	(30 700)	(4 245)	-	(189)	32 124	(5 101)
Cost to income ratio	45.5%	58.7%	73.1%	78.0%	10.0%	>100.0%	65.5%
Number of permanent employees	558	338	186	250	3	317	1 652
Total assets (£'million)	3 476	6 715	502	216	2	694	11 605

Notes to the financial statements

For the year to 31 March £'000	UK & Europe	Australia	Other geographies	Total group
3. Segmental analysis (continued)				
Geographical analysis 2008				
Net interest income	**296 362**	**56 478**		**352 840**
Fee and commission income	324 375	24 798		349 173
Fee and commission expense	(51 916)	(1 060)		(52 976)
Principal transactions	60 855	14 668		75 523
Operating income from associates	12 201	(51)		12 150
Other operating income	44 953	1 500		46 453
Other income	**390 468**	**39 855**	**-**	**430 323**
Total operating income	**686 830**	**96 333**	**-**	**783 163**
Impairment losses on loans and advances	(76 989)	(6 353)		(83 342)
Net operating income	**609 841**	**89 980**	**-**	**699 821**
Administrative expenses	(427 688)	(56 193)		(483 881)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(17 525)	(714)		(18 239)
Operating profit before goodwill impairment	**164 628**	**33 073**	**-**	**197 701**
Goodwill	(59 900)	-		(59 900)
Profit before taxation	**104 728**	**33 073**	**-**	**137 801**
Taxation	(30 967)	(5 996)		(36 963)
Profit after taxation	**73 761**	**27 077**	**-**	**100 838**
Earnings attributable to minority shareholders	27 019	1 192		28 211
Earnings attributable to shareholders	46 742	25 885		72 627
	73 761	**27 077**	**-**	**100 838**
Net intersegment revenue	(1 398)	3 373		1 975
Cost to income ratio	64.8%	59.1%		64.1%
Effective tax rate	20.3%	18.1%		19.9%
Number of permanent employees	1 913	407		2 320

Financial statements

Notes to the financial statements

At 31 March £'million	UK & Europe	Australia	Other Geographies	Total group
3. Segmental analysis (continued)				
Geographical analysis 2008				
Assets				
Cash and balances at central banks	609	6	-	615
Loans and advances to banks	1 029	138	-	1 167
Cash equivalent advances to customers	7	-	-	7
Reverse repurchase agreements and cash collateral on securities borrowed	351	-	-	351
Trading securities	442	16	-	458
Derivative financial instruments	651	68	-	719
Investment securities	809	308	-	1 117
Loans and advances to customers	7 490	827	-	8 317
Securitised Assets	4 905	346	-	5 251
Interests in associated undertakings	80	3	-	83
Deferred taxation assets	44	11	-	55
Other assets	571	8	-	579
Property, plant and equipment	127	4	-	131
Goodwill	215	36	-	251
Intangible assets	25	2	-	27
Total assets	**17 355**	**1 773**	**-**	**19 128**
Liabilities				
Deposits by banks	3 044	50	-	3 094
Deposits by banks - Kensington warehouse funding	1 778	-	-	1 778
Derivative financial instruments	200	56	-	256
Other trading liabilities	193	-	-	193
Repurchase agreements and cash collateral on securities lent	288	-	-	288
Customer accounts	4 451	548	-	4 999
Debt securities in issue	223	399	-	622
Liabilities arising on securitisation	4 628	349	-	4 977
Current taxation liabilities	53	1	-	54
Deferred taxation liabilities	42	-	-	42
Other liabilities	661	32	-	693
Pension fund liabilities	-	-	-	-
	15 561	1 435	-	16 996
Subordinated liabilities	737	36	-	773
Total liabilities	**16 298**	**1 471**	**-**	**17 769**

Financial statements

For the year to 31 March £'000	UK & Europe	Australia	Other geographies	Total group
3. Segmental analysis (continued)				
Geographical analysis 2007				
Net interest income	**133 055**	**39 024**	**14**	**172 093**
Fee and commission income	299 027	24 673	685	324 385
Fee and commission expense	(43 778)	(143)	-	(43 921)
Principal transactions	77 789	7 753	-	85 542
Operating income from associates	10 523	162	-	10 685
Other operating income	44 362	2 529	-	46 891
Other income	**387 923**	**34 974**	**685**	**423 582**
Total operating income	**520 978**	**73 998**	**699**	**595 675**
Impairment losses on loans and advances	(6 312)	(1 178)	-	(7 490)
Operating income	**514 666**	**72 820**	**699**	**588 185**
Administrative expenses	(339 406)	(42 049)	(318)	(381 773)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(7 875)	(622)	-	(8 497)
Operating profit before goodwill	**167 385**	**30 149**	**381**	**197 915**
Goodwill	-	10 680	-	10 680
Profit before taxation	**167 385**	**40 829**	**381**	**208 595**
Taxation	(37 370)	(9 473)	-	(46 843)
Profit after taxation	**130 015**	**31 356**	**381**	**161 752**
Earnings attributable to minority shareholders	2 526	2 002	-	4 528
Earnings attributable to shareholders	127 489	29 354	381	157 224
	130 015	**31 356**	**381**	**161 752**
Net intersegment revenue	4 574	527	-	5 101
Cost to income ratio	66.7%	57.7%	45.5%	65.5%
Effective tax rate (excluding Assurance Activities)	23.8%	31.6%	0.0%	25.0%
Number of permanent employees	1 408	235	9	1 652

Notes to the financial statements

At 31 March £'million	UK & Europe	Australia	Other geographies	Total group
3. Segmental analysis (continued)				
Geographical analysis 2007				
Assets				
Cash and balances at central banks	31	12	-	43
Loans and advances to banks	827	75	1	903
Cash equivalent advances to customers	23	-		23
Reverse repurchase agreements and cash collateral on securities borrowed	1 980	-	-	1 980
Trading securities	491	68	-	559
Derivative financial instruments	267	67	-	334
Investment securities	1 392	356	-	1 748
Loans and advances to customers	4 004	663	-	4 667
Interests in associated undertakings	53	17	-	70
Deferred taxation assets	24	5	-	29
Other assets	932	7	-	939
Property and equipment	121	2	-	123
Goodwill	153	16	-	169
Intangible assets	18	-	-	18
	10 316	**1 288**	**1**	**11 605**
Liabilities				
Deposits by banks	1 516	-	-	1 516
Derivative financial instruments	74	39	-	113
Other trading liabilities	97	-	-	97
Repurchase agreements and cash collateral on securities lent	1 598	-	-	1 598
Customer accounts	3 795	451	-	4 246
Debt securities in issue	681	478	-	1 159
Current taxation liabilities	39	5	-	44
Deferred taxation liabilities	9	-	-	9
Other liabilities	1 070	23	-	1 093
Pension fund liabilities	1	-	-	1
	8 880	996	-	9 876
Subordinated liabilities	587	41	-	628
Total liabilities	**9 467**	**1 037**	**-**	**10 504**

Notes to the financial statements

For the year to 31 March £'000	UK & Europe	Australia	Other geographies	Total group
3. Segmental analysis (continued)				
A geographical breakdown of business operating profit before goodwill impairment, non-operating items and taxation is shown below:				
2008				
Private Client Activities	103 549	18 015	-	121 564
Capital Markets	39 306	8 326	-	47 632
Investment Banking	7 608	4 948	-	12 556
Asset Management	24 938	-	-	24 938
Property Activities	144	99	-	243
Group Services and Other Activities	(10 917)	1 685	-	(9 232)
Total group	**164 628**	**33 073**	**-**	**197 701**
2007				
Private Client Activities	106 799	16 244	-	123 043
Capital Markets	51 409	9 738	-	61 147
Investment Banking	23 294	7 309	-	30 603
Asset Management	17 557	-	-	17 557
Property Activities	1 292	-	-	1 292
Group Services and Other Activities	(32 966)	(3 142)	381	(35 727)
Total group	**167 385**	**30 149**	**381**	**197 915**

For the year to 31 March £'000	2008	2007
Further breakdowns of business line operating profit before goodwill impairment, non-operating items and taxation are shown below:		
Private Client Activities		
Private Banking	109 635	112 978
Private Client Portfolio Management and Stockbroking	11 929	10 065
	121 564	**123 043**
Capital Markets	**47 632**	**61 147**
Investment Banking		
Corporate Finance	6 470	7 200
Institutional Research and Sales and Trading	4 460	6 038
Direct Investments	(1 310)	12 056
Private Equity	2 936	5 309
	12 556	**30 603**
Asset Management	**24 938**	**17 557**
Property Activities	**243**	**1 292**
Group Services and Other Activities		
International Trade Finance	3 229	2 957
Central Funding	31 269	3 875
Central Costs	(43 730)	(42 559)
	(9 232)	**(35 727)**
	197 701	**197 915**

