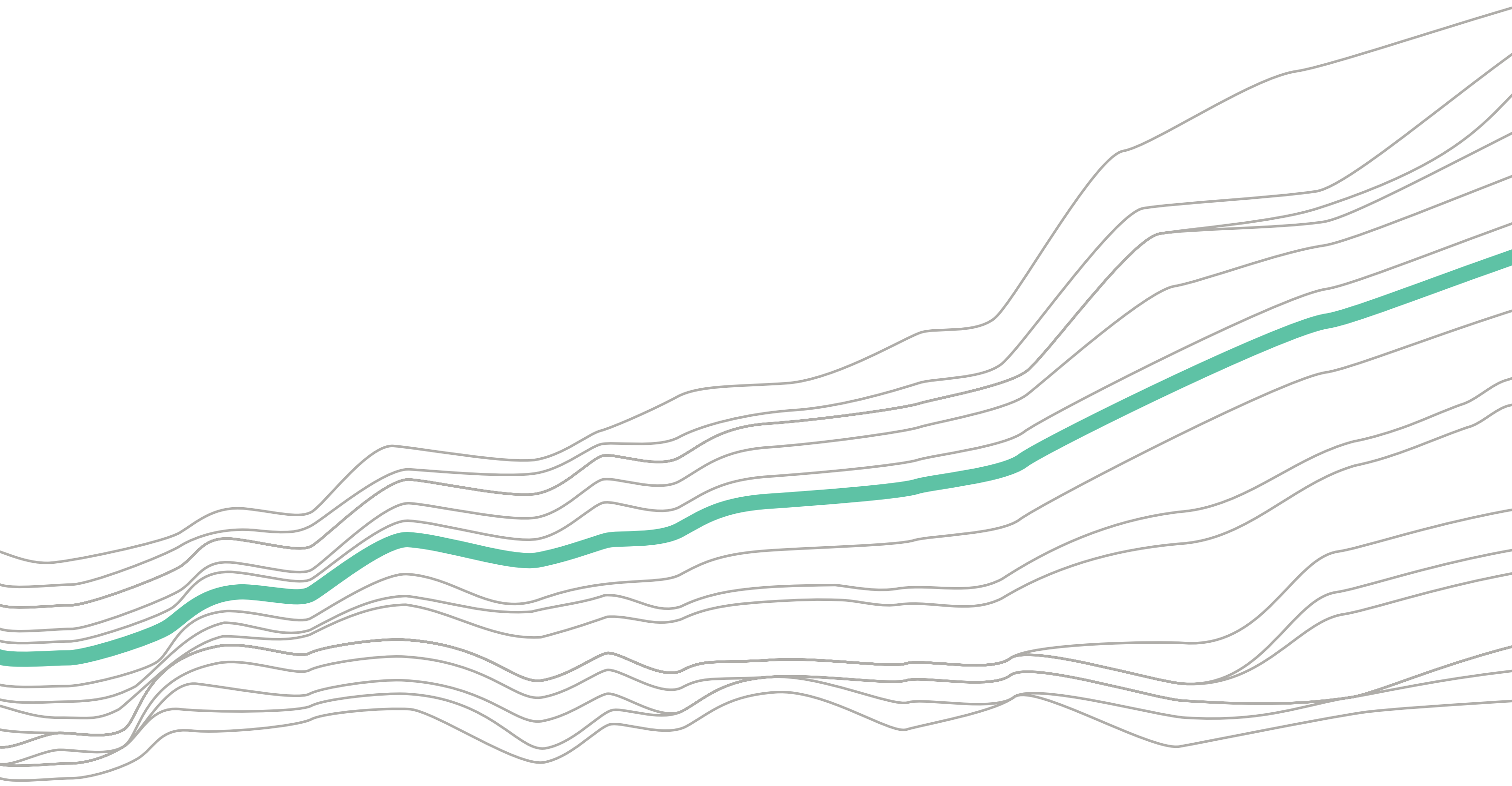
Investec



Investec Limited Group and Company Annual Financial Statements **2008**

Corporate information

Investec Limited

Secretary and Registered Office
Benita Coetsee
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2196
Telephone (27 11) 286 7957
Facsimile (27 11) 291 1806

Internet address
www.investec.com

Registration number
Investec Limited
Reg. No. 1925/002833/06

Auditors
Ernst & Young Inc.
KPMG Inc.

Investec directors
Refer to pages 74 to 77.

Transfer Secretaries in South Africa
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

Investec offices - contact details
Refer to page 138.

For queries regarding information in this document:

Investor Relations
Telephone (27 11) 286 7070
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

Distinctive Performance

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

Dedicated Partnerships

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

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

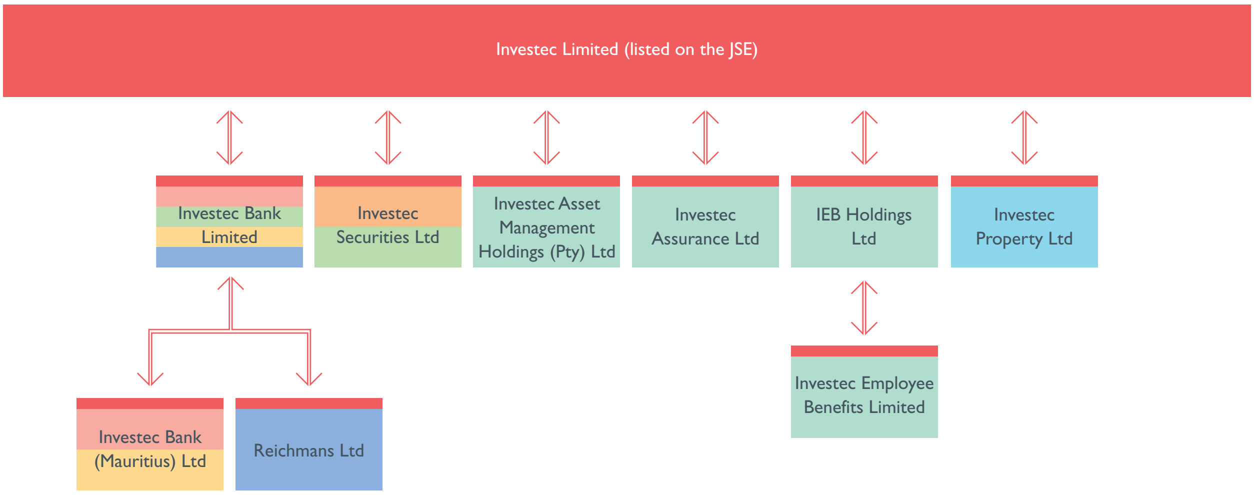
Philosophies

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

Investec Limited organisational structure

In terms of the implementation of the DLC structure Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius. Investec Limited is listed on the JSE Limited South Africa. Investec Bank Limited (referred to in this report as the bank) is a subsidiary of Investec Limited.

As at 31 March 2008



Key: activities conducted

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

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

Overview of the activities of Investec Limited

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

1. Investec Bank Limited

Investec Bank Limited's structure comprises three principal business units: Private Banking, Capital Markets and Investment Banking. Each division provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions including Risk Management, Information technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. The office is also responsible for our central funding as well as other activities such as trade finance.

Private Banking

Investec Private Bank provides a range of private banking services, targeting select high income and net worth individuals in chosen niche markets. These services include:

- Banking
- Structured Property Finance
- Growth and Acquisition Finance
- Wealth Management and Advisory
- Trust and Fiduciary

We are 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.

This unique offering has a strong franchise among successful entrepreneurs, high earning employees and self-directed internationally mobile clients. Our principal private banking products and services are described in further detail below.

One of our key strengths is the ability to originate new business by leveraging off our strong client relationships, which we establish through our lending activities. This sets us apart from other private banks that are dependent on the more traditional asset-gathering model.

Finally, not only do we have a presence in each of the major centres of South Africa, but we are strongly integrated with the group's UK and Australian operations.

Banking

This offering comprises a wide range of onshore and offshore banking services from a range of jurisdictions in multiple currencies. These include lending, foreign exchange, daily transactional banking, mortgages, short-term insurance and treasury. The treasury area spans currency deposits, money market deposits, structured deposits and cash management services.

Structured Property Finance

A key part of our business, we provide senior debt, mezzanine and equity to industry leaders involved in the residential and commercial property markets. Our strong connections within the market and deep relationships with our clients allow us to proactively bring opportunities to them.

Growth and Acquisition Finance

We work with entrepreneurs, management teams and private equity houses to implement acquisition and growth strategies for mid-market and privately owned 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 our client base.

Wealth Management and Advisory

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.

Trust and Fiduciary

Critical to our offering is the ability to implement appropriate structures on behalf of clients. 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.

Capital Markets

Our 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

Treasury provides South African Rand, Sterling, Euro and US Dollar funding to the group and manages liquidity and interest rate risk for the group.

Corporate treasury

Corporate treasury offers corporate and commercial clients a direct dealing capability with a single point of contact for both foreign exchange requirements, and short term international and domestic money market products.

Financial Products

The four businesses comprising Financial Products offer derivative hedging solutions to clients in the interest rate and foreign exchange environment, provide scrip lending services on an agency basis, structure and distribute investment products to individuals and institutions, manage the bank's preference share investments and funding thereof as well as structure equity solutions for individuals, corporates and BEE consortia.

Structured and Asset Finance

This area focuses on structured and conventional lending and debt capital markets, including securitisation, bond origination and principal finance across various asset classes. Structured lending includes asset finance and leasing, preference share finance, LBO's, MBO's and financing solutions for corporate, government and public sector clients.

Project and Infrastructure Finance

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

Commodities and Resource Finance

We are active in the precious and base metals, minerals, oil and gas sectors. The business operates across the debt-equity spectrum and includes advisory services, debt arranging and underwriting, structuring and providing hedging solutions.

Interest Rate Trading

Products include forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements. We act as market makers and trade as principal.

Foreign Exchange Trading

We are a market maker in the spot, forward exchange, currency swaps and currency derivatives markets (options and futures), principally in Rand and G7 currencies.

Equity Derivatives Trading

We trade major equity index options, certain single stock options, equity structured products, futures index arbitrage and equity warrants. We provide hedging and structuring services directly to financial intermediaries and institutions and indirectly via the Financial Products area to companies and individuals.

Investment Banking

We engage in a range of investment banking activities, including corporate finance, direct investments and private equity.

We are established as one of South Africa's leading domestic corporate finance houses, focusing on the provision of corporate advisory services to large and mid-capitalisation companies. In addition, as a result of our local knowledge and expertise, we are well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which we have been involved.

Corporate Finance

We focus on the development of our domestic financial advisory business, in particular regarding black economic empowerment transactions, mergers and acquisitions, divestitures, restructurings and the provision of innovative and creative deal structures and advice. In addition, since 2006 we have started to focus on initial public offerings and capital raisings as the domestic capital market activity in South Africa has improved.

Direct Investments

As a result of our in-depth market knowledge and local expertise, we are well positioned to take direct positions in predominantly JSE listed shares where we believe that the market is mispricing the value of underlying portfolio of assets. These investment positions will be carefully researched with the intent to stimulate corporate activity. We also continue to pursue opportunities to help to create and grow black owned and controlled companies.

Private Equity

We actively seek and select expansion and buy-out investments as principal in unlisted South African companies. Investments are selected based on the track record of the management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy.

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.

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 and Business Intelligence Centre, Regulatory and Facilities. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

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.

Other Activities

Other Activities include those operations that are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. Also included are those operations that do not yet fall into one of our principal business divisions and that we have grown organically or retained following acquisition due to their profitability and diversifying effect on our income streams.

International Trade Finance

We acquired our International Trade Finance business, ReichmansCapital, in South Africa in 1990. Clients are small to medium-sized owner managed businesses. We offer trade, asset and debtor finance to provide clients with working capital and funding for the acquisition of assets, and to facilitate growth.

2. Investec Asset Management

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

We have grown significantly since inception in 1991 in South Africa with R225 million of assets under management. Today, we are one of the largest managers of third party assets in Southern Africa, managing funds on behalf of individuals, retirement funds, insurance companies, government bodies, universities, corporations and other institutions. We are a multi-specialist investment manager and a market leader in specialist equity, fixed interest, balanced and absolute return funds. As at 31 March 2008, South African funds under management amounted to R241.2 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.

3. Investec Securities Limited

Private Client Portfolio Management and Stockbroking

Private Client Portfolio Management and Stockbroking offers high net worth individuals a selection of personal investment and stockbroking services.

We began operating in South Africa in 1996 through the acquisition of Fergusson Bros, and now operate under the name of Investec Securities Limited.

Measured by assets under management, we are one of the largest private client stockbrokers and one of the largest private client portfolio managers in South Africa. Our growth is primarily due to strategic acquisitions, supplemented with solid discretionary portfolio management growth in managed clients. Our acquisitions include:

- the June 1999 purchase of HSBC's Johannesburg private client operation (resulting in the addition of approximately R4.5 billion in assets under management);
- the October 2000 purchase of Quyn Martin Asset Management (adding R1.8 billion in assets under management);
- the January 2002 purchase of Merrill Lynch South Africa's private client operation in Cape Town (adding R4.3 billion in assets under management); and
- the March 2005 acquisition of HSBC's Cape Town private client operation, (adding approximately R13.4 billion to assets under management).

During the course of 2005 we launched Investec World Axis, an offshore multi-manager platform domiciled in Guernsey, in order to offer our clients greater options in respect of their offshore investments. We continue to maintain an excellent track record in our discretionary managed portfolios, with our model portfolio showing returns in the upper quartile of fund managers.

During 2006 we added "High Growth" and "Absolute Return" offerings to our range of alternative mandates.

In 2007 our peers rated us South Africa's No.1 Private Client Stock Brokerage in the PriceWaterhouseCoopers Strategic and Emerging Issues in South African Banking survey.

As at 31 March 2008, assets under management amounted to R112.7 billion.

Institutional Research, Sales and Trading

Institutional Securities offers an integrated research, sales and execution capability in South African stocks for domestic and international fund managers with an interest in, and exposure to, South Africa. We are also represented in the UK and USA to promote South African stocks to a global emerging market client base.

4. Investec Property Group

Services provided by our Property business in South Africa include management of property investment funds (listed and unlisted), property trading and development, property administration and listed property portfolio management.

Note:
For most of the period under review our Property business in South Africa included the above activities. With effect from October 2007, the South African fund management and services businesses were sold to Growthpoint Properties Limited ("Growthpoint") and the core focus of our South Africa Property business for the remainder of the year included on balance sheet trading and development activities and third party asset management and investment.

Financial review

Commentary on the results of Investec Limited for the year ended 31 March 2008

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

Introduction

Investec Limited decreased headline earnings attributable to ordinary shareholders by 1.7% from R2 325 million to R2 285 million. Our strategy of maintaining a balanced business model continues to support the operating fundamentals of the bank. We have benefited from the strong performance by the majority of our businesses.

Financial highlights

	31 March 2008	31 March 2007	% Change
Profit before taxation (R'million)	5 369	3 797	41.4%
Headline earnings attributable to ordinary shareholders (R'million)	2 285	2 325	(1.7%)
Cost to income ratio	49.4%	50.4%	-
Total capital resources (including subordinated liabilities) (R'million)	14 308	14 308	16.4%
Total equity (R'million)	13 059	9 768	33.7%
Total assets (R'million)	245 990	210 829	16.7%
Capital adequacy ratio*	13.9%	14.7%	-
Tier 1 ratio*	9.2%	10.4%	-

* 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 R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services & Other Activities	Total
Net operating income before headline adjustments	2 734	1 876	1 436	1 623	759	720	9 148
Operating expenses	(1 696)	(905)	(504)	(878)	(252)	(500)	(4 735)
Operating profit before taxation and headline adjustments	**1 038**	**971**	**932**	**745**	**507**	**220**	**4 413**
Headline adjustments	-	-	-	(45)	998	3	956
Operating profit before taxation	**1 038**	**971**	**932**	**700**	**1 505**	**223**	**5 369**
Cost to income ratio (%)	58.8	42.2	34.6	54.1	33.2	69.3	49.4

For the year ended 31 March 2007 R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services & Other Activities	Total
Net operating income before headline adjustments	2 021	1 427	1 302	1 456	449	1 348	8 003
Operating expenses	(1 302)	(677)	(467)	(780)	(272)	(595)	(4 093)
Operating profit before taxation and headline adjustments	**719**	**750**	**835**	**676**	**177**	**753**	**3 910**
Headline adjustments	-	-	-	(87)	(28)	2	(113)
Operating profit before taxation	**719**	**750**	**835**	**589**	**149**	**755**	**3 797**
Cost to income ratio (%)	62.5	45.4	35.9	53.6	60.6	44.3	50.4

Business unit review

An analysis of the performance of each business unit is provided. "Operating Profit" in the business unit review below, refers to profit before taxation and after headline adjustments.

Private Client Activities

Overview of performance

Private Client Activities, comprising Private Banking and Private Client Portfolio Management and Stockbroking posted an operating profit of R1 038 million (2007: R719 million), an increase of 44.4%.

The Private Bank recorded an increase in operating profit of 46.6% from R560 million to R821 million driven by strong growth in advances and non-interest income. The division benefited from increased distribution capacity and greater penetration across all areas of specialisation, most notably Wealth Management and Growth and Acquisition Finance.

Since 31 March 2007, the Private Bank has shown good growth in all of its key earnings drivers:

- Core loans and advances increased by 31.9% to R73.6 billion
- The deposit book increased by 36.6% to R35.9 billion
- Funds under advice increased by 42.6% to R25.9 billion

Private Client Portfolio Management and Stockbroking benefited from increased volumes and reported an operating profit of R217 million (2007: R159 million), an increase of 36.5%.

Private Banking

Developments

- Structured Property Finance has benefited from improved distribution capacity, together with a continued focus on client-led initiatives. These have shifted strongly from residential to retail, commercial and industrial.
- Growth and Acquisition Finance activities continue with a strong emphasis on black economic empowerment. New investments continue to exceed exits and realisations, which should underpin continuing momentum.
- Private Wealth Management continues to grow funds under advice. Differentiating features are our international reach and delivery of special opportunities.
- The General Banking area has significantly increased its client qualifying criteria, allowing a much stronger client focus, and continued success in liability raising.

Outlook

- The outlook for the forthcoming twelve months is tempered as the markets navigate through the credit crunch and its impact on the economy. This could have a meaningful impact on pipelines.
- 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

- Revenue increased substantially over the prior period, assisted by the increase in assets under management.

Outlook

- Notwithstanding a material correction in broad market prices and valuations, there remains a high level of uncertainty among private client investors and traders given ongoing global financial market instability. In addition to tight credit market conditions, consumers and investors alike are facing various new and ongoing challenges in the form of a weak Rand, power outages, high interest and inflation rates and weakening house prices. These factors have, and will most likely continue to erode investor confidence going forward. As a result, we expect trading, particularly speculative related revenues, to soften in the near term.
- We are relatively confident that, as a result of the diverse business mix and strong annuity income from discretionary funds under management, the negative impact on trading related activity should be partially offset.
- Newly implemented client service strategy initiatives are showing early signs of increased market penetration which is expected to gain momentum as the implementation phase matures. This strategy is also designed to improve overall yield on assets under management with an increased focus on clients' broader investment requirements and the ability of the business to provide specialised and sophisticated solutions around those requirements.

- Overall the macroeconomic environment is expected to remain challenging and this will impact on general investor confidence. The business has however, become more resilient to volatility over time through its annuity based specialist portfolio management and alternative investment services and is also ideally placed to capitalise on current asset allocation/investment rotation trends.

Capital Markets

Overview of performance

Capital Markets posted an increase in operating profit of 29.5% to R971 million (2007: R750 million) Core loans and advances grew by 32.3% to R26.8 billion. Growth was underpinned by a good performance from the division's advisory structuring, asset creation and distribution activities.

Developments

- We experienced very strong growth in our core advances across all sectors, with particularly strong activity in resource finance and acquisition related finance.
- We launched a number of new initiatives and products during the year, including JSE listed Currency Futures, and Exchange Traded Funds platform. We continued to enjoy significant market share across listed equity warrants and single stock futures.
- We managed the group's asset and liability profile during a period that saw a number of interest rate increases. The resultant interest rate risk on the South African balance sheet was managed in a profitable manner.
- Treasury and derivative deal flow continued to grow resulting in excellent results across all our trading areas, including commodities, foreign exchange, interest rates and equity derivatives.
- Activity in debt capital markets, including securitisations, declined rapidly in the last quarter of the year as the effects of global markets forces were felt in the local market. We continue to develop our investments in retail funding platforms, but at a slower pace while markets normalise.

Outlook

- The strategy has not changed. We remain a focused business targeting markets where we can be distinctive and competitive.
- We will continue to strive for depth and greater penetration.
- Our strategy around specialist funds remains a key focus.
- We will continue to invest in the business to ensure continued growth in the medium term.
- The growth of the business is dependent on liquidity and stability returning to the financial markets.
- 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

Our Investment Banking division recorded a 11.6% increase in operating profit to R932 million (2007: R835 million). The Institutional Stockbroking operations delivered a good performance. The Corporate Finance division had a stable pipeline, however large fees on a few transactions earned in the prior year were not repeated. The unlisted investments held within the Direct Investment and Private Equity portfolios continued to perform well. Results were however, impacted by a weaker performance from some of the listed investments.

Developments

Corporate Finance

- We maintained our strong positioning with a good level of activity.
- Our focus was on M&A, IPOs and black economic empowerment transactions.
- We retained all our major clients (other than a few clients that were de-listed following public offers) and gained several new mandates during the period, particularly for IPOs.
- The total value of Corporate Finance transactions increased to R113 billion (2007: R52 billion) during the period although the number decreased to 109 (2007: 140).
- Sponsor broker deals completed during the period increased to 165 (2007: 161) with the value increasing to R149 billion (2007: R70 billion).
- The Corporate Finance division was ranked first in volume of listed M&A transactions and unlisted deals and second in general corporate finance by volume in the Dealmakers Magazine Survey for Corporate Finance (2007 calendar year). This is the fourth year out of five that we have been awarded the M&A Gold Medal.

- The Sponsor division was ranked first in volume of M&A transactions and in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2007 calendar year). This is the fifth year running that we have won the M&A award.
- The Corporate Finance and Sponsor divisions were also both ranked first in volume of M&A transactions in the Ernst & Young review for M&A (2007 calendar year).

Direct Investments and Private Equity

- We continued to expand the capacity of our Private Equity and Direct Investments portfolio through acquisitions and capital expenditure.

Outlook

- Black economic empowerment and M&A transactions are expected to continue to drive activity in the Corporate Finance area.
- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and the building of black economic empowerment platforms.
- The companies in our Private Equity portfolio are all trading in line with expectations and the outlook remains positive.

Asset Management

Overview of performance

Asset Management posted an increase in operating profit of 18.8% to R700 million (2007: R589 million). Funds under management increased by 0.8% to R241.2 billion. Solid long term investment performance has continued to support the fundamentals of the business.