Notes to the financial statements

For the year to 31 March £'000	2008	2007
4. Principal transactions		
Principal transaction income includes:		
Gross trading income	42 774	43 379
Funding cost against trading income	(3 430)	(9 151)
Net trading income	39 344	34 228
Fair value movement from financial instruments designated as held at fair value	19 338	47 573
Gains on available for sale instruments	13 704	4 626
Impairments on available for sale instruments	-	(1 529)
Dividend income	1 888	644
Other income	1 249	-
	75 523	**85 542**
Fair value movement from financial instruments designated as held at fair value includes:		
Fair value movement of designated equity positions	15 547	14 508
Fair value movement of designated loans and receivables net of associated derivative instruments	31 388	19 647
Fair value movement of other designated securities	(27 597)	13 418
	19 338	**47 573**
5. Other operating income		
Rental income from properties	1 321	1 410
Operating profit of non core businesses*	45 132	45 481
	46 453	**46 891**

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

6. Administrative expenses		
Staff costs	327 101	279 556
- Salaries and wages (including directors' remuneration)	293 136	249 527
- Social security costs	23 758	21 785
- Pensions and provident fund contributions	10 207	8 244
Premises (excluding depreciation)	27 737	16 188
Equipment (excluding depreciation)	13 258	10 853
Business expenses**	95 755	59 862
Marketing expenses	20 030	15 314
	483 881	**381 773**
The following amounts were paid to the auditors:		
Audit fees	3 812	2 301
Audit related fees	115	118
Other services	191	167
	4 118	**2 586**
Audit fees by audit firm		
Ernst & Young	3 848	2 406
KPMG	271	179
Other	-	1
	4 118	**2 586**

** Business expenses significantly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.

For the year to 31 March £'000	2008	2007
7. 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 annual report.		
Expense charged to the income statement (included in administrative expenses):		
Equity settled	20 279	11 526
Cash settled	418	408
Total income statement charge	**20 697**	**11 934**
Liabilities on cash settled options		
Total liability included in other liabilities	6	121
Total fair value for vested appreciation rights	13	390
Weighted average fair value of options granted in the year		
UK schemes	25 136	43 616
SA schemes	-	-

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	29 029 906	0.84	27 875 005	1.27
Granted during the year	7 290 269	0.21	7 640 248	0.54
Exercised during the year*	(5 790 043)	1.63	(5 198 882)	2.13
Expired during the year	(2 225 861)	1.12	(1 286 465)	3.24
Outstanding at the end of the year	**28 304 271**	**0.53**	**29 029 906**	**0.84**
Exercisable at the end of the year	**910 733**	**2.98**	**1 059 148**	**3.11**

* Weighted average share price during the year was £5.45 (2007: £5.81).

7. Share based payments (continued)

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

	UK Schemes	
	2008	2007
Options with strike prices		
Exercise price range	£1.55 - £6.52	£1.55 - £6.52
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 where calculated using 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.

For the year to 31 March £'000	2008	2007
8. Taxation		
Current tax		
UK		
- current tax on income for the year	34 895	20 983
- adjustments in respect of prior years	(5 474)	(3 160)
- corporation tax before double tax relief	29 421	17 823
- double tax relief	(3 045)	(1 397)
	26 376	16 426
Europe	11 742	7 658
Australia	4 994	9 328
Other	2 928	5 716
	19 664	22 702
Total current tax	**46 040**	**39 128**
Deferred tax		
UK	(10 087)	7 679
Europe	7	(109)
Australia	1 003	145
Other	-	-
Total deferred tax	**(9 077)**	**7 715**
Total tax charge for the year	**36 963**	**46 843**

Notes to the financial statements

For the year to 31 March £'000	2008	2007
8. Taxation (continued)		
Deferred tax comprises:		
Origination and reversal of temporary differences	(6 456)	8 157
Change in tax rates	1 965	-
Adjustment in respect of prior years	(4 586)	(442)
	(9 077)	7 715
Items which affect the tax rate going forward are:		
Estimated tax losses, arising from trading activities, available for relief against future taxable income		
UK	Nil	Nil
Europe	Nil	Nil
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	**137 801**	**208 595**
Tax on profit on ordinary activities	**36 963**	**46 843**
Effective tax rate	**26.8%**	**22.5%**
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%	41 340	62 579
Tax calculated at a rate of 30% (2007: 30%)		
Tax adjustments relating to foreign earnings	(4 458)	(1 967)
Taxation relating to prior years	(10 060)	(3 603)
Goodwill and non operating items	17 970	(3 204)
Share options accounting expense	4 458	2 555
Share options exercised during the year	(5 092)	(3 824)
Unexpired share options future tax deduction	2 308	(1 489)
Non-taxable income	(18 601)	(2 858)
Net other permanent differences	11 942	3 133
Utilisation of brought forward capital losses / SSE	(2 719)	(4 479)
Utilisation of brought forward trading losses	(2 090)	-
Change in rate	1 965	-
Total tax charge	**36 963**	**46 843**

Notes to the financial statements

For the year to 31 March	2008 Pence per share	2008 Total £'000	2007 Pence per share	2007 Total £'000
9. Dividends				
Ordinary dividend				
Final dividend for prior year	13.00	49 304	10.6	34 323
Interim dividend for current year	11.50*	35 718	10.0	32 758
Total dividend attributable to ordinary shareholder recognised in current financial year	**24.50**	**85 022**	**20.6**	**67 081**

* For South African resident shareholders of Investec plc the interim dividend was satisfied through a dividend payment by Investec plc of 6.0 pence per ordinary share and through a dividend paid on the South African Dividend Access Share equivalent to 5.5 pence per ordinary share.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2008 of 13.5 pence (2007: 13 pence) per ordinary share. This will be paid as follows:

- for non-South African resident shareholders, through a dividend paid by Investec plc of 13.5 pence per ordinary share.
- for South African resident shareholders through a dividend paid by Investec plc of 4.5 pence per ordinary share and through a dividend paid on the South African Dividend Access Share equivalent to 9.0 pence per ordinary share.

The final dividend will be payable on 12 August 2008 to shareholders on the register at the close of business on 25 July 2008.

Perpetual preference dividend				
Final dividend for prior year	30.20*	3 204		
Interim dividend for current year	32.93	4 966	9.30	872
Total dividend attributable to perpetual preference shareholder recognised in current financial year	**63.13**	**8 170**	**9.30**	**872**

The directors have declared a final dividend in respect of the financial year ended 31 March 2008 of 32.67 pence (Investec plc shares traded on the JSE Limited) and 32.67 pence (Investec plc shares traded on the Channel Island Stock Exchange) per perpetual preference share. The final dividend will be payable on 3 July 2008 to shareholders on the register at the close of business on 20 June 2008.

10. Miscellaneous income statement items

For the year to 31 March £'000	2008	2007
Total foreign currency losses recognised in income except for trading activities	**24 275**	**(1 716)**
Operating lease expenses recognised in administrative expenses split as follows:		
Minimum lease payments	18 476	17 070
Contingent rents	1	5
Sublease payments	2 186	11
	20 663	**17 086**
Operating lease income recognised in income split as follows:		
Minimum lease payments	8 199	9 720
Sublease payments	3 754	4 622
	11 953	**14 342**

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		
11. Analysis of income and expenses by category of financial instrument				
2008				
Net interest income	26 877	5 605	23 721	716 678
Fee and commission income	1 848	15 049	182	82 120
Fee and commission expense	-	(1 538)	(56)	(1 144)
Principal transactions	43 966	19 338	-	-
Operating income from associates	-	-	-	-
Other operating income	-	-	-	-
Total operating income	**72 691**	**38 454**	**23 847**	**797 654**
Impairment losses on loans and advances	-	-	87	(83 429)
Operating income	**72 691**	**38 454**	**23 934**	**714 225**
2007				
Net interest income	364	2 339	7 108	491 969
Fee and commission income	1 368	4 158	-	64 556
Fee and commission expense	-	(24)	-	(4 263)
Principal transactions	43 391	47 771	-	-
Operating income from associates	-	-	-	-
Other operating income	-	-	-	536
Total operating income	**45 123**	**54 244**	**7 108**	**552 798**
Impairment losses on loans and advances	-	-	-	(7 494)
Operating income	**45 123**	**54 244**	**7 108**	**545 304**

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Other activities	Total
98 475	(520 198)	1 682	-	352 840
-	(232)	1 897	248 309	349 173
(820)	(404)		(49 014)	(52 976)
13 594	(3 430)	-	2 055	75 523
-	-	12 150	-	12 150
1 440	-	192	44 821	46 453
112 689	**(524 264)**	**15 921**	**246 171**	**783 163**
-	-	-	-	(83 342)
112 689	**(524 264)**	**15 921**	**246 171**	**699 821**
39 802	(370 298)	809	-	172 093
-	301	282	253 720	324 385
-	(420)	-	(39 214)	(43 921)
3 335	(9 151)	-	196	85 542
-	-	10 685	-	10 685
-	-	1 274	45 081	46 891
43 137	**(379 568)**	**13 050**	**259 783**	**595 675**
4	-	-	-	(7 490)
43 141	**(379 568)**	**13 050**	**259 783**	**588 185**

Notes to the financial statements

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 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		
12. Analysis of assets and liabilities by financial instrument classification				
Assets				
Cash and balances at central banks	-	-	-	614 628
Loans and advances to banks	7 650	-	-	1 158 929
Cash equivalent advances to customers	7 183	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	133 594	-	-	217 022
Trading securities	257 525	200 566	-	-
Derivative financial instruments	719 421	-	-	-
Investment securities	-	-	77 749	-
Loans and advances to customers	-	212 883	580 436	7 523 806
Securitised assets	-	78 256	-	5 173 212
Interests in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	323 907
Property, plant and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	1 125 373	**491 705**	**658 185**	**15 011 504**
Liabilities				
Deposits by banks	5 104	-	-	-
Deposits by banks - Kensington warehouse funding	-	-	-	-
Derivative financial instruments	256 123	-	-	-
Other trading liabilities	192 987	-	-	-
Repurchase agreements and cash collateral on securities lent	156 382	-	-	-
Customer accounts	125 636	-	-	-
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	-	-	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	-	-	-	-
Pension fund liabilities				
	736 232	**-**	**-**	**-**
Subordinated liabilities				
	736 232	**-**	**-**	**-**

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.