Developments

- 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.
- With our breadth of investment products and good performance across the range, we are achieving good traction:
  - 79% by value and 88% by number of our mutual funds are in the first or second quartile.
- 80% of institutional propositions outperformed their benchmarks since GIPS (Global Investment Performance Standards) inception (eight and a quarter years).

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

Our Property Activities generated a significant increase in operating profit to R507 million (2007: R149 million) largely due to realised gains on the sale of properties and a strong performance from the investment property portfolio.

Developments

- Pipeline developments are secured and the business is underpinned by the Property Investments business which provides an annuity of income. Global property products under development are expected to provide a broader range of investment products for local investors.

Outlook

- Vacancies are low in all commercial sectors.
- Opportunities to enhance value to existing portfolios remains positive, however, there are continued concerns around skills availability and the increased cost and shortage of building materials and power shortages are likely to result in a slowdown in developments.
- A shortage of prime zoned land has become evident, driving prices to unprecedented levels, particularly industrial land.
- The volatility in global markets and property values has resulted in a sharp sell-off in South African property equities. Assets under management are likely to reflect a reduction as a direct consequence of this.
- Markets are expected to start reflecting value and therefore opportunities on the back of weakening prices.

Group Services and Other Activities

Overview of performance

Group Services and Other Activities posted a 70.9% decrease in operating profit to R220 million (2007: R755 million), largely as a result of a lower return on certain of the assets in the Central Funding portfolio and an increase in costs in the Central Services division.

Risk management and corporate governance

Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures ("IFRS 7"), and disclosures on capital required by International Accounting Standard 1 - Presentation of Financial Statements ("IAS 1") are included within this section of the report (page 16 to page 65) with further disclosures provided within the financial statements section (page 84 to page 137). 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.

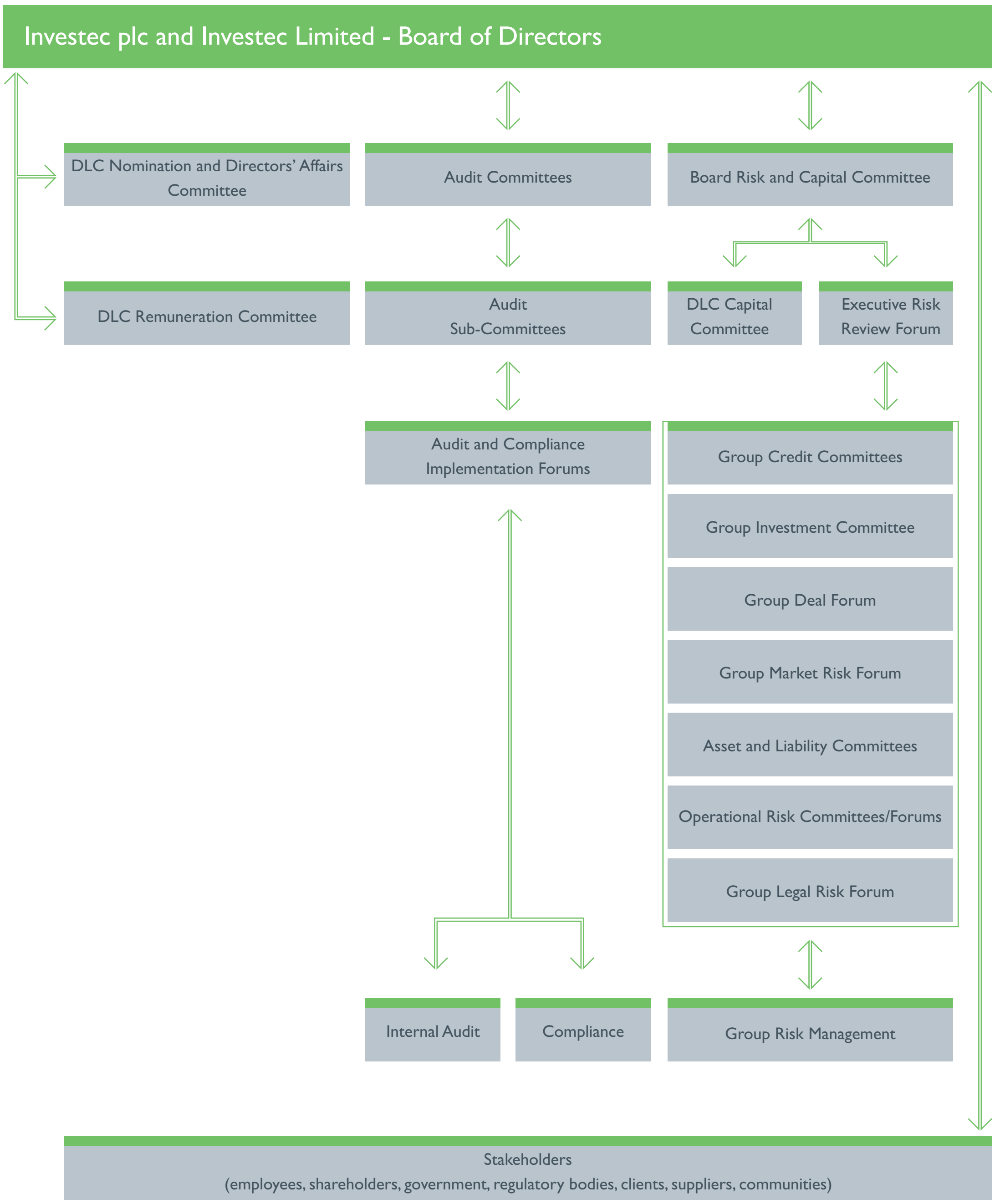
Group Risk Management's objectives

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
SARB - South African Reserve Bank

Risk management

An overview of key risks, policies and procedures

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

Key risks	Reference
• Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.	See pages 20 to 42.
• Liquidity risk may impair our ability to fund our operations.	See pages 51 to 53.
• Our net interest earnings and net asset value may be adversely affected by interest rate risk.	See pages 48 to 50 and page 54.
• Market conditions and fluctuations could adversely affect our businesses in a number of ways.	See pages 45 to 48.
• 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 54 to 56.
• Operational risk may disrupt our business or result in regulatory action.	See pages 54 to 56.
• We may be vulnerable to the failure of our systems and breaches of our security systems.	See pages 54 to 56.
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required.	See pages 57 to 63.
• The financial services industry in which we operate is intensely competitive.	See page 19.
• Legal and regulatory risks are substantial in our businesses.	See pages 57.
• Reputational and strategic risk.	See page 56 and 57.

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
JSE All share	29 588	27 267	28 978
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			
Rand/Pounds Sterling	16.17	14.20	14.31
Rand/Dollar	8.09	7.26	7.12
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%
SA R153 (2010)	9.71%	8.18%	9.05%
SA R157 (2015)	9.22%	7.84%	8.40%
Rand overnight	10.60%	8.59%	9.70%
SA prime overdraft rate	14.50%	12.50%	13.61%
JIBAR - 3 month	11.38%	9.18%	10.38%
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			
South Africa GDP (% real growth over the calendar year)	5.1%	5.4%	n/c
South Africa per capita GDP (real value) (R)	25 499	24 498	

Source: Datastream, Bloomberg's, Office for National statistics, SARB Quarterly Bulletin, Australian Bureau of 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 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

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 42 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 pages 24 and 25 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 South Africa

Credit and counterparty risk is assumed mainly through the Private Bank, Capital Markets, and Asset Finance (ReichmansCapital) divisions.

Private Banking

Lending products are primarily offered through our structured property and growth and acquisition finance activities, and are targeted to meet the requirements of our clients. Central to our credit philosophy is the concept of sustainability of income through the cycle. As such, the client base has been defined to include high net worth clients (who through diversification of income streams will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of stage in the economic cycle.

The combination of low probability of default clients (due to our niche focus) and appropriate loan to value ratios results in a low level of expected loss which has been borne out by historical experience of actual losses.

Residential mortgages and commercial property make up the bulk of the lending exposure. Exposure to commercial and retail properties is at conservative loan to value ratios. Income producing assets are generally substantially let with good quality anchor tenants. Exposure to the South African property market is regionally diversified (Pretoria, Johannesburg, Cape Town, Durban and Port Elizabeth). Serviceability of a loan advanced against property (and not only asset value) and quality of the client are primary considerations in the credit assessment process.

Capital Markets

Investec Corporate Treasury provides money market and foreign exchange products to corporates and institutions. We are an active market maker in the spot and forward US Dollar/Rand interbank markets. Trading transactions giving rise to issuer, settlement and replacement risk were among the primary areas of potential credit and counterparty risk in the year under review. Simulation based methodologies have been implemented for the majority of the corporate treasury product offering, the benefit of which is the identification of increases in exposures as a result of changes in volatility and prices and the identification of roll-off risk.

The Specialised Finance, Project Finance and Resource Finance businesses lend money on a structured basis to corporates, government and institutions, with full recourse to either a suitable asset or to the balance sheet of the entity to which the funds are advanced. Typical assets that are funded include property, plant and equipment, infrastructure and movable assets. Credit limits are set for each counterparty and monitored to ensure risk is mitigated. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying security, cash flow and, in the case of trading products, the nature of the underlying security traded.

The Resource Finance business may be exposed to countries presenting complex legal and political risks. Extensive knowledge of Africa (which represents the bulk of the exposure in this business unit), good technical and financial skills and strong adherence to prudent country risk limits ensure that concentration risks are well managed. Most of the Resource Finance business activities form part of the corporate asset class (as defined by Basel II), since recourse in the event of default will be to the total assets of the corporate and not merely the resources being financed. Transactions are structured so that scenarios resulting in increased exposure coincide with increased profitability of the entity being financed and thus a relatively stable expected loss.

Due to the relative illiquidity of the credit derivative market in South Africa, counterparty exposures and mitigation benefits obtained as a result of credit derivative transactions are negligible.

ReichmansCapital

ReichmansCapital is an asset finance business which operates on a premium margin business model for small and medium sized corporates. The business is a relatively small portion of the overall group credit exposure.

Credit and counterparty risk in Mauritius

Investec Bank (Mauritius) Limited offers various banking services and its primary business activities are corporate lending, property finance, resource finance and structured finance. Target market includes both corporate and private clients. Prudential limits have been set and are monitored daily. Investec Bank (Mauritius) Limited is a subsidiary of Investec Bank Limited. It has a decentralised credit approval and management process in compliance with our group credit philosophy, policy and procedures.

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 34). 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.

Risk management

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

In South Africa, our securitisation business, which forms part of our Structured Finance unit, was established approximately seven years ago when the debt capital markets commenced development. Over this time, we have arranged a number of corporate bond and commercial paper programmes and third party securitisations. In certain of these transactions we act as liquidity provider. We have also recently focused on the development of securitisation platforms with external third party originating intermediaries. At present we have provided limited warehouse funding lines to these intermediaries. Furthermore, we have securitised assets we have originated in our Private Banking business in South Africa.

The primary motivations for the securitisation of assets within our Private Banking division are to:

- Provide an alternative source of funding.
- Provide a source of revenue.
- Act as a mechanism to transfer risk.
- Leverage returns through the retention of equity tranches in low default rate portfolios.

Total assets that have been originated and securitised by the Private Bank amount to R9.2 billion (2007: R8.6 billion) and include auto loans (R1.1 billion), residential mortgages (R6.9 billion) and commercial mortgages (R1.2 billion). These securitisation structures have all been rated by Moody's.

Accounting treatment Audited

Refer to page 118.