* 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
-	-	-	614 628	-	-		
-	-	-	1 166 579	7 650	7 650		
-	-	-	7 183	7 183	7 183		
-	-	-	350 616	133 594	68 594	65 000	
-	-	-	458 091	458 091	240 290	201 630	16 171
-	-	-	719 421	719 421		676 127	43 294
1 039 412	-	-	1 117 161	1 039 412	16 146	1 023 266	
-	-	-	8 317 125	212 883		-	212 883*
-	-	-	5 251 468	78 256		-	78 255
-	-	82 567	82 567	-			
-	-	55 476	55 476	-			
-	-	254 970	578 877	-			
-	-	131 126	131 126	-			
-	-	251 143	251 143	-			
-	-	26 888	26 888	-			
1 039 412	**-**	**802 170**	**19 128 349**	**2 656 490**	**339 863**	**1 966 023**	**350 604**
	3 089 520		3 094 624	5 104	5 104		
	1 778 438		1 778 438	-			
			256 123	256 123		256 123	
			192 987	192 987	192 987		
	131 203		287 585	156 382	53 382	103 000	
	4 873 742		4 999 378	125 636		125 636	
	621 672		621 672	-			
	4 976 656		4 976 656	-			
		53 993	53 993	-			
		41 856	41 856	-			
	309 771	383 156	692 927	-			
-	**15 781 002**	**479 005**	**16 996 239**	**736 232**	**251 473**	**484 759**	**-**
	773 159		773 159	-			
-	**16 554 161**	**479 005**	**17 769 398**	**736 232**	**251 473**	**484 759**	**-**

At 31 March 2007 £'000	At fair value through profit and loss Trading	 Designated at inception	Held to maturity	Loans and receivables
12. Analysis of financial assets and liabilities by financial instrument classification (continued)				
Assets				
Cash and balances at central banks	-	-	-	42 832
Loans and advances to banks	6 399	-	-	896 877
Cash equivalent advances to customers	55	-	-	23 155
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	1 979 936
Trading securities	279 039	279 946	-	-
Derivative financial instruments	334 109	-	-	-
Investment securities	-	-	144 202	-
Loans and advances to customers	-	139 417	-	4 060 860
Securitised assets	-	-	-	-
Interests in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	4 915	-	894 874
Property and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	619 602	**424 278**	**144 202**	**7 898 534**
Liabilities				
Deposits by banks	3 517	-	-	-
Deposits by banks - Kensington warehouse funding	-	-	-	-
Derivative financial instruments	112 700	-	-	-
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	-	-	-	-
Pension fund liabilities	-	-	-	-
	296 077	255 571	-	-
Subordinated liabilities	-	-	-	-
	296 077	**255 571**	**-**	**-**

Financial statements

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
-	-	-	42 832	-	-	-	-
-	-	-	903 276	6 399	6 399	-	-
-	-	-	23 210	55	55	-	-
-	-	-	1 979 936	-	-		
-	-	-	558 985	558 985	216 085	308 990	33 910
-	-	-	334 109	334 109	-	312 208	21 901
1 603 218	-	-	1 747 420	1 603 218	25 193	1 578 025	-
467 407	-	-	4 667 684	606 824	-	606 824	-
-	-	-	-	-	-	-	-
-	-	70 321	70 321	-	-	-	-
-	-	28 130	28 130	-	-	-	-
-	-	39 604	939 393	4 915	-	4 915	-
-	-	122 742	122 742	-	-	-	-
-	-	168 963	168 963	-	-	-	-
-	-	17 850	17 850	-	-	-	-
2 070 625	**-**	**447 610**	**11 604 851**	**3 114 505**	**247 732**	**2 810 962**	**55 811**
-	1 512 606	-	1 516 123	3 517	3 517	-	-
-	-	-	-	-	-	-	-
-	-	-	112 700	112 700	-	112 700	-
-	-	-	96 252	96 252	96 252	-	-
-	1 342 557	-	1 598 128	255 571	255 571	-	-
-	4 162 004	-	4 245 612	83 608	-	83 608	-
-	1 159 139	-	1 159 139	-	-	-	-
-	-	-	-	-	-	-	-
-	-	42 971	42 971	-	-	-	-
-	-	9 391	9 391	-	-	-	-
-	955 606	138 153	1 093 759	-	-	-	-
-	-	1 467	1 467	-	-	-	-
-	9 131 912	191 982	9 875 542	551 648	355 340	196 308	-
-	628 819	-	628 819	-	-	-	-
-	**9 760 731**	**191 982**	**10 504 361**	**551 648**	**355 340**	**196 308**	**-**

Notes to the financial statements

£'000	Carrying value	Fair value adjustment		Change in fair value attributable to credit risk		Maximum exposure to credit risk
		Year to date	Cumulative	Year to date	Cumulative	
13. Designated at fair value: loans and receivables and financial liabilities						
Loans and receivables designated at fair value through profit and loss						
2008						
Loans and advances to customers	212 883	4 767	4 767	-	-	212 883
2007						
Loans and advances to customers	139 417	66	66	-	-	139 417

At 31 March £'000	2008	2007
14. 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		2007	
	Fair value	Cumulative Unrealised gains/losses	Fair value	Cumulative Unrealised gains/losses
15. Trading securities				
Listed equities	97 288	12 105	215 434	7 449
Unlisted equities	32 641	-	17 219	-
Bonds	328 162	(20 570)	326 332	994
	458 091	**(8 465)**	**558 985**	**8 443**

Financial statements

16. 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	12 610	(6 294)
Currency swaps	2 577 052	243 883	(26 571)	2 117 281	4 501	(9 192)
OTC options bought and sold	63 473	516	(69)	21 501	105	-
Other foreign exchange contracts	-	-	-	766	-	-
	6 120 520	**322 425**	**(83 501)**	**5 148 394**	**17 216**	**(15 486)**
Interest rate derivatives						
Caps and floors	1 790 063	246	(26)	113 399	161	(37)
Swaps	18 332 097	88 874	(57 249)	1 276 301	32 710	(32 269)
OTC options bought and sold	5 623	4	-	82 533	18	-
Other interest rate contracts	-	-	-	3 445	14	(14)
OTC derivatives	20 127 783	89 124	(57 275)	1 475 678	32 903	(32 320)
Exchange traded futures	22 359 770	494	(1 027)	7 669 681	113	(64)
Exchange traded options	594 783 497	13 668	(14 730)	118 533 158	-	(156)
	637 271 050	**103 286**	**(73 032)**	**127 678 517**	**33 016**	**(32 540)**
Equity and stock index derivatives						
OTC options bought and sold	15 931	3 122	(1 126)	424 470	7 037	(707)
Equity swaps and forwards	76 770	717	(1 070)	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	1 927	(50)
Exchange traded options	97 923	6 917	(6 758)	15 116	1 061	(1 022)
Warrants	35 227	8 912	-	264 390	29 110	-
	261 314	**19 668**	**(9 489)**	**1 896 379**	**45 020**	**(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)	467 990	57 281	(78 059)
	4 561 281	**502 178**	**(361 962)**	**3 193 485**	**476 540**	**(312 861)**
Credit derivatives						
Credit linked notes bought and sold			-	-	-	
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		**997 491**	**(534 193)**		**594 187**	**(372 778)**
Effect of on balance sheet netting		(278 070)	278 070		(260 078)	260 078
Derivatives per balance sheet		**719 421**	**(256 123)**		**334 109**	**(112 700)**