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 - R'mn	Exposure as at 31 March 2007 - R'mn	Credit analysis internal risk classification	Asset quality - relevant comments	Capital treatment
Structured credit investments Unrated	205	209	On-balance sheet securitisation/ principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Warehouse funding lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	448	-	On-balance sheet securitisation/principal finance.	During the year we created a specific impairment of R65 million largely against the net investments within these platforms.	Risk-weighted depending on rating of counterparty.
Private Banking division assets which have been securitised	9 179	8 575	On-balance sheet exposure - reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes.	Analysed as part of the bank's overall asset quality on core loans and advances as reflected on page 34. We have only written off R79 000 in relation to the assets we have securitised since 2003.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
Liquidity facilities provided to third party corporate securitisation vehicles	4 834	4 482	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.		Unutilised facility that is risk-weighted.

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. 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 42.

Credit and counterparty risk year in review

Basel II

As of 1 January 2008 Investec Limited and its subsidiaries 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.

Developments

Over the past financial year, a number of financial market trends had an impact on the assessment of our credit and counterparty risk. These trends include:

- Continued upward pressure on interest rates (the prime lending rate increased from 12.5% at 31 March 2007 to 14.5% at 31 March 2008).
- High levels of Rand volatility and a depreciation in the Rand against the US Dollar despite the US Dollar losing ground against the Euro.
- Highly volatile and high real prices of oil and metals (both base and precious).
- Volatile equity markets and low or negative real growth of residential and commercial property.

While the South African property market has been more resilient than that of the more established first world economies it has come under pressure towards the end of the year under review. We are conscious of the potential effect of the combination of a slowdown of growth in the property market (both global and local) and upward pressure on interest rates.

The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values, should a declining trend continue to occur in the future. Over the past few years as property values increased, these clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values. For assets put on book during the current year there has been strict adherence to lower loan to value lending. As at 31 March 2008 average loan to value ratios within the property development book were around 55% to 60% (in line with the prior year).

As detailed above, the Rand has devalued against the US Dollar over the past year and has shown higher levels of volatility compared to the prior year. An increase in client flow, together with greater hedging activity (due to higher levels of volatility), has resulted in increased profitability and exposure in the Treasury Foreign Exchange business.

For both interest rate and foreign exchange products rate simulation methodologies are employed which enable us to identify more accurately the level of potential exposures to counterparties for these trading activities. The methodologies recognise volume of trading, volatility of products traded, deal tenor and credit mitigants in deriving granular counterparty exposure profiles (and, in so doing, allow for roll-off risk assessments).

The core loan portfolio increased by 33.5% to R104.0 billion. The quality of the overall loan portfolio in Southern Africa remains satisfactory with gross default loans as a percentage of total loans of decreasing from 1.3% to 1.0%

Credit and counterparty risk information

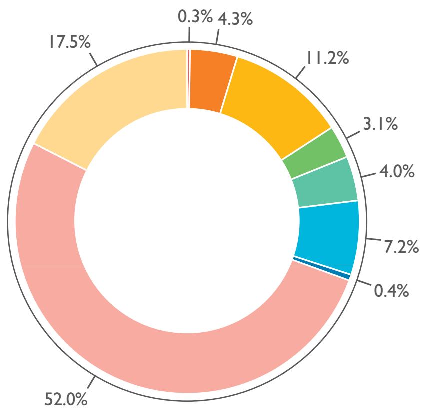
Pages 20 to 42 describe where and how credit and counterparty risk exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

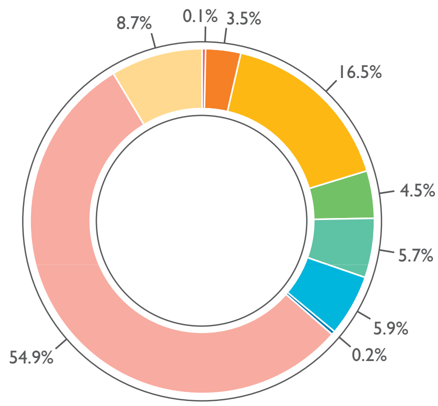
R'million Audited	31 March 2008	31 March 2007	% change	Average* for the year ended 31 March 2008
On balance sheet exposures	**164 757**	**129 842**	**26.9%**	**147 302**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	653	209	>100.0%	431
Unrated instruments	205	209	(1.9%)	207
Other	448	-	-	224
Debt instruments (NCDs, bonds held, debentures)	8 585	5 000	71.7%	6 793
Bank placements	22 389	23 502	(4.7%)	22 946
Sovereign, government placements	6 251	6 450	(3.1%)	6 351
Call facilities (non-bank entities)	7 975	8 117	(1.7%)	8 046
Trading exposures (positive fair value excluding potential future exposures)	14 415	8 424	71.1%	11 420
Other credit exposures	522	257	>100.0%	390
Gross core loans and advances to customers**	103 967	77 883	33.5%	90 925
Off balance sheet exposures	**35 031**	**12 173**	**>100.0%**	**23 602**
Guarantees	5 467	4 606	18.7%	5 037
Contingent liabilities, committed facilities and other	29 564	7 567	>100.0%	18 566
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**199 788**	**142 015**	**40.7%**	**170 902**

* Where the average is based on a straight line average.
** As calculated on page 34.

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

Risk and governance

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.

R'million Audited	Securitisation exposures arising from securitisation/principal finance activities			Debt instru-ments (NCDs, bonds held, debentures)
	Total	Unrated instruments	Other	
As at 31 March 2008				
Cash and balances at central banks	-	-	-	-
Loans and advances to banks	-	-	-	-
Cash equivalent advances to customers	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-
Trading securities	205	205	-	8 585
Derivative financial instruments	-	-	-	-
Investment securities	-	-	-	-
Loans and advances to customers	448	-	448	-
Securitised assets	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	-
Interests in associated undertakings	-	-	-	-
Property and equipment	-	-	-	-
Investment property	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
Insurance assets	-	-	-	-
Total	**653**	**205**	**448**	**8 585**
As at 31 March 2007				
Cash and balances at central banks	-	-	-	-
Loans and advances to banks	-	-	-	-
Cash equivalent advances to customers	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-
Trading securities	209	209	-	5 000
Derivative financial instruments	-	-	-	-
Investment securities	-	-	-	-
Loans and advances to customers	-	-	-	-
Securitised assets	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	-
Interests in associated undertakings	-	-	-	-
Property and equipment	-	-	-	-
Investment property	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
Insurance assets	-	-	-	-
Total	**209**	**209**	**-**	**5 000**

* Relates to impairments. Further information is provided on page 117.

** Largely includes liquidity facilities provided to third party corporate securitisation vehicles. These facilities have remained undrawn and are reflected as a contingent liability i.e. off-balance sheet exposure of the bank.

Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers (before impair-ments)	Total credit and counter-party exposure	Assets that we deem to have no credit exposure	Total balance sheet
10	2 777	-	24	-	-	2 811	-	2 811
16 098	-	-	462	-	-	16 560	-	16 560
-	-	7 782	257	-	-	8 039	-	8 039
3 047	-	193	2 576	-	-	5 816	1 355	7 171
3 232	3 474	-	518	239	-	16 253	8 430	24 683
-	-	-	9 467	-	-	9 467	212	9 679
-	-	-	-	-	-	-	222	222
-	-	-	-	-	94 788	95 236	*(438)	94 798
-	-	-	-	-	9 179	9 179	**4 265	13 444
-	-	-	-	-	-	-	469	469
2	-	-	1 111	283	-	1 396	4 199	5 595
-	-	-	-	-	-	-	195	195
-	-	-	-	-	-	-	165	165
-	-	-	-	-	-	-	2 182	2 182
-	-	-	-	-	-	-	339	339
-	-	-	-	-	-	-	75	75
-	-	-	-	-	-	-	59 563	59 563
22 389	**6 251**	**7 975**	**14 415**	**522**	**103 967**	**164 757**	**81 233**	**245 990**
6	836	-	9	-	-	851	-	851
22 565	-	-	-	-	-	22 565	-	22 565
-	-	6 321	441	-	-	6 762	696	7 458
547	-	1 796	573	-	-	2 916	1 979	4 895
383	5 614	-	473	-	-	11 679	9 016	20 695
-	-	-	5 690	-	-	5 690	212	5 902
-	-	-	-	-	-	-	414	414
-	-	-	-	-	69 308	69 308	*(313)	68 995
-	-	-	-	-	8 575	8 575	**3 232	11 807
-	-	-	-	-	-	-	444	444
1	-	-	1 238	257	-	1 496	6 074	7 570
-	-	-	-	-	-	-	221	221
-	-	-	-	-	-	-	124	124
-	-	-	-	-	-	-	1 213	1 213
-	-	-	-	-	-	-	384	384
-	-	-	-	-	-	-	255	255
-	-	-	-	-	-	-	57 036	57 036
23 502	**6 450**	**8 117**	**8 424**	**257**	**77 883**	**129 842**	**80 987**	**210 829**

Breakdown of gross credit and counterparty exposures by industry

R'million	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	**68 833**	**1 118**	**459**	**1 304**	**6 345**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	-	-
Unrated instruments	-	-	-	-	-
Other	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	-	-	43	53	-
Bank placements	-	-	-	-	-
Sovereign, government placements	-	-	-	-	-
Call facilities (non-bank entities)	-	282	62	15	1 175
Trading exposures (positive fair value excluding potential future exposures)	-	10	19	142	23
Other credit exposures	1	-	-	-	359
Gross core loans and advances to customers	68 832	826	335	1 094	4 788
Off balance sheet exposures	**25 167**	**-**	**1**	**32**	**2**
Guarantees	4 065	-	1	32	2
Contingent liabilities, committed facilities and other	21 102	-	-	-	-
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**94 000**	**1 118**	**460**	**1 336**	**6 347**
As at 31 March 2007					
On balance sheet exposures	**52 422**	**488**	**1 249**	**3 119**	**3 489**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	-	-
Unrated instruments	-	-	-	-	-
Other	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	-	-	1	89	-
Bank placements	-	-	-	547	-
Sovereign, government placements	-	-	-	-	-
Call facilities (non-bank entities)	-	281	81	1 578	585
Trading exposures (positive fair value excluding potential future exposures)	-	-	117	-	800
Other credit exposures	-	-	-	-	-
Gross core loans and advances to customers	52 422	207	1 050	905	2 104
Off balance sheet exposures	**5 635**	**-**	**119**	**25**	**-**
Guarantees	3 916	-	1	25	-
Contingent liabilities, committed facilities and other	1 719	-	118	-	-
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**58 057**	**488**	**1 368**	**3 144**	**3 489**

* 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
	61 945	**3 654**	**8 083**	**3 399**	**2 288**	**2 176**	**4 948**	**205**	**164 757**
	448	-	-	-	-	-	-	205	653
	-	-	-	-	-	-	-	205	205
	448	-	-	-	-	-	-	-	448
	8 489	-	-	-	-	-	-	-	8 585
	22 389	-	-	-	-	-	-	-	22 389
	6 251	-	-	-	-	-	-	-	6 251
	1 499	1 442	2 454	25	41	-	980	-	7 975
	13 297	177	129	307	310	-	1	-	14 415
	108	6	43	-	-	-	5	-	522
	6 636	2 029	5 457	3 067	1 937	2 176	3 962	-	103 967
	7 235	**84**	**1 216**	**240**	**485**	**81**	**1 087**	**-**	**35 031**
	482	84	495	213	93	-	-	-	5 467
	6 154	-	721	27	392	81	1 087	-	29 564
	68 581	**3 738**	**9 299**	**3 639**	**2 773**	**2 257**	**6 035**	**205**	**199 788**
	49 235	**1 705**	**8 592**	**2 704**	**1 332**	**1 760**	**3 538**	**209**	**129 842**
	-	-	-	-	-	-	-	209	209
	-	-	-	-	-	-	-	209	209
	-	-	-	-	-	-	-	-	-
	4 876	-	-	-	-	-	34	-	5 000
	22 955	-	-	-	-	-	-	-	23 502
	6 450	-	-	-	-	-	-	-	6 450
	822	576	3 055	25	171	-	943	-	8 117
	6 722	4	30	502	156	-	93	-	8 424
	257	-	-	-	-	-	-	-	257
	7 153	1 125	5 507	2 177	1 005	1 760	2 468	-	77 883
	5 388	**82**	**455**	**55**	**183**	**152**	**79**	**-**	**12 173**
	299	26	284	36	12	-	7	-	4 606
	5 089	56	171	19	171	152	72	-	7 567
	54 623	**1 787**	**9 047**	**2 759**	**1 515**	**1 912**	**3 617**	**209**	**142 015**

Breakdown of gross credit and counterparty exposures by industry

R'million	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	68 832	52 422	25 168	5 635	94 000	58 057
Agriculture	826	207	292	281	1 118	488
Electricity, gas and water (utility services)	335	1 050	125	318	460	1 368
Public and non-business services	1 094	905	242	2 239	1 336	3 144
Business service	4 788	2 104	1 559	1 385	6 347	3 489
Finance and insurance	9 464	7 153	59 117	47 470	68 581	54 623
Retailers and wholesalers	2 029	1 125	1 709	662	3 738	1 787
Manufacturing and commerce	5 457	5 507	3 842	3 540	9 299	9 047
Real estate	3 067	2 177	572	582	3 639	2 759
Mining and resources	1 937	1 005	836	510	2 773	1 515
Leisure, entertainment and tourism	2 176	1 760	81	152	2 257	1 912
Transport and communication	3 962	2 468	2 073	1 149	6 035	3 617
Other*	-	-	205	209	205	209
Total	**103 967**	**77 883**	**95 821**	**64 132**	**199 788**	**142 015**

* Largely relating to our principal finance/securitisation activities.

Breakdown of gross credit and counterparty exposures by residual contractual maturity

R'million	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	**69 673**	**7 367**	**13 759**	**38 472**	**35 486**	**164 757**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	448	5	200	653
Unrated instruments	-	-	-	5	200	205
Other	-	-	448	-	-	448
Debt instruments (NCDs, bonds held, debentures)	4 969	1 491	2 125	-	-	8 585
Bank placements	22 171	17	-	-	201	22 389
Sovereign, government placements	4 265	1 666	320	-	-	6 251
Call facilities (non-bank entities)	7 975	-	-	-	-	7 975
Trading exposures (positive fair value excluding potential future exposures)	14 218	-	-	187	10	14 415
Other credit exposures	219	-	2	62	239	522
Gross core loans and advances to customers	15 856	4 193	10 864	38 218	34 836	103 967
Off balance sheet exposures	**5 608**	**987**	**22 005**	**5 110**	**1 321**	**35 031**
Guarantees	1 333	591	609	1 613	1 321	5 467
Contingent liabilities, committed facilities and other	4 275	396	21 396	3 497	-	29 564
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**75 281**	**8 354**	**35 764**	**43 582**	**36 807**	**199 788**

R'million	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	**48 218**	**7 263**	**10 948**	**32 276**	**31 137**	**129 842**
Securitisation exposures arising from securitisation/principal finance activities - and amounts not reflected in core loans and advances	-	-	-	6	203	209
Unrated instruments	-	-	-	6	203	209
Other	-	-	-	-	-	-
Debt instruments (NCDs, bonds held, debentures)	1 649	1 105	2 246	-	-	5 000
Bank placements	23 041	-	461	-	-	23 502
Sovereign, government placements	3 916	1 033	1 143	358	-	6 450
Call facilities (non-bank entities)	8 117	-	-	-	-	8 117
Trading exposures (positive fair value excluding potential future exposures)	5 490	772	126	1 046	990	8 424
Other credit exposures	257	-	-	-	-	257
Gross core loans and advances to customers	5 748	4 353	6 972	30 866	29 944	77 883
Off balance sheet exposures	**4 874**	**564**	**5 637**	**1 013**	**85**	**12 173**
Guarantees	332	552	3 301	336	85	4 606
Contingent liabilities, committed facilities and other	4 542	12	2 336	677	-	7 567
			-			
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**53 092**	**7 827**	**16 585**	**33 289**	**31 222**	**142 015**

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 24 and 25.

Calculation of core loans and advances to customers

R'million Audited	31 March 2008	31 March 2007
Loans and advances to customers per balance sheet (before impairments)	95 236	69 308
Less: warehouse facilities and warehouse assets arising out of our Securitisation and Principal Finance activities	(448)	-
Add: own-originated securitised assets	9 179	8 575
Gross core loans and advances to customers (before impairments)	**103 967**	**77 883**

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

Overall asset quality

R'million Audited	31 March 2008	31 March 2007
Gross core loans and advances to customers	**103 967**	**77 883**
Total impairments	**(375)**	**(313)**
Portfolio impairments	(72)	(73)
Specific impairments	(303)	(240)
Net core loans and advances to customers	**103 592**	**77 570**
Current loans and advances to customers	101 480	74 399
Total gross non-current loans and advances to customers	2 487	3 484
Past due loans and advances to customers (1-60 days and management not concerned)	1 184	2 042
Special mention loans and advances to customers	295	409
Default loans and advances to customers	1 008	1 033
Gross core loans and advances to customers	**103 967**	**77 883**
Total gross non-current core loans and advances to customers (actual capital exposure)	**2 487**	**3 484**
Gross core loans and advances to customers that are past due but not impaired	1 490	2 618
Gross core loans and advances to customers that are impaired	997	866
Total gross non-current core loans and advances to customers (actual amount in arrears)	**571**	**709**
Bad debts written off during the period	**(333)**	**(123)**
Gross default loans and advances to customers	1 008	1 033
Collateral and other credit enhancements	1 356	1 077
Specific impairments	(303)	(240)
Net default loans and advances to customers (limited to zero)	**-**	**-**
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.29%	0.31%
Portfolio impairments as a % of gross core loans and advances to customers	0.07%	0.09%
Specific impairments as a % of gross default loans	30.06%	23.23%
Gross defaults as a % of gross core loans and advances to customers	0.97%	1.33%
Net defaults as a % of gross core loans and advances to customers	-	-

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

R'million Audited	31 March 2008	31 March 2007
1 - 60 days	1 748	2 231
61 - 90 days	213	414
91 - 180 days	216	798
181 - 365 days	133	41
>365 days	177	-
Total gross non-current loans and advances to customers (actual capital exposure)	**2 487**	**3 484**
1 - 60 days	209	435
61 - 90 days	55	17
91 - 180 days	125	241
181 - 365 days	54	16
>365 days	128	-
Total gross non-current loans and advances to customers (actual amount in arrears)	**571**	**709**

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

R'million 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	1 262	173	12	19	24	1 490
Amount in arrears	177	29	4	14	2	226
Gross core loans and advances to customers that are impaired						
Total capital exposure	486	40	204	114	153	997
Amount in arrears	32	26	121	40	126	345
As at 31 March 2007						
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	2 042	409	160	7	-	2 618
Amount in arrears	418	17	8	4	-	447
Gross core loans and advances to customers that are impaired						
Total capital exposure	189	5	638	34	-	866
Amount in arrears	17	-	233	12	-	262

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

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	1 184	-	-	-	-	1 184
Special mention	70	173	9	19	24	295
Special mention (1 - 60 days in arrears and management concerned)	70	-	*9	*19	*24	122
Special mention (61 - 90 days and item well secured)	-	173	-	-	-	173
Special mention - watchlist	-	-	-	-	-	-
Default	494	40	207	114	153	1 008
Sub-standard	134	7	94	48	58	341
Doubtful	339	33	113	66	95	646
Loss	21	-	-	-	-	21
Total	1 748	213	216	133	177	2 487

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

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	177	-	-	-	-	177
Special mention	-	29	4	14	2	49
Special mention (1 - 60 days in arrears and management concerned)	-	-	*4	*14	*2	20
Special mention (61 - 90 days and item well secured)	-	29	-	-	-	29
Special mention - watchlist	-	-	-	-	-	-
Default	32	26	121	40	126	345
Sub-standard	10	1	60	12	49	132
Doubtful	22	25	61	28	77	213
Loss	-	-	-	-	-	-
Total	209	55	125	54	128	571

* Relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which is out of the control of Investec, our regulatory audit partner has agreed that these exposures could be classified as special mention and remain there until settled or their credit quality deteriorates.

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

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	2 042	-	-	-	-	2 042
Special mention	-	409	-	-	-	409
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	409	-	-	-	409
Special mention - watchlist	-	-	-	-	-	-
Default	189	5	798	41	-	1 033
Sub-standard	-	5	400	6	-	411
Doubtful	185	-	384	24	-	593
Loss	4	-	14	11	-	29
Total	2 231	414	798	41	-	3 484

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)

R'million Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365	>365 days	Total
Past due (1-60 days and management not concerned)	418	-	-	-	-	418
Special mention	-	17	-	-	-	17
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	17	-	-	-	17
Special mention - watchlist	-	-	-	-	-	-
Default	17	-	241	16	-	274
Sub-standard	-	-	81	1	-	82
Doubtful	17	-	157	5	-	179
Loss	-	-	3	10	-	13
Total	435	17	241	16	-	709

An analysis of core loans and advances to customers

R'million 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	**101 480**	**-**	**-**	**101 480**
Past due (1-60 days and management not concerned)	**-**	**1 184**	**-**	**1 184**
Special mention	**-**	**295**	**-**	**295**
Special mention (1 - 60 days in arrears and management concerned)	-	122	-	122
Special mention (61 - 90 days and item well secured)	-	173	-	173
Default	**-**	**11**	**997**	**1 008**
Sub-standard	-	11	330	341
Doubtful	-	-	646	646
Loss	-	-	21	21
Total	**101 480**	**1 490**	**997**	**103 967**
At 31 March 2007				
Current core loans and advances	**74 399**	**-**	**-**	**74 399**
Past due (1-60 days and management not concerned)	**-**	**2 042**	**-**	**2 042**
Special mention	**-**	**409**	**-**	**409**
Special mention (1 - 60 days in arrears and management concerned)	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	409	-	409
Default	**-**	**167**	**866**	**1 033**
Sub-standard	-	17	394	411
Doubtful	-	150	443	593
Loss	-	-	29	29
Total	**74 399**	**2 618**	**866**	**77 883**

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears	Bad debts written off during the period
-	(44)	101 436	-	46
-	(26)	1 158	177	-
-	(2)	293	49	-
-	(1)	121	20	-
-	(1)	172	29	-
(303)	-	705	345	(379)
-	-	341	132	-
(291)	-	355	213	(28)
(12)	-	9	-	(351)
(303)	(72)	103 592	571	(333)
-	(52)	74 347	-	-
-	(19)	2 023	418	-
-	(1)	408	17	-
-	-	-	-	-
-	(1)	408	17	-
(240)	(1)	792	274	(123)
(83)	-	328	82	-
(128)	(1)	464	179	(4)
(29)	-	-	13	(119)
(240)	(73)	77 570	709	(123)