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

Notes to the financial statements

At 31 March £'000	2008	2007
17. Investment securities		
Listed equities	16 146	25 193
Unlisted equities	44 044	12 344
Commercial paper	649 801	1 277 444
Floating rate notes	405 387	430 409
Bonds	1 610	1 824
Other investments	173	206
	1 117 161	**1 747 420**
18. Loans and advances to customers		
Category analysis		
Private banking - professional and high net worth individuals	3 553 422	2 670 480
Corporate sector	2 214 715	1 523 620
Banking, insurance, financial institutions	307 440	336 292
Public and government sector	159 746	131 762
Trade finance	23 378	21 300
Other	2 110 588	1 999
	8 369 289	**4 685 453**
Specific impairment	(49 928)	(16 229)
Portfolio impairment	(2 236)	(1 540)
	8 317 125	**4 667 684**
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments		
Specific impairment		
Balance at beginning of year	16 229	8 679
Charge to the income statement	49 031	7 315
Acquired		7 916
Utilised	(17 023)	(7 833)
Exchange adjustment	1 691	152
Balance at end of year	**49 928**	**16 229**
Portfolio impairment		
Balance at beginning of year	1 540	1 369
Charge to the income statement	676	175
Utilised		-
Exchange adjustment	20	(4)
Balance at end of year	**2 236**	**1 540**
Interest income recognised on loans that have been impaired	5 278	

Financial statements

At 31 March £'000	2008	2007
19. 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.		
The financial assets that have been transferred are:		
Loans and advances to customers	4 770 873	
Cash and cash equivalents	464 034	
Other financial instruments at fair value	50 327	
	5 285 234	**-**
Impairment of loans and advances to customers	(33 766)	
Total securitised assets	**5 251 468**	**-**
The associated liabilities are recorded on balance sheet in "Liabilities arising on securitisation". At 31 March, the carrying value was	4 976 656	-
Securitised loans and advances to customers category analysis		
Private banking professional and high net worth individuals	708 634	-
Kensington mortgage lending	4 062 239	-
	4 770 873	**-**
Specific impairments	(33 766)	-
	4 737 107	**-**
Analysis of impairments		
Reconciliation of movements in group specific and portfolio impairments of loans and advances that have been securitised		
Specific impairment		
Balance at beginning of year		
Charge to the income statement	33 635	-
Exchange adjustment	131	-
Balance at end of year	**33 766**	**-**

Notes to the financial statements

Financial statements

At 31 March £'000	2008	2007
20. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	18 363	6 117
Goodwill	64 204	64 204
Investment in associated undertaking	**82 567**	**70 321**
Analysis of the movement in our share of net assets:		
At beginning of year	6 117	(1 797)
Exchange adjustments	134	(145)
Acquisitions	1 676	266
Disposal of shareholding in associate company	(113)	(306)
Adjustment in shareholding	-	762
Operating income from associates	12 150	10 685
Dividends received	(5 065)	(4 699)
Non-operating items	-	-
Gains recognised in equity	3 464	1 351
At end of year	**18 363**	**6 117**
Analysis of the movement in goodwill:		
At beginning of year	64 204	64 919
Exchange adjustments	-	47
Acquisitions	-	-
Adjustment in shareholding	-	(762)
Goodwill impairment	-	-
At end of year	**64 204**	**64 204**
Associated undertakings:		
Listed	65 651	55 646
Unlisted	16 916	14 675
	82 567	**70 321**
Market value of listed investments	**108 449**	**180 026**
The most significant investment held in associates in the year was Rensburg Sheppards plc ("RS"). RS a is listed company on the London Stock Exchange and conducts the business of private client stockbroking.		
At 31 March 2008 Rensburg Sheppards plc had the following shares of 10 90/91p:	43 883 500	43 881 382
Less: Shares held in RS Employee Share Ownership Trust	(229 600)	(233 600)
	43 653 900	**43 647 782**
Holding in Rensburg Sheppards ordinary share (%)	47.32%	47.33%

* Investec has undertaken not to vote in excess of 30% of the issued capital of RS in the five year period ending 6 May 2010.

Significant transactions between the group and RS during the year ended 31 March 2008, all of which are on arm's length basis are:

- £50 million subordinated loan from Investec Bank (UK) Limited to RS. This loan, which was originally £60 million from Investec 1 Limited to RS was entered into on 6 May 2005 and formed part of the consideration paid by RS for the acquisition of Carr Sheppards Crosthwaite Limited. On 8 May 2007 RS repaid £10 million and on 28 September 2007 the remaining loan receivable was transferred to IBUK. The interest receivable on the loan during the year amounted to £3 716 000 (2007: £4 305 000) and interest of £1 447 000 was receivable at 31 March 2008 (2007: £1 718 000).
- Rent of £1.1 million (2007 : £1.25 million) and a contribution of £0.2 million (2007: £0.3 million) in respect of RS' occupation of 2 Gresham Street. A further £0.7 million (2007: £0.5 million) was received in relation to other services provided including IT and Internal Audit.

20. Interests in associated undertakings (continued)

	Assets	Liabilities	Revenue	Adjusted profit before tax*
Rensburg Sheppards plc				
31 March 2008	386 585	200 470	132 928	41 469
31 March 2007	377 092	207 400	122 297	35 923

* Before amortisation of client relationships intangible asset and share-based charges relating to the Employee Benefit Trust.

At 31 March £'000	2008	2007
21. Deferred tax		
Deferred tax asset		
Deferred capital allowances	28 813	6 438
Income and expenditure accruals	9 573	6 396
Arising from credits on secondary tax on companies in South Africa		
Arising from unexpired share options	5 710	13 194
Asset in respect of pensions liability	-	-
Unrealised fair value adjustments on financial instruments	117	
Other temporary differences	11 263	2 102
	55 476	**28 130**
Deferred tax liability		
Deferred capital allowances	6 915	2 058
Income and expenditure accruals	6 830	
Unrealised fair value adjustments on financial instruments	2 374	
Arising on anticipated foreign dividends	7 027	3 433
Liability in respect of pensions surplus	3 793	816
Other temporary differences	8 331	3 084
Arising on adoption of IFRS	6 586	
	41 856	**9 391**
Net deferred tax asset	**13 620**	**18 739**
Reconciliation of net deferred tax asset		
At beginning of year	18 739	25 881
Current year profit and loss charge	9 077	(7 715)
Charge to profit and loss (excluding change in rate)	11 042	(7 715)
Change in rate (through profit and loss)	(1 965)	-
(Charge)/credit directly in equity	(9 304)	5 094
Deferred tax arising on pension fund surplus movement in equity	(2 977)	1 058
Arising on acquisitions	4 789	(395)
Transfer (to)/from corporation tax	(7 026)	(6 541)
Arising on disposals	-	-
Exchange adjustments	322	1 357
At year end	**13 620**	**18 739**
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
Current tax recognised directly in equity	6 202	-
22. Other assets		
Settlement debtors	336 308	751 340
Operating leased assets in stock	10 671	53 237
Dealing properties	4 131	2 508
Accruals and prepayments	-	-
Pension assets	18 256	4 178
Other debtors	209 511	128 130
	578 877	**939 393**

At 31 March £'000	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
23. Property and equipment					
2008					
Cost					
At beginning of year	5 552	23 224	7 656	117 932	154 364
Exchange adjustments	27	527	249	(1 354)	(551)
Acquisition of subsidiary undertakings	-	117	1 343	1 872	3 332
Reclassifications	-	(200)	-	(973)	(1 173)
Additions	3 062	7 533	2 262	6 131	18 988
Disposals	-	(16)	(34)	(1 188)	(1 238)
At end of year	**8 641**	**31 185**	**11 476**	**122 420**	**173 722**
Accumulated depreciation					
At beginning of year	(13)	(9 944)	(6 718)	(14 947)	(31 622)
Exchange adjustments	-	(178)	(181)	(160)	(519)
Disposal of subsidiary undertakings	-	-	-	-	-
Reclassifications	-	-	-	1 173	1 173
Disposals	-	11	23	574	608
Depreciation	(13)	(1 803)	(2 110)	(8 310)	(12 236)
At end of year	**(26)**	**(11 914)**	**(8 986)**	**(21 670)**	**(42 596)**
Net book value	**8 615**	**19 271**	**2 490**	**100 750**	**131 126**
2007					
Cost					
At beginning of year	598	22 647	9 332	12 545	45 122
Exchange adjustments	(156)	(281)	(71)	(3 576)	(4 084)
Acquisition of subsidiary undertakings	3 893	196	29	89 310	93 428
Reclassifications	(53)	121	(121)	-	(53)
Additions	1 270	541	764	20 486	23 061
Disposals	-	-	(2 277)	(833)	(3 110)
At end of year	**5 552**	**23 224**	**7 656**	**117 932**	**154 364**
Accumulated depreciation					
At beginning of year	(53)	(8 595)	(8 181)	(11 090)	(27 919)
Exchange adjustments	-	230	54	45	329
Disposal of subsidiary undertakings	-	-	-	-	-
Reclassifications	53	(28)	28	-	53
Disposals	-	-	1 996	806	2 802
Depreciation	(13)	(1 347)	(496)	(4 708)	(6 564)
Impairment losses	-	(204)	(119)	-	(323)
At end of year	**(13)**	**(9 944)**	**(6 718)**	**(14 947)**	**(31 622)**
Net book value	**5 539**	**13 280**	**938**	**102 985**	**122 742**

At 31 March £'000	2008	2007
24. Goodwill		
Cost		
At beginning of year	184 207	152 452
Acquisition of subsidiaries	138 550	33 355
Goodwill arising on acquisition of shares held by minority	740	
Reclassifications	(1 148)	-
Exchange adjustments	4 606	(1 600)
At end of year	**326 955**	**184 207**
Accumulated impairments		
At beginning of year	(15 244)	(15 380)
Income statement amount	(59 900)	-
Exchange adjustments	(668)	136
At end of year	**(75 812)**	**(15 244)**
Net book value	**251 143**	**168 963**
Analysis of goodwill by line of business and geography		
UK and Europe		
Private Banking	18 004	17 441
Capital Markets	76 143	13 720
Investment Banking	32 876	33 498
Asset Management	88 045	88 045
	215 068	**152 704**
Australia		
Private Banking	18 536	-
Investment Banking	17 539	16 259
	36 075	**16 259**
Total group	**251 143**	**168 963**

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.