Risk and governance

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

R'million 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)
As at 31 March 2008				
Private Banking professional and HNW individuals	71 214	1 073	122	154
Corporate sector	18 894	-	-	-
Banking insurance, financial institutions (excluding sovereign)	9 464	-	-	-
Public and government sector (including central banks)	1 094	-	-	-
Trade finance	814	111	-	19
Total gross core loans and advances to customers	**101 480**	**1 184**	**122**	**173**
As at 31 March 2007				
Private Banking professional and HNW individuals	53 350	1 689	-	324
Corporate sector	12 651	-	-	52
Banking, insurance, financial institutions (excluding sovereign)	7 153	-	-	-
Public and government sector (including central banks)	905	-	-	-
Trade finance	333	353	-	33
Other	7	-	-	-
Total gross core loans and advances to customers	**74 399**	**2 042**	**-**	**409**

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

R'million Audited	31 March 2008	31 March 2007
Private Banking professional and HNW individuals	73 496	56 011
Corporate sector	18 913	13 046
Banking, insurance, financial institutions (excluding sovereign)	9 464	7 153
Public and government sector (including central banks)	1 094	905
Trade finance	1 000	761
Other	-	7
Total gross core loans and advances to customers	**103 967**	**77 883**

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments	Bad debts written off in period
341	571	21	73 496	(43)	(255)	(298)	(49)
-	19	-	18 913	(29)	(19)	(48)	(284)
-	-	-	9 464	-	-	-	-
-	-	-	1 094	-	-	-	-
-	56	-	1 000	-	(29)	(29)	-
341	**646**	**21**	**103 967**	**(72)**	**(303)**	**(375)**	**(333)**
411	213	24	56 011	(42)	(156)	(198)	(35)
-	338	5	13 046	(31)	(64)	(95)	(86)
-	-	-	7 153	-	-	-	
-	-	-	905	-	-	-	
-	42	-	761	-	(20)	(20)	(2)
-	-	-	7	-	-	-	
411	**593**	**29**	**77 883**	**(73)**	**(240)**	**(313)**	**(123)**

Collateral

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

As at 31 March 2008 R'million	Collateral held against Gross core loans and advances	 Other credit and counterparty exposures*	Total
Eligible financial collateral	**15 157**	**5 883**	**21 040**
Cash	2 233	259	2 492
Debt securities issued by sovereigns	137	1 755	1 892
Shares	12 787	3 869	16 656
Mortgage bonds	**126 802**	**65**	**126 867**
Residential property collateral	51 317	42	51 359
Commercial property collateral	6 444	-	6 444
Commercial property development collateral	69 041	23	69 064
Other collateral	**69 999**	**4 698**	**74 697**
Bonds other than mortgage bonds	5 191	-	5 191
Asset finance collateral	620	-	620
Guarantees	9 384	-	9 384
Credit derivatives	442	-	442
Other	54 362	4 698	59 060
Total collateral	**211 958**	**10 646**	**222 604**

* 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. 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: 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 and the Investment Bank Limited Direct Investments Division Investment Committee
Embedded derivatives, profit shares and investments arising from lending transactions	Credit Risk Management Committees
Investment and trading properties	Investment Committee and Investec Property Group Investment Committee in South Africa
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 pages 91 and 92 and pages 108 to 113 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.

R'million Audited	Income (pre funding costs) - for the year ended				Fair value directly to equity
	Unrealised	Realised	Dividends, net interest and other	Total	
31 March 2008					
Unlisted investments	715	128	332	1 175	-
Listed equities	(134)	270	(29)	107	(27)
Investment and trading properties	711	127	205	1 043	-
Warrants, profit shares and other embedded derivatives	28	75	5	108	-
Total	1 320	600	513	2 433	(27)
31 March 2007					
Unlisted investments	740	104	185	1 029	-
Listed equities	123	(66)	12	69	264
Investment and trading properties	329	48	41	418	-
Warrants, profit shares and other embedded derivatives	52	87	39	178	-
Total	1 244	173	277	1 694	264

Unrealised revaluation gains are included in Tier 1 capital. Revaluations that are posted directly to equity are excluded from capital within Investec Limited.

Summary of investments held and stress testing analyses

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

R'million 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	3 642	546	2 764	415
Listed equities	881	220	1 359	340
Investment and trading properties	2 815	142	2 259	436
Warrants, profit shares and other embedded derivatives	384	134	209	73
Total	**7 722**	**1 042**	**6 591**	**1 264**

* 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%
Trading properties	15%
Investment properties	5%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information above we could have a R1 042 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 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 63 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 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), 11 September 2001 and the December Rand crisis in 2001.

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the actual trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a "back testing breach" is considered to have occurred.

VaR 95% (one-day)

R'million

Audited

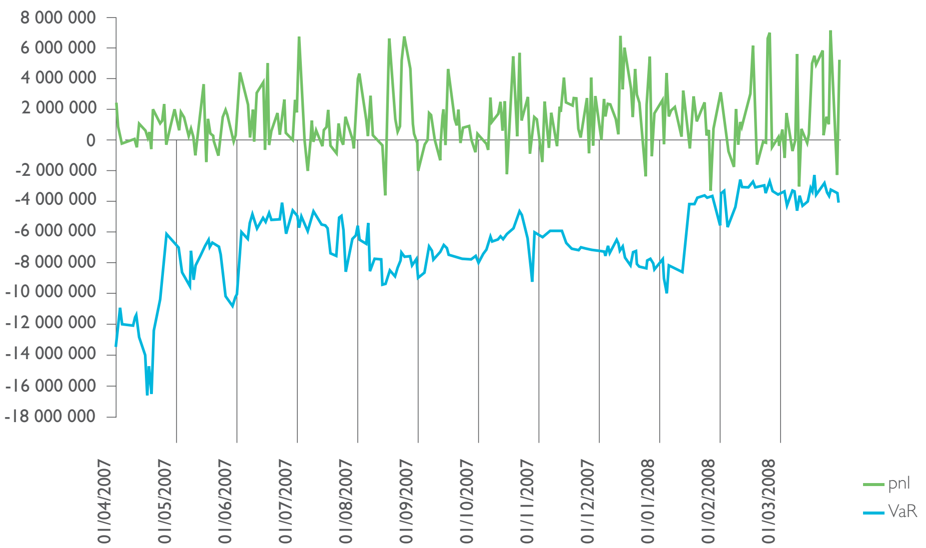
31 March 2008	
Commodities	0.4
Equity derivatives	4.0
Foreign exchange	1.8
Interest rates	0.4
Consolidated*	**3.8**
High	10.8
Low	1.9
Average	6.2
31 March 2007	
Commodities	0.4
Equity derivatives	6.5
Foreign exchange	0.9
Interest rates	0.6
Consolidated*	**7.0**
High	13.9
Low	2.8
Average	6.5

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

The graph below shows 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 Limited

99% 1-day VaR backtesting (Rands)



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

ETL 95% (one-day)

R'million
Audited

31 March 2008	
Commodities	0.5
Equity derivatives	6.1
Foreign exchange	2.7
Interest rates	0.7
Consolidated*	**5.7**
31 March 2007	
Commodities	0.7
Equity derivatives	9.1
Foreign exchange	2.4
Interest rates	0.8
Consolidated*	**9.8**

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

Stress testing

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

R'million
Audited

31 March 2008	
Commodities	3.1
Equity derivatives	30.6
Foreign exchange	13.8
Interest rates	3.1
Consolidated	**50.6**
31 March 2007	
Commodities	2.8
Equity derivatives	49.8
Foreign exchange	7.2
Interest rates	4.9
Consolidated	**65.0**

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

We use our internal models for market risk measurement which in effect puts us at the level of the advanced approach for Basel II. In terms of this model, trading capital is calculated as a function of the 99% 10-day VaR. Backtesting results and a detailed stress testing pack will be submitted to the regulator on a monthly basis.

The past year was characterised by strong, albeit volatile, growth in the equity, commodity and bond markets. These market conditions, coupled with good client flows and product sales, resulted in strong performances from our trading operations. The model of concentrating on client flow proved very successful with the good results being obtained with relatively low risk taking.

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 115.

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

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure

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

Risk management

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

Balance sheet risk mitigation

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

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

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

Non-trading interest rate risk description

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

Sources of banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, yield curves and spreads. These affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity. The mix of interest rate repricing characteristics is influenced by the underlying financial needs of customers.

Management and measurement of non-trading interest rate risk

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

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

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 has 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.

R'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	16 535	-	-	-	-	2 804	19 339
Cash and short-term funds - non-banks	7 544	-	-	-	-	33	7 577
Statutory liquids	6 398	-	346	-	-	-	6 744
Investment/trading assets	9 279	102	477	25	21	12 896	22 800
Securitised assets	12 989	25	35	260	56	79	13 444
Advances	77 689	2 440	2 314	9 409	3 692	(746)	94 798
Other assets	1 191	(125)	(380)	(15)	39	5 061	5 771
Assets	**131 625**	**2 442**	**2 792**	**9 679**	**3 808**	**20 127**	**170 473**
Deposits - banks	(8 844)	(522)	(61)	-	-	-	(9 427)
Deposits - non-banks	(74 549)	(5 167)	(6 090)	(1 953)	(581)	38	(88 302)
Negotiable paper	(14 704)	(6 668)	(4 473)	(210)	(20)	-	(26 075)
Securitised liabilities	(12 574)	(10)	-	(835)	-	750	(12 669)
Investment/trading liabilities	(6)	-	-	-	-	(3 770)	(3 776)
Subordinated liabilities	(941)	(19)	-	(3 750)	-	-	(4 710)
Other liabilities	(2 380)	(491)	(319)	(890)	(2)	(6 806)	(10 888)
Liabilities	**(113 998)**	**(12 877)**	**(10 943)**	**(7 638)**	**(603)**	**(9 788)**	**(155 847)**
Shareholders' funds	**(3 515)**	**-**	**-**	**(70)**	**-**	**(10 834)**	**(14 419)**
Balance sheet	**14 112**	**(10 435)**	**(8 151)**	**1 971**	**3 205**	**(495)**	**207**
Hedges	(5 711)	4 541	7 678	(4 760)	(1 955)	-	(207)
Repricing gap	**8 401**	**(5 894)**	**(473)**	**(2 789)**	**1 250**	**(495)**	**-**
Cumulative repricing gap	**8 401**	**2 507**	**2 034**	**(755)**	**495**	**-**	**-**

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.

'million	ZAR	GBP	USD	AUD	Other (ZAR)	All (ZAR)
200bp Down	(326.3)	0.2	3.2	0.3	0.1	(293.2)
200bp Up	228.1	(0.2)	(3.6)	(0.3)	(0.1)	194.0

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 R40 billion.

Risk management

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.

Liquidity mismatch

The tables that follow show our liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.
- As an integral part of the broader liquidity generation strategy (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.

Contractual liquidity

R'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*	10 787	2 214	6 125	1	1	21	222	19 371
Cash and short-term funds - non-banks	7 544	(15)	17	24	27	409	33	8 039
Statutory liquids**	6 744	-	-	-	-	-	-	6 744
Investment/trading assets***	10 574	10 791	1 522	1 298	1 440	9 164	2 599	37 388
Securitised assets	182	50	164	205	553	5 959	6 331	13 444
Advances	3 155	3 421	11 209	6 514	11 681	28 192	30 626	94 798
Other assets	2 641	27	239	280	78	191	3 187	6 643
Assets	**41 627**	**16 488**	**19 276**	**8 322**	**13 780**	**43 936**	**42 998**	**186 427**
Deposits - banks	(418)	(453)	(1 224)	(197)	(3 720)	(3 415)	-	(9 427)
Deposits - non-banks	(34 007)	(26 264)	(13 091)	(5 497)	(6 601)	(2 085)	(4 384)	(91 929)
Negotiable paper	(44)	(2 826)	(5 474)	(7 882)	(9 088)	(741)	(20)	(26 075)
Securitised liabilities	-	(894)	(1 635)	(26)	-	(8 857)	(1 257)	(12 669)
Investment/trading liabilities	(4 031)	(2 528)	(1 368)	(1 189)	(1 339)	(7 689)	2 211	(15 933)
Subordinated liabilities	-	-	-	(19)	-	(4 691)	-	(4 710)
Other liabilities	(2 240)	(78)	(23)	(1 542)	(177)	(2 515)	(4 548)	(11 123)
Liabilities	**(40 740)**	**(33 043)**	**(22 815)**	**(16 352)**	**(20 925)**	**(29 993)**	**(7 998)**	**(171 866)**
Shareholders' funds	**(1 174)**	**-**	**-**	**-**	**-**	**(73)**	**(13 314)**	**(14 561)**
Balance sheet	**(287)**	**(16 555)**	**(3 539)**	**(8 030)**	**(7 145)**	**13 870**	**21 686**	**-**
Hedges	-	-	-	-	-	-	-	-
Liquidity gap	**(287)**	**(16 555)**	**(3 539)**	**(8 030)**	**(7 145)**	**13 870**	**21 686**	**-**
Cumulative liquidity gap	**(287)**	**(16 842)**	**(20 381)**	**(28 411)**	**(35 556)**	**(21 686)**	**-**	**-**

Note: contractual liquidity adjustments (as discussed on page 52)

R'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	8 010	2 214	6 125	1	1	21	2 999	19 371
** Statutory liquids	-	3 575	2 823	-	346	-	-	6 744
*** Investment/trading assets	10 574	5 195	4 030	2 253	3 543	9 192	2 601	37 388

Behavioural liquidity (as discussed on page 52)

R'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	**20 266**	**4 247**	**3 069**	**(9 811)**	**(38 246)**	**(1 211)**	**21 686**	**-**
Cumulative	20 266	24 513	27 582	17 771	(20 475)	(21 686)	-	-

Risk and governance

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.

On the Rand funding side, Investec Bank Limited (IBL) experienced strong organic growth in balance sheet, deposit and surplus cash valuer. During the financial year the balance sheet benefited from our books being well positioned for multiple rate hikes in the Rand and several rate cuts in the US Dollar. However, the key feature of the latter part of the year was the slow impact of the global credit crisis on local markets increasing the cost of Rand deposits across the board. In response to the global liquidity crunch IBL instituted a policy of holding higher levels of cash and near cash.

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

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 crisis management as well as a business continuity capability for the group. 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 group 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.

Risk management

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.

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.

Risk management

Philosophy and approach

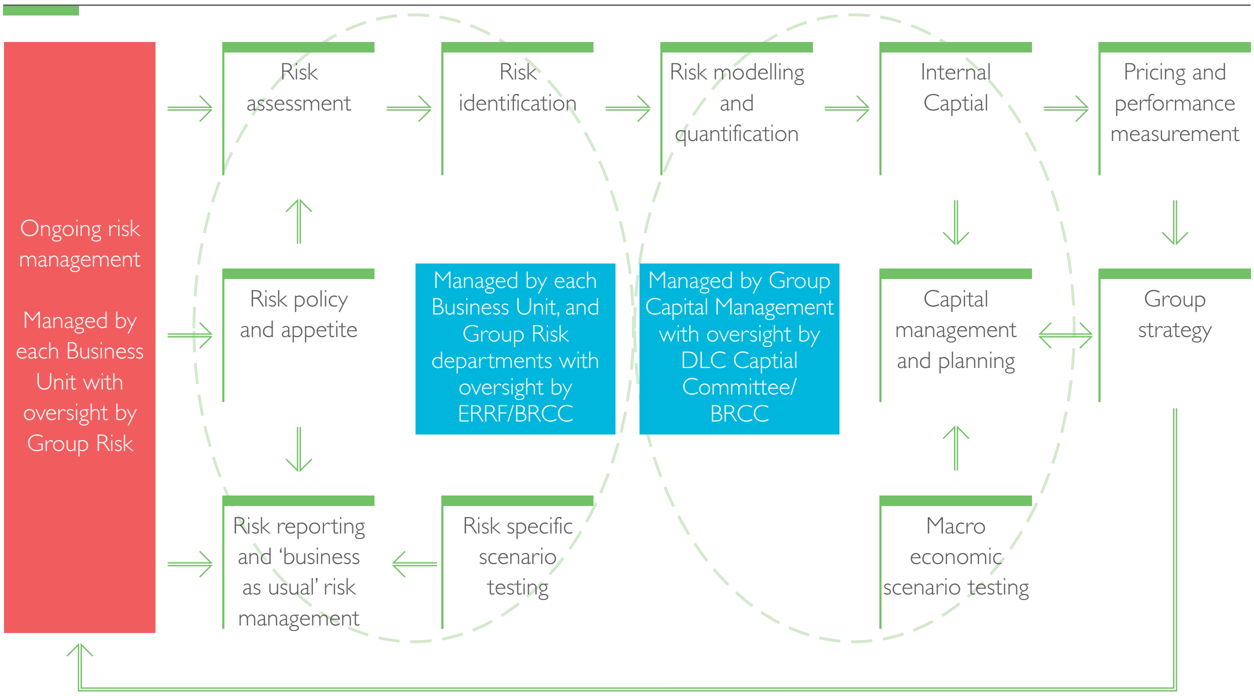
The Investec group comprises Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries). The DLC structure considers the two groups as independent entities from a credit perspective and hence capital is managed on a separate basis. The BRCC (via the Investec DLC Capital Committee) 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.

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



Risk assessment and identification

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

Risk reporting

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

- Credit and counterparty risk;
- Traded market risk;

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

Risk modelling and quantification

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

Internal capital

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

While capital requirements under "Pillar 1" form the minimum capital for Investec 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 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.

Risk management

Responsibility for the risk and capital management process

The Investec Limited board of directors is ultimately responsible for the silo's capital management. At the highest level, the board has 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. These forums have been in place for several years and their roles and responsibilities are discussed in the Investec group's 2008 annual report.

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	Regulatory treatment: 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 Limited	SARB				SA	None
Regulated subsidiaries						
Banking and securities trading						
Investec Bank Limited	SARB	100%	Yes		SA	None
Investec Bank Mauritius	Bank of Mauritius	100%	Yes		Mauritius	None
Investec Securities Limited	JSE, FSB, BESA, SAFEX	100%	Yes		SA	None
Asset Management						
Investec Asset Management Holdings (Pty) Ltd	FSB/SAFEX	100%	Yes		SA	None
Insurance						
Investec Employee Benefits Holdings (Pty) Ltd	FSB	100%	deconsoli-dated		SA	None
Investec Assurance Limited	FSB and Long Term Insurance Act	100%	deconsoli-dated		SA	None
Inbox Investments Limited	FSB	100%	Yes		SA	None
Unregulated subsidiaries	**Not regulated subject to consolid-ated super-vision**					
Reichmans Holdings Limited		100%	Yes		SA	None
AEL Investment Holdings (Pty) Ltd		100%	Yes		SA	None
Investpref Ltd		100%	Yes		SA	None
KWJ Investments (Pty) Ltd		100%	Yes		SA	None
Securities Equities (pty) Ltd		100%	Yes		SA	None
Sechold Finance Services (Pty) Ltd		100%	Yes		SA	None
Investec Personal Financial Services (Pty) Ltd (HSBC)		100%	Yes		SA	None
Fedsure International Ltd		100%	Yes		SA	None
Investec Employee Share Incentive Scheme Services (Pty) Ltd		100%	Yes		SA	None
Investec International Holdings (Gibraltar) Ltd		100%	Yes		SA	None
Sibvest Ltd		100%	Yes		SA	None
SIB Investments Ltd		100%	Yes		SA	None
Grayinvest Ltd		100%	Yes		SA	None
Westrust (Pty) Ltd		100%	Yes		SA	None
Quyn Martin Asset Management (Pty) Ltd		100%	Yes		SA	None
Investec Trust (Pty) Ltd		100% - dormant	Yes		SA	None
Investec Hong Kong (Pty) Ltd		100%	Yes		Hong Kong	None
Investec Group Data (Pty) Ltd		100%	Yes		SA	None

Accounting and regulatory treatment of group subsidiaries (continued)

Identity of investment/interest held	Regulator	% interest held	Regulatory treatment: Fully consoli-dated	Regulatory treatment: 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
Unregulated subsidiaries (continued)	Not regulated subject to consolid-ated super-vision					
APA Network Consultants (Pty) Ltd		100%	Yes		SA	None
Fuzztique (Pty) Limited		100%	Yes		SA	None
MTEL Rentals (PTY) Ltd		100%	Yes		SA	None
Hugh's Haven (Pty) Ltd		100%	Yes		SA	None
Cordatus Capital (Pty) Ltd		100%	Yes		SA	None
Investec Properties Group Holdings Ltd		100%	Yes		SA	None

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 129 and 130.

R'million

Regulatory capital	
Tier 1	
Share premium	3 919
Non-redeemable, non-cumulative, non-participating preference shares	3 277
Retained income	6 508
Other reserves	48
Less: impairments (goodwill and other deductions)	(642)
	13 110
Tier 2	
Aggregate amount	5 290
Less: deductions	(204)
	5 086
Total eligible capital	18 196

Capital requirements

As at 31 March 2008 R'million	Capital requirements	Risk-weighted assets
Credit risk - standardised approach	10 579	111 360
Equity risk - standardised approach	361	3 798
Market risk	194	2 046
Capital requirements for portfolios subject to internal models approach		
- Interest rate	9	95
- Foreign exchange	18	184
- Commodities	3	36
- Equities	164	1 731
Operational risk - standardised approach	1 261	13 270
Total	12 395	130 474

Capital adequacy

At 31 March 2008	Investec Limited R'million	IBL* R'million
Primary capital (Tier 1)	13 752	12 629
Other capital (Tier 2 and 3)	5 290	5 006
	19 042	17 635
Less: impairments	(846)	(607)
Net qualifying capital	**18 196**	**17 028**
Risk-weighted assets (banking and trading)	**130 474**	**118 792**
Capital adequacy ratio	**13.9%**	**14.3%**
Tier 1 ratio	10.0%	10.3%
Capital adequacy ratio - pre operational risk	**15.5%**	**15.5%**
Tier 1 ratio - pre operational risk	11.2%	11.1%

* Where: IBL is Investec Bank 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.

South Africa - year in review

Anti-money laundering

The implementation of the Financial Intelligence Centre Act (FICA) and Protection of Constitutional Democracy against Terrorist and Related Activities is ongoing. In response to international best practice standards of anti-money laundering and anti-terror financing and in particular to Guidance Note 3 issued by the Financial Intelligence Centre, which permits an accountable institution to adopt a risk based approach, we have developed and implemented a centralised AML system that has the capability to:

- Risk weight clients according to the money laundering and/or terror financing risks they may potentially pose.
- Compare client lists to databases of adverse client information issued by regulatory authorities (which includes persons named on the United Nations lists).
- Administer in a central repository the ongoing maintenance of a client's identification and verification and risk weighting.

A further enhancement to the AML system to more adequately address the legislative requirements of suspicious activity reporting is planned for implementation by the end of 2008. These systematic developments are supported by an enhanced Group Anti-Money Laundering and Anti-Terror Financing Policy which incorporates a Client Acceptance Policy to accommodate this risk weighting and the screening of clients.

Consumer law

The National Credit Act was successfully implemented during June 2007 in affected entities which have been registered as credit providers. The Act imposes strict requirements on credit providers including affordability assessments, disclosure to consumers, advertising and marketing practices, complaints, pricing and reporting to the National Credit Regulator.