Movement in goodwill

2008

Goodwill arising on acquisition includes £121 066 000 on the acquisition of Kensington Group plc on 8 August 2007 and £17 484 000 in respect of the acquisition of Experien Pty Limited on 1 October 2007 see note 26. Kensington Group plc forms part of the Capital Markets segment in the United Kingdom and Experien Pty Limited forms part of the Private Banking segment in Australia.

2007

Goodwill arising on acquisition of £33.3 million related to the acquisition of Midwest Grain Processors LLC by Global Ethanol Holdings and the acquisition of Idatech LLC.

On 7 July 2006 Investec Bank (UK) Limited ("IBUK") acquired the entire share capital of NM Rothschild Australia Holdings Pty Limited and its subsidiary, NM 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.

Income statement movement

2008

The impairment of £59 900 000 relates to Kensington Group plc and takes into account the managed reduction in business volumes and the limited activity in securitisation markets.

2007

The income statement amount comprises:

- £8.1 million in respect of the portfolio of businesses acquired from the Fedsure Group. The impairment calculation was based on a discounted cashflow valuation, utilising a discount rate of 10%. £6.1 million of the impairment was in the Asset Management segment and £2 million was in the Property segment.
- NM Rothschild and Sons (Australia) Limited was acquired in the current year at a discount to net asset value resulting in negative goodwill of £10.7 million which has been released to the income statement.

At 31 March £'000	Acquired software	Core technology	Intellectual property	Total
25. Intangible assets				
2008				
Cost				
At beginning of year	13 614	5 109	5 688	24 411
Exchange adjustments	440	(94)	(105)	241
Reclassifications	-	4 256	(3 709)	547
Acquisition of subsidiary	3 062	-	1 237	4 299
Additions	7 623	2 192	-	9 815
Disposals	(170)	-	-	(170)
At end of year	**24 569**	**11 463**	**3 111**	**39 143**
Accumulated amortisation and impairments				
At beginning of year	(6 101)	(222)	(238)	(6 561)
Exchange adjustments	(471)	5	6	(460)
Reclassifications	-	221	380	601
Disposals	168	-	-	168
Amortisation	(5 307)	(430)	(266)	(6 003)
At end of year	**(11 711)**	**(426)**	**(118)**	**(12 255)**
Net book value	**12 858**	**11 037**	**2 993**	**26 888**
2007				
Cost				
At beginning of year	6 530	-	-	6 530
Exchange adjustments	-	(245)	(263)	(508)
Acquisition of subsidiary	4	5 354	5 743	11 101
Additions	7 136	-	208	7 344
Disposals	(56)	-	-	(56)
At end of year	**13 614**	**5 109**	**5 688**	**24 411**
Accumulated amortisation and impairments				
At beginning of year	(5 037)	-	-	(5 037)
Exchange adjustments	31	-	-	31
Disposals	55	-	-	55
Amortisation	(1 150)	(222)	(238)	(1 610)
At end of year	**(6 101)**	**(222)**	**(238)**	**(6 561)**
Net book value	**7 513**	**4 887**	**5 450**	**17 850**

Charge to the profit and loss account in 2008 of £6 003 000 comprises the following:

- Amortisation of acquired contracts and computer software of £5 307 000.
- Amortisation of intellectual property and core technology which arose from acquisitions made in the year of £266 000 and £430 000 respectively.

Charge to the profit and loss account in 2007 of £1 610 000 comprises the following:

- Amortisation of acquired contracts and computer software of £1 150 000.
- Amortisation of intellectual property and core technology which arose from acquisitions made in the year of £238 000 and £222 000 respectively.

26. Acquisitions and disposals

2008

The group has made the following acquisitions of subsidiary undertakings in the year ended 31 March 2008 which were accounted for on an acquisition basis:

i. On 8 August 2007 Investec plc issued 36 824 432 ordinary shares at a value of 587.5 pence each as consideration for the acquisition of the entire issued share capital of Kensington Group plc ("Kensington"). The acquisition was carried out by way of a scheme of arrangement under section 425 of the Companies Act under which each Kensington shareholder received 0.7 Investec shares plus a special dividend of 26 pence (paid by Kensington) for each Kensington Share. In the period 8 August 2007 to 31 March 2008, Kensington made a profit before taxation of £24 300 000.

The assets and liabilities at the date of acquisition, goodwill arising on the transaction 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
Cost			
Loans and advances to banks	109 000		109 000
Investment securities	15 200	(13 100)	2 100
Derivative financial instruments	22 500		22 500
Loans and advances to customers	1 329 400		1 329 400
Securitised assets	6 152 700	(17 000)	6 135 700
Deferred taxation assets	1 000	4 800	5 800
Other assets	17 500		17 500
Property and equipment	3 400	(300)	3 100
Intangible assets	4 500	(400)	4 100
	7 655 200	**(26 000)**	**7 629 200**
Deposits by banks (warehouse loans)	1 541 500		1 541 500
Derivative financial instruments	93 800		93 800
Liabilities arising on securitisation	5 681 400		5 681 400
Current taxation liabilities	100		100
Deferred taxation liabilities	1 400	200	1 600
Other liabilities	58 600	7 566	66 166
Subordinated liabilities	130 600		130 600
Minority interests	100		100
	7 507 500	**7 766**	**7 515 266**
Net assets/fair value of net assets	**147 700**	**(33 766)**	**113 934**
Goodwill			121 066
Fair value of consideration			**235 000**
Shares issued			216 344
Acquisition costs			4 956
Special dividend			13 700

ii. 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 within the group's consolidated financial results was AUD 660 000. For the year ended 31 March 2008 the Experien Group's loss was AUD 1.1 million. The total cost of the combination was AUD 31.7 million and comprised of the payment of cash of AUD 3.2 million, earn-out payments of AUD 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.

26. Acquisitions (continued)

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**
In summary - total value of cash consideration made during the year to 31 March 2008			**32 419**

2007

Acquisitions and disposals

The group has made the following acquisitions of subsidiary undertakings in the year ended 31 March 2007 which were accounted for on an acquisition basis:

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, NM 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.

26. Acquisitions (continued)

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
	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
	694 012	**1 953**	**695 965**
Net assets/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.

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 cell 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**
In summary total fair value of consideration, less cash arising on acquisitions made during the year to 31 March 2007			**140 954**

At 31 March £'000	2008	2007
27. Other trading liabilities		
Short positions		
- equities	59 635	96 252
- gilts	133 352	-
	192 987	**96 252**
28. 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
	66 758	**308 828**
Other unlisted debt securities in issue repayable:		
Not more than three months	249 742	313 639
Over three months but not more than one year	153 706	406 422
Over one year but not more than five years	151 466	130 250
	554 914	**850 311**
	621 672	**1 159 139**
29. Other liabilities		
Settlement liabilities	411 442	864 766
Other creditors and accruals	173 346	175 870
Other non interest bearing liabilities	108 139	53 123
	692 927	**1 093 759**

At 31 March £'000	2008	2007
30. Pension commitments		
Income statement change		
Defined benefit obligations (net income)/cost	(853)	(896)
Cost of defined contribution schemes	10 207	8 244
Net income statement charge in respect of pensions	**9 354**	**7 348**

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes, with the exception of two schemes in the United Kingdom being, the Guinness Mahon Pension Fund Scheme ("GM Scheme") and the Investec Asset Management Pension scheme ("IAM Scheme"). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2008 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions, in relation to the defined contribution schemes, outstanding at the year end.

The major assumptions used were:

	2008	2007
Discount rate	6.70%	5.40%
Rate of increase in salaries	3.50%	3.00%
Rate of increase in pensions 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	88	87
Female aged 65	91	90
Male aged 45	90	88
Female aged 45	93	91

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

	Value at 2008 £'000	Long-term rate of return expected	Value at 2007 £'000	Long-term rate of return expected
GM Scheme				
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**	
IAM Scheme				
Equities	6 486	7.50%	7 363	7.60%
Gilts	2 947	4.50%	1 841	4.60%
Cash	336	5.25%	484	5.25%
Total market value of assets	**9 769**		**9 688**	

30. Pension commitments (continued)

The following amounts have been recognised in the financial statements in accordance with IAS 19:

£'000	2008 GM	2008 IAM	2008 Total	2007 GM	2007 IAM	2007 Total
Recognised in the balance sheet						
Fair value of fund assets	97 950	9 769	107 719	95 356	9 688	105 044
Present value of obligations	(80 319)	(9 144)	(89 463)	(91 178)	(11 155)	(102 333)
Net asset/(liability)	**17 631**	**625**	**18 256**	**4 178**	**(1 467)**	**2 711**
Amounts in balance sheet						
Assets	17 631	625	18 256	4 178	-	4 178
Liability	-	-	-	-	(1 467)	(1 467)
Net asset/(liability)	**17 631**	**625**	**18 256**	**4 178**	**(1 467)**	**2 711**
Recognised in the income statement						
Past service cost	-	-	-	-	(4)	(4)
Expected return on pension scheme assets*	5 582	682	6 264	5 272	588	5 860
Interest on pension obligations	(4 814)	(597)	(5 411)	(4 414)	(546)	(4 960)
Net return	**768**	**85**	**853**	**858**	**38**	**896**
Recognised in the statement of recognised income and expense						
Actuarial (losses)/gains on plan assets	(2 410)	(950)	(3 360)	(3 315)	(254)	(3 569)
Actuarial gains/(losses)	11 543	2 399	13 942	(165)	206	41
Actuarial (loss)/gain	9 133	1 449	10 582	(3 480)	(48)	(3 528)
Deferred tax	(2 557)	(406)	(2 963)	1 044	14	1 058
Actuarial (loss)/gain in statement of recognised income and expense	**6 576**	**1 043**	**7 619**	**(2 436)**	**(34)**	**(2 470)**
Actual return/(deficit) on plan assets	3 172	(268)	2 904	2 162	334	1 828

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expense is £2.5 million (£1.6 million net of deferred tax). 2007: £13.1 million (£9.2 million net of deferred tax).

* The expected return on pension scheme assets is determined after taking into account independent actuarial advice.

30. Pension commitments (continued)

At 31 March £'000	GM	IAM	Total
Changes in the fair value of defined benefit obligations			
Defined benefit obligation at 31 March 2006	89 927	11 019	100 946
Interest cost	4 414	546	4 960
Actuarial losses	165	(206)	(41)
Past service cost	-	4	4
Benefits paid	(3 328)	(208)	(3 536)
Opening defined benefit obligation at 31 March 2007	91 178	11 155	102 333
Interest cost	4 814	597	5 411
Actuarial gains	(11 543)	(2 399)	(13 942)
Benefits paid	(4 130)	(209)	(4 339)
Closing defined benefit obligation at 31 March 2008	**80 319**	**9 144**	**89 463**
Changes in the fair value of plan assets			
Assets at 31 March 2006	93 175	9 006	102 181
Expected return	5 272	588	5 860
Actuarial losses	(3 315)	(254)	(3 569)
Contributions by the employer	3 552	556	4 108
Benefits paid	(3 328)	(208)	(3 536)
Opening defined benefit obligation at 31 March 2007	95 356	9 688	105 044
Expected return	5 582	682	6 264
Actuarial losses	(2 410)	(950)	(3 360)
Contributions by the employer	3 552	558	4 110
Benefits paid	(4 130)	(209)	(4 339)
Closing fair value of plan assets at 31 March 2008	**97 950**	**9 769**	**107 719**

The group expects to make £4.1 million of contributions to the defined benefit schemes in 2009.

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)
IAM Scheme				
Defined benefit obligation	(9 144)	(11 155)	(11 019)	(9 857)
Plan assets	9 769	9 688	9 006	7 290
Surplus/(deficit)	625	(1 467)	(2 013)	(2 567)
Experience adjustments on plan liabilities	2 399	206	(630)	(442)
Experience adjustments on plan assets	(950)	(254)	1 177	192

At 31 March £'000	2008	2007
31. Subordinated liabilities		
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 (UK) Limited		
Zero coupon bonds	18 087	21 254
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
Issued by Kensington Group plc		
Callable subordinated notes	127 230	-
	773 159	**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	483 958	345 658
	773 159	**628 819**

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.

As a result on the acquisition of NM 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.

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 the 16 November 2009.

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

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 the 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 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. These loans were included in minority interest in the financial statements at March 2007 but have now been reclassified as subordinated liabilities.

Callable subordinated notes

On 21 November 2005 Kensington Group plc issued £75 000 000 of 9% callable subordinated notes due 2015. Interest is payable at the rate of 9%, annually in arrears, up to but excluding 21 December 2010. From and including 21 December 2010, interest on the notes is payable at the Reset Rate annually in arrear. The issuer may, at its option, redeem all but not some only, of the notes on 21 December 2010, at par. Also, the issuer may, at its option, redeem all, but not some only of the notes at any time at par plus accrued interest, in the event of certain tax changes. The notes mature on 21 December 2015. On 31 August 2006 Kensington Group plc issued £50 000 000 of 9% callable subordinated notes due 2015 (to be consolidated and form a single series, and to be fungible, with the £75 000 000 9% callable subordinated notes due 2015 issued on 21 November 2005).

At 31 March £'000	2008	2007
32. Called up share capital		
Authorised		
The authorised share capital of Investec plc is £177 500 (2007: £177 500) comprising: 560 000 000 (2007: 560 000 000) ordinary shares of £0.0002 each, 277 500 000 (2007: 277 500 000) special converting shares of £0.0002 each, 1 (2007: 1) special voting share of £0.001, 1 (2007:1) UK DAN Share of £0.001 and 1 (2007: 1) UK DAS Share of £0.001 1 000 000 (2007: 1 000 000) non-cumulative perpetual preference shares of €0.01		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	381 613 207	373 168 730
Issued during the year	41 706 292	8 444 477
At end of year	**423 319 499**	**381 613 207**
Nominal value of ordinary shares	£'000	£'000
At beginning of year	76	74
Issued during the year	8	2
At end of year	**84**	**76**
Number of special converting shares	Number	Number
At beginning of year	227 671 420	219 997 635
Issued during the year	6 639 894	7 673 785
At end of year	**234 311 314**	**227 671 420**
Nominal value of special converting shares	£'000	£'000
At beginning of year	46	44
Issued during the year	1	2
At end of year	**47**	**46**

32. Called up share capital (continued)

At 31 March £'000	2008	2007
Number of UK Dan shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK Dan share	£'000	£'000
At beginning and end of year	*	*
Number of UK Das shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK Das share	£'000	£'000
At beginning and end of year	*	*
Number of special voting shares	Number	Number
At beginning and end of year	1	1
Nominal value of special voting share	£'000	£'000
At beginning and end of year	*	*

* Less than £1 000.

In terms of the Dual Listed Companies Structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this. The unissued shares are under the control of the directors until the next annual general meeting.

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 7.

Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:

	2008	2007
	Number	Number
Outstanding at 1 April	29 029 906	27 875 005
Issued during the year	7 290 269	7 640 248
Exercised	(5 790 043)	(5 198 882)
Lapsed	(2 075 861)	(1 286 465)
Outstanding at 31 March	**28 304 271**	**29 029 906**

The purpose of the staff share scheme 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.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the groups' share price.

At present, the practice of the group is to give all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from five to eight years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance, and contribution made by, the respective staff members.

At 31 March	2008	2007
33. Treasury shares		
Market value of treasury shares	**£'000**	**£'000**
Investec plc ordinary shares	10 592	17 844
Options held to acquire Investec plc shares	5 919	6 026
	16 511	**23 870**
	Number	**Number**
Investec plc ordinary shares held by Investec plc and its subsidiaries	**2 826 052**	**3 442 045**
Reconciliation of treasury shares	**Number**	**Number**
At beginning of year	3 442 045	6 998 550
Purchase of own shares by subsidiary companies	5 193 626	14 813 487
Shares disposed of by subsidiaries	(5 809 619)	(18 369 992)
At end of year	**2 826 052**	**3 442 045**
Market value of treasury shares	**£'000**	**£'000**
Investec plc	9 552	22 649
	9 552	**22 649**
34. Perpetual preference		
Authorised		
100 000 000 (2007: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01each.		
Issued by Investec plc		
9 381 149 (2007: 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.	79 584	79 584
5 700 000 (2007: 5 700 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share.	49 974	49 974
Preference shareholders will receive an annual dividend if declared, based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value, on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared. If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	129 558	**129 558**
Nominal value of shares	151	151
Share premium	129 407	129 407
	129 558	**129 558**

Notes to the financial statements

At 31 March £'000	2008	2007
35. Minority interests		
Minority interest in partially held subsidiaries	49 345	40 501
Perpetual preferred securities issued by subsidiaries	159 420	136 051
	208 765	**176 552**
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries		
€200 000 000 (2007: €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities ("preferred securities") were issued by Investec Tier 1 (UK) LP, a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities, which are guaranteed by Investec plc, are callable at the option of the issuer, subject to the approval of the Financial Services Authority, on the tenth anniversary of the issue and, if not called, are subject to a step up in coupon of one and a half times the initial credit spread above the three month euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the preferred securities will be at 7.075 per cent. The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company.	159 420	136 051
Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.		
	159 420	**136 051**

36. Miscellaneous balance sheet items

At 31 March £'000	2008 Total future minimum payments	2008 Present value	2007 Total future minimum payments	2007 Present value
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.

37. Cash flow reconciliations

For the year to 31 March £'000	2008	2007
Reconciliation of operating profit to net operating cash flows		
Operating profit after taxation	**137 801**	**208 595**
Adjustment for non cash items included in operating profit:		
Goodwill income statement amount	59 900	(10 680)
Depreciation and impairment of property, equipment and intangibles	18 239	8 497
Impairment of loans and advances	83 342	7 490
Operating income from associates	(12 150)	(10 685)
Dividends received from associates	5 065	4 699
Share based payment charges	19 682	11 526
Reconciliation of operating profit to net operating cash flows	**311 879**	**219 442**

Notes to the financial statements

At 31 March £'000	2008	2007
38. Commitments		
Undrawn facilities	1 110 748	974 501
Other commitments	-	-
	1 110 748	**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.

Operating lease commitments

	2008	2007
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	22 236	17 828
1 - 5 years	61 611	57 363
Later than 5 years	41 435	50 011
	125 282	**125 202**

At 31 March 2008, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% per annum. The majority of the leases have renewal options.

Operating lease receivables

	2008	2007
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. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed. Refer to note 14.

In addition, the group has borrowed securities from market counterparties and pledged cash on other securities as collateral.

At 31 March £'000	2008	2007
39. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
- guarantees and irrevocable letters of credit	96 989	106 362
- assets pledged as collateral security	364	365
Other contingent liabilities	29	807
	97 382	107 534

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 by Investec plc and Investec Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Legal proceedings

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

40. 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	614 628	614 628	42 832	42 832
Loans and advances to banks	1 166 579	1 166 579	903 276	903 276
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	458 091	458 091	558 985	558 985
Derivative financial instruments	719 421	719 421	334 109	334 109
Investment securities	1 117 161	1 117 161	1 747 420	1 747 420
Loans and advances to customers	8 317 125	8 236 704	4 667 684	4 654 171
Securitised assets	5 251 468	5 246 463	-	-
Other assets	338 709	338 709	899 789	899 789
Financial liabilities				
Deposits by banks	3 094 624	3 104 911	1 516 123	1 516 123
Deposits by banks - Kensington warehouse funding	1 778 438	1 778 438	-	-
Derivative financial instruments	256 123	256 123	112 700	112 700
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	4 999 378	5 007 890	4 245 612	4 246 608
Debt securities in issue	621 672	622 636	1 159 139	1 157 545
Liabilities arising on securitisation	4 976 656	4 976 656	-	-
Other liabilities	309 812	309 812	955 606	955 606
Subordinated liabilities	773 159	629 586	628 819	651 770

Notes to the financial statements

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 have 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 prices 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.

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques, which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.

41. Related party transactions

At 31 March £'000	2008		2007	
	Highest balance during the year*	Balance at end of year	Highest balance during the year*	Balance at end of year
Compensation to the board of directors is disclosed in the combined accounts of Investec plc and Investec Limited.				
Transactions, arrangements and agreements involving directors and others:				
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:				
Directors, key management and connected persons and companies controlled by them				
Loans	6 810	14 974	6 837	14 175
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	61 718	58 091	62 121	71 326

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.

Significant transactions between the group and Rensburg Sheppards Plc ("RS") during the year ended 31 March 2008, all of which are on arm's length basis are:

- £50 million subordinated loan from Investec Bank (UK) Limited to RS. This loan, which was originally £60 million from Investec 1 Limited to RS was entered into on 6 May 2005 and formed part of the consideration paid by RS for the acquisition of Carr Sheppards Crosthwaite Limited. On 8 May 2007 RS repaid £10 million and on 28 September 2007 the remaining loan receivable was transferred to IBUK. The interest receivable on the loan during the year amounted to £3 716 000 (2007: £4 305 000) and interest of £1 447 000 was receivable at 31 March 2008 (2007: £1 718 000).
- Rent of £1.1 million (2007: £1.25 million) and a contribution of £0.2 million (2007: £0.3 million) in respect of RS' occupation of 2 Gresham Street. A further £0.7 million (2007: £0.5 million) was received in relation to other services provided including IT and Internal Audit.

* 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.

42. 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	(22 495)	(62 425)	(66 075)	61 285	64 885
	Fx currency swap	236 928	330 728	330 728	(330 728)	(330 728)
Liabilities	Interest rate swap	1 914	(2 502)	1 026	2 622	(1 307)
	Fx currency swap	24 541	24 696	24 348	(24 696)	(24 348)
		240 888	**290 497**	**290 027**	**(291 517)**	**(291 498)**
2007						
Assets	Interest rate swap	5 198	1 499	1 200	(1 793)	(1 638)
Liabilities	Interest rate swap	(5 641)	5 365	3 623	(5 285)	(3 851)
	Fx currency swap	(102)	(348)	102	348	(102)
		(545)	**6 516**	**4 925**	**(6 730)**	**(5 591)**

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	Hedging instrument negative fair value	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
43. Liquidity analysis of financial liabilities based on undiscounted cash flows								
2008								
Liabilities								
Deposits by banks	278 748	305 285	97 272	600 837	643 613	1 273 436	13 099	3 212 290
Deposits by banks - Kensington warehouse funding	-	-	-	-	-	1 778 438	-	1 778 438
Derivative financial instruments	149 591	29 094	6 451	10 308	4 749	9 041	22 558	231 792
Repurchase agreements and cash collateral on securities lent	175 991	32	111 626	-	-	-	-	287 649
Customer accounts	1 231 031	805 884	2 361 170	218 025	206 489	429 172	50 486	5 302 257
Debt securities in issue	-	132 484	159 364	94 508	76 429	215 090	-	677 875
Liabilities arising on securitisation	2 081	47 976	301 504	313 127	709 641	3 912 152	1 258 579	6 545 060
Other liabilities	471 833	221 158	103 399	39 483	72 126	14 872	831	923 702
	2 309 275	1 541 913	3 140 786	1 276 288	1 713 047	7 632 201	1 345 553	18 959 063
Subordinated liabilities	-	-	850	11 731	38 456	343 802	655 258	1 050 097
On balance sheet liabilities	**2 309 275**	**1 541 913**	**3 141 636**	**1 288 019**	**1 751 503**	**7 976 003**	**2 000 811**	**20 009 160**
Off balance sheet liabilities	101 068	1 539	8 353	2 690	2 140	11 833	1 746	129 369
Total liabilities	**2 410 343**	**1 543 452**	**3 149 989**	**1 290 709**	**1 753 643**	**7 987 836**	**2 002 557**	**20 138 529**
2007								
Liabilities								
Deposits by banks	84 477	356 638	14 297	60 259	112 928	922 241	-	1 550 840
Derivative financial instruments	367 993	16 863	141	7 139	185	7 700	-	400 021
Repurchase agreements and cash collateral on securities lent	1 598 127	-	-	-	-	-	-	1 598 127
Customer accounts	973 652	922 577	1 733 927	153 692	109 892	349 881	99 166	4 342 787
Debt securities in issue	33 480	146 587	138 940	162 141	553 342	138 952	-	1 173 442
Other liabilities	676 654	364 863	41 955	108 008	36 500	4 800	196	1 232 976
	3 734 383	1 807 528	1 929 260	491 239	812 847	1 423 574	99 362	10 298 193
Subordinated liabilities	-	-	886	11 551	27 973	368 191	509 590	918 191
Total on balance sheet liabilities	**3 734 383**	**1 807 528**	**1 930 146**	**502 790**	**840 820**	**1 791 765**	**608 952**	**11 216 384**
Off balance sheet liabilities	68 839	2 235	5 060	3 484	17 293	28 877	7 504	133 292
Total liabilities	**3 803 222**	**1 809 763**	**1 935 206**	**506 274**	**858 113**	**1 820 642**	**616 456**	**11 349 676**

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 an analysis based on discounted cashflows, please refer to pages 64 and 65.

	Principal activity	Country incorporation	Interest % 2008	Interest % 2007
44. Principal subsidiary and associated companies				
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100	100
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Limited	Banking institution	Australia	100	100
Investec Australia Limited (formerly N.M.Rothschild & Sons (Australia) Limited)	Holding company	Australia	-	100
Investec SA	Investment holding	Luxembourg	-	100
Investec Holdings (UK) Limited	Holding company	England and Wales	100	100
Investec Bank (UK) Limited	Banking institution	England and Wales	100	100
Investec Group (UK) plc	Holding company	England and Wales	100	100
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
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
Investec Asset Management Limited	Asset Management	England and Wales	100	100
Investec Ireland Limited	Financial Services	Ireland	100	100
Investec Securities (US) LLC	Financial Services	USA	100	100
Kensington Group plc	Financial Services	England and Wales	100	-
Kensington Mortgages Limited	Financial Services	England and Wales	100	-
Newbury Park Mortgage Funding Limited	Financial Services	England and Wales	100	-
St Jame's Park Mortgage Funding Limitied	Financial Services	England and Wales	100	-
Start Mortgages Limited	Financial Services	Ireland	65.1	-
European Capital Company Limited	Project Finance	England and Wales	100	100
Experien Pty Limited	Financial Services	Australia	100	-
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Global Ethanol Holdings Limited	Holding company	Australia	44.4	46.4
Global Ethanol 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 companies				
Rensburg Sheppards plc	Stockbroking and portfolio management	England and Wales	47.3	47.3
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0	35.0

44. Principal subsidiaries and associated companies - Investec plc (continued)

Investec plc has no equity interest in the following special purposes vehicles, which are consolidated on the basis of the group sharing in the risks and rewards associated with the entities:
Residential Mortgage Securities 20 plc.
Residential Mortgage Securities 21 plc.
Residential Mortgage Securities 22 plc.
Kensington Mortgage Securities plc.
Money Partner Securities 3 plc.
Money Partner Securities 4 plc.
Lansdowne Mortgage Securities No. 1 plc.
Lansdowne Mortgage Securities No. 2 plc.

In addition to the special purposes vehicles listed above, 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.

Investec plc parent company accounts

Balance sheet

At 31 March £'000	Notes	2008	2007
Assets			
Cash at bank and in hand:			
- balances with subsidiary undertaking		67 999	43 855
- balances with other banks		863	997
Amounts owed by group undertakings		499 529	377 030
Investments in subsidiaries	b	1 110 533	421 446
Tax		16 116	11 896
Other assets		124	30
Prepayments and accrued income		108	-
		1 695 272	**855 254**
Liabilities			
Bank loans	c	159 659	137 262
Amounts owed to group undertakings	d	738 004	145 834
Other liabilities		924	1 023
Accruals and deferred income		3 563	3 993
		902 150	**288 112**
Equity			
Called up share capital	e	131	122
Share premium account	e	651 023	422 229
Perpetual preference shares	e	129 558	129 558
Capital redemption reserve	e	50	50
Treasury shares	e	(3 549)	(1 197)
Profit and loss account	e	15 909	16 380
Total equity		**793 122**	**567 142**
Total equity and liabilities		**1 695 272**	**855 254**

Notes to Investec plc parent company accounts

a Accounting policies

Basis of preparation

The parent accounts of Investec plc are prepared under the historical cost convention and in accordance with UK accounting standards.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at exchange rates at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit or loss account.

Investments

Investments are stated at cost less any impairment in value.

Income

Dividends from subsidiaries are recognised when paid. Interest is recognised using the effective interest rate method.

Taxation

Corporate tax is provided on taxable profits at the current rate. Deferred tax is recognised in respect of all timing differences between taxable profits and the results stated in the financial statements that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or the right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

b Investments in subsidiary undertakings

At 31 March £'000	2008	2007
At beginning and end of year	421 446	421 446
Additions	913 233	-
Disposals	(224 146)	-
	1 110 533	421 446

On 26 July 2007, the company purchased Investec 1 Limited from another group company for £465.8 million which was settled by way of intercompany loans.

On 8 August 2007, the company acquired 100% of Kensington Group Plc by issuing 36.8 million ordinary shares of £0.0002 each at £5.875. This investment was then transferred to Investec 1 Limited on 25 September 2007 in exchange for an issue of ordinary shares by Investec 1 Limited.

c Bank loans

The company drew down on bank loans of €100 million on 8 and 9 of March 2006. These loans each bear interest at 90 basis points above three month EURIBOR and are repayable on 8 and 9 of March 2011.

d Amounts owed to group undertakings

Amounts owed to group undertakings comprise £168 million due to Investec Tier 1 LP representing the proceeds of the issue by that entity in 2005 of perpetual preferred securities and £570 million interest free loan from Investec plc's wholly owned direct subsidiary Investec Holding Company Limited. This company is not trading and this balance effectively represents its share capital and reserves being lent back to its parent Investec plc.

e Statement of changes in shareholders' equity

£'000	Share Capital	Share premium	Perpetual preference shares	Treasury shares	Capital redemption reserve	Profit and loss account	Total reserves
At 1 April 2007	122	422 229	129 558	(1 197)	50	16 380	567 142
Allotment of special converting shares	1	-	-	-	-	-	1
Issue expenses	-	(66)	-	-	-	-	(66)
Issue of ordinary shares	8	228 860	-	(3 549)	-	(123)	225 196
Share based payments adjustment	-	-	-	1 197	-	(1 197)	-
Profit for the year	-	-	-	-	-	94 041	94 041
Dividends paid to preference shareholders	-	-	-	-	-	(8 170)	(8 170)
Dividends paid to ordinary shareholders	-	-	-	-	-	(85 022)	(85 022)
At 31 March 2008	131	651 023	129 558	(3 549)	50	15 909	793 122

Notes to Investec plc parent company accounts

Parent company profit and loss account

The company has taken advantage of the exemption in s 230 of the Companies Act 1985 not to present its own profit and loss account.

The company's profit for the year, determined in accordance with the Act, was £94 041 000 (2007: £30 847 271).

Treasury shares At 31 March	2008	2007
Treasury shares held by Investec plc	**£000**	**£000**
Investec plc ordinary shares	3 549	1 197
Number of Investec plc ordinary shares held by Investec plc	**Number**	**Number**
At 1 April	500 000	500 000
Purchase of own shares by Investec plc	624 995	-
At 31 March	**1 124 995**	**500 000**
Reconciliation of treasury shares	**£000**	**£000**
At 1 April	1 197	2 309
Purchase of own shares by Investec plc	3 549	-
Share based payments adjustment	(1 197)	(1 112)
At 31 March	**3 549**	**1 197**
Market value of treasury shares	**£000**	**£000**
	3 808	3 290

Treasury shares are being held in an employee benefit trust in relation to the Investec Share Matching Plan 2005 and in relation to staff share options in Kensington Group plc.

Dividends on treasury shares have not been included in the profit and loss account.

Contact details

Australia, Brisbane

Level 31 Riparian Plaza 71 Eagle Street
Brisbane QLD 4000 Australia
Telephone (61) 7 3018 8100
Facsimile (61) 7 3018 8108
e-mail australia@investec.com.au

Australia, Melbourne

Level 49 120 Collins Street
Melbourne VIC 3000 Australia
Telephone (61) 3 8660 1000
Facsimile (61) 3 8660 1010
e-mail australia@investec.com.au

Australia, Perth

Level 21 140 St George's Terrace
Perth WA 6000 Australia
Telephone (61 89) 485 4000
Facsimile (61 89) 485 4010
e-mail australia@investec.com.au

Australia, Sydney

Level 31 The Chifley Tower 2 Chifley Square
Sydney NSW 2000 Australia
Telephone (61) 2 9236 000
Facsimile (61) 2 9236 0001
e-mail australia@investec.com.au

Canada, Toronto

TD Bank Tower 66 Wellington Street West Suite 2701
Toronto
PO Box 307 Toronto Ontario M5K 1K2
Telephone (1 416) 915 3160
Facsimile (1 416) 915 3165

Channel Islands, St Helier

PO Box 344
5 Castle Street St Helier
Jersey JE4 8UZ
Telephone (44) 1534 512 512
Facsimile (44) 1534 512 513
e-mail enquiries@investectrust.com

Channel Islands, St Peter Port

PO Box 188 La Vieille Cour
St Peter Port Guernsey GY1 3LP
Telephone (44) 1481 723 506
Facsimile (44) 1481 741 147
e-mail enquiries@investec-ci.com

Hong Kong

2106 - 2108 Jardine House 1 Connaught Place
Central Hong Kong
Telephone (852) 2861 6888
Facsimile (852) 2861 6861
e-mail investec.asia@investecmail.com

Ireland, Dublin

The Harcourt Building
Harcourt Street Dublin 2 Ireland
Telephone (353) 1 421 0000
Facsimile (353) 1 421 0500
e-mail info@investec.ie

Switzerland, Geneva

3 Place des Bergues
1201 Geneva Switzerland
Telephone (41) 22 807 2000
Facsimile (41) 22 807 2005
e-mail enquiries@investectrust.ch

Switzerland, Zurich

Loewenstrasse 29
CH-8001 Zurich Switzerland
Telephone (41 44) 226 1000
Facsimile (41 44) 226 1010
e-mail info@investecbank.ch

United Kingdom, London

2 Gresham Street
London EC2V 7QP
Telephone (44 20) 7597 4000
Facsimile (44 20) 7597 4070

United Kingdom, Manchester

The Pinnacle 73 King Street
Manchester M24NG United Kingdom
Telephone (44 161) 819 7900
Facsimile (44 161) 819 7901
e-mail richard.heggie@investec.co.uk

United Kingdom, Abingdon

2 New Abbey Court 55 - 59 Stert Street
Abingdon Oxfordshire OX14 3JF United Kingdom
Telephone (44 1235) 555 577
Facsimile (44 1235) 555 734
email iaf@investec.co.uk

United States, New York

1 Battery Park Plaza
New York NY 10004 USA
Telephone (212) 898 6200
Facsimile (212) 898 6255

Taiwan

Unit B 20F Taipei 101 Tower 7 Xin Yi Rd. Sec.5
Taipei 110 Taiwan
Telephone (886 2) 8101 0800
Facsimile (886 2) 8101 0900

Notes

Notes

Notes