The past year saw further regulatory reform pertaining to the financial services industry, particularly relating to legislation aimed at consumer protection in the form of progress made towards the Consumer Protection Bill. The Bill aims to provide a legal framework for consumer protection by attempting to codify the common law with specific regard to the rights of consumers and the obligations of those providing services and products to them. The developments are being closely monitored to assess the impact on affected entities.

Conflicts of interest

Conflicts of interest are inherent in our business. We are not required to avoid conflicts but rather to ensure that they are managed appropriately.

Accordingly we have engaged in a group-wide initiative for identifying and managing the conflicts of interest that exist across our various businesses. Following the implementation of an enhanced framework in the United Kingdom, this initiative has commenced in South Africa with a project to identify all conflicts of interest within and between the South African areas of business as well as a review of all existing mitigations and controls. Mitigations and controls will be in line with international best practice in this area, including policies and procedures, information flow management, disclosure and declining to act.

Risk based monitoring

A project was initiated in October 2006 to align the existing compliance monitoring process with the operational risk processes. The project entails the adoption of the Enterprise Risk Assessor risk based methodology used by the Operational Risk division. The project is due for completion by 30 September 2008.

The first phase of the project involved a comprehensive analysis of all acts, regulations, guidance notes and codes of conduct affecting each of the operating units, the performance of a risk assessment of each underlying regulatory risk and the identification and recording of all controls the operating units have adopted to mitigate such risks. The first phase of the project was completed in March 2008.

The second phase of the project involves the review of compliance monitoring programmes used within the operating units and the design and migration of a fully comprehensive risk based monitoring programme onto the Enterprise Risk Assessor software. The second phase of the project is due for completion by 30 September 2008.

Mauritius - year in review

There were no major compliance developments in the region during the period under review. The Mauritian entities strongly align themselves with the policies and procedures adopted by the broader group.

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.

Ratings for Investec Limited

Fitch

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

Ratings for Investec Bank Limited - a subsidiary of Investec Limited

Fitch

Individual rating	B/C
Support rating	2
Foreign currency short-term rating	F2
Foreign currency long-term rating	BBB+
National short-term rating	F1+ (zaf)
National long-term rating	AA- (zaf)

Global Credit Rating Co.

Local currency short-term rating	A1+ (za)
Local currency long-term rating	AA- (za)

Moody's

Financial strength rating	C
Global local currency deposit long-term rating	A2
Foreign currency deposit long-term rating	Baa1 (positive outlook)
Foreign currency deposit short-term rating	Prime-2
National scale long-term rating	Aa2.za
National scale short-term rating	P1.za

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.

Board statement

The board is of the opinion that Investec has complied with King II, during the period under review, except as outlined below.

King II - 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 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 Limited financial statements, accounting policies and the information contained in the annual report.

Our financial statements were prepared on a going concern basis.

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

Board of directors

The composition of the board of Investec Limited is set out on pages 74 to 77.

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

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

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

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

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

Corporate governance

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, 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 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. Cognisance has also been taken of the King II requirements in South Africa.

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 Inc and KPMG Inc. The independence of the external auditors is reviewed with the auditors by the Audit Committee each year.

The Audit Committee meets with the external auditors to review the scope of the external audit, budgets the extent of non-audit services rendered and 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 circular 16/2004 of the South African Banks Act, were adhered to during the period under review.

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

Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities, the main one being the South African Reserve Bank (SARB). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator and the South African Financial Intelligence Centre.

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 Limited had 234.3 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2008

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 235	1 to 500	41.3	1 070 304	0.5
2 105	501 to 1 000	20.5	1 631 496	0.7
2 588	1 001 to 5 000	25.3	5 911 003	2.5
446	5 001 to 10 000	4.4	3 278 657	1.4
514	10 001 to 50 000	5.0	11 844 549	5.1
142	50 001 to 100 000	1.4	10 368 935	4.4
218	100 001 and over	2.1	200 206 370	85.4
10 248		**100.0**	**234 311 314**	**100.0**

Shareholder classification as at 31 March 2008

	Investec Limited number of shares	% holding
Public*	191 902 690	81.9
Non-public	42 408 624	18.1
Non-executive directors of Investec plc/Investec Limited**	2 311 830	1.0
Executive directors of Investec plc/Investec Limited	6 127 505	2.6
Investec staff share schemes	20 913 734	8.9
Peu Group (Proprietary) Limited**	13 055 555	5.6
Total	**234 311 314**	**100.0**

* As per the JSE Limited listing requirements.

** In November 2003, Investec implemented an empowerment transaction. The shareholding of MP Malungani (non-executive director of Investec) is shown under the holding of Peu Group (Proprietary) Limited.

Shareholder analysis

Largest shareholders as at 31 March 2008

In accordance with the terms provided for in 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 Limited

Shareholder analysis by manager group	Number of shares	% holding
1 Public Investment Commissioner (ZA)	28 825 669	12.3
2 Investec Staff Share Schemes (ZA)	20 913 734	8.9
3 Investec Asset Management (ZA)*	15 778 185	6.7
4 STANLIB Asset Management (ZA)	15 671 328	6.7
5 Tiso INL Investments (Pty) Ltd (ZA)**	14 000 000	6.0
6 Entrepreneurial Development Trust (ZA)**	14 000 000	6.0
7 Peu INL Investment 1 (Pty) Ltd (ZA)**	13 055 555	5.6
8 Old Mutual Asset Managers (ZA)	11 452 929	4.9
9 Investec Securities (Pty) Limited (ZA)*	8 843 792	3.8
10 RMB Asset Management (ZA)	7 147 243	3.1
Cumulative total	**149 688 435**	**64.0**

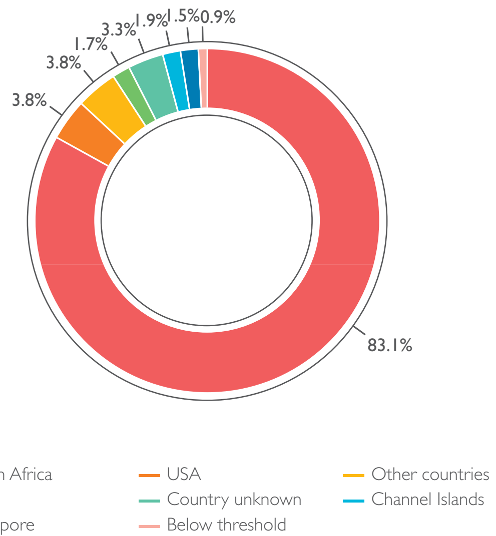
The top 10 shareholders account for 64.0% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* Managed on behalf of clients.

** In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited.

Geographic holding by beneficial owner as at 31 March 2008

Investec Limited



Additional information

Shareholder analysis

Share statistics

Investec Limited ordinary shares in issue

For the year ended 31 March	2008	2007	2006	2005	2004	2003
Closing market price per share (Rands)[1]						
- year end	57.43	93.30	62.60	35.60	25.06	15.30
- highest	104.40	94.60	66.50	38.00	30.20	34.88
- lowest	50.90	59.06	34.10	21.56	15.50	15.30
Number of ordinary shares in issue (million)[1]	234.3	227.7	220.0	220.0	220.0	192.0
Market capitalisation (R'million)[2]	37 766	56 848	37 121	21 111	14 860	8 645
Daily average volume of shares traded ('000)	840.6	619.7	478.0	510.5	495.0	527.0

Notes:

1 On 4 September 2006 we implemented a 5:1 share split of Investec plc and Investec Limited shares. Historical information has been restated for comparative purposes.

2 The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 657.6 million shares in issue.

Directorate Investec Limited

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 Limited

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 Limited

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 Limited

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 annual financial statements and the group annual financial statements of Investec Limited, as set out on pages 81 to 137, are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, as if Investec Limited were a standalone component of the Dual Listed Companies structure of Investec Limited and Investec plc, as explained in the paragraph of the directors' report headed: Purpose and basis of preparation of financial statements, and are prepared in accordance with International Financial Reporting Standards on this basis.

The directors consider that in preparing the financial statements, the company and group have used appropriate accounting policies supported by reasonable and prudent judgement and estimates.

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

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

Approval of group annual financial statements and company annual financial statements

The group annual financial statements and company annual financial statements of Investec Limited, as identified in the first paragraph, were approved by the board of directors on 30 June 2008 and signed on its behalf by

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer

Declaration by the Company Secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2008, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Benita Coetsee
Group Secretary

30 June 2008

Independent auditors' report to the members of Investec Limited

We have audited the group annual financial statements and annual financial statements of Investec Limited, which comprise, the balance sheets at 31 March 2008, the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 81 to 137.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the Dual Listed Companies structure of Investec Limited and Investec plc, as explained in the paragraph of the directors' report headed: Purpose and basis of preparation of financial statements. The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements are prepared to present, in all material respects, the consolidated and separate financial position of Investec Limited at 31 March 2008, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, as if Investec Limited were a standalone component of the Dual Listed Companies structure of Investec Limited and Investec plc, as explained in the directors' report.

For an understanding of the combined consolidated financial position of the Dual Listed Companies structure of Investec Limited and Investec plc at 31 March 2008, and their combined consolidated financial performance and combined consolidated cash flows for the year then ended, the user is referred to the combined consolidated financial statements contained in the 2008 annual report of Investec Limited and Investec plc.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditors

Per JP Quinn
Chartered Accountant (SA)
Registered Auditor
Director
Sandton

30 June 2008

Wanderers Office Park
52 Corlett Drive, Illovo
Johannesburg

KPMG Inc.

KPMG Inc.
Registered Auditors

Per VT Yuill
Chartered Accountant (SA)
Registered Auditor
Director
Sandton

30 June 2008

KPMG Crescent
85 Empire Road, Parktown
Johannesburg

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 Southern Africa. 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 14.

Authorised and issued share capital

Details of the share capital are set out in note 34 to the financial statements.

During the year the following shares were issued:
- Allotment on 20 June 2007 and issue on 25 June 2007 of 3 772 740 ordinary shares of R0.0002 each at a premium of R32.4098 per share (total issue price of R32.41 per share).
- Allotment on 20 June 2007 and issue on 25 June 2007 of 3 003 040 special convertible redeemable preference shares at par.
- Allotment and issue on 8 August 2007 of 37 449 427 special convertible redeemable preference shares at par.
- Allotment and issue on 23 November 2007 of 2 867 154 ordinary shares of R0.0002 each at a premium of R25.0498 per share (total issue price of R25.05 per share).
- Allotment and issue on 23 November 2007 of 1 253 825 special convertible redeemable preference shares at par.

Financial results

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

Ordinary dividends

An interim dividend of 159.5 cents per ordinary share (2007: 138 cents) was declared to shareholders registered on 14 December 2007 and was paid on 21 December 2007.

The directors have proposed a final dividend of 202 cents per ordinary share (2007: 180 cents) to shareholders registered on 25 July 2008 to be paid on 12 August 2008. The final dividend is subject to the approval of members of Investec Limited at the Annual General Meeting scheduled for 7 August 2008.

The holders of 3 700 000 Investec Limited shares have agreed to waive their rights to dividends payable up to 31 March 2008.

Preference dividends

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

Preference dividend number 6 for the period 1 April 2007 to 30 September 2007 amounting to 454.04 cents per share was declared to members holding preference shares registered on 30 November 2007 and was paid on 11 December 2007.

Preference dividend number 7 for the period 1 October 2007 to 31 March 2008 amounting to 501.41 cents per share was declared to members holding preference shares registered on 20 June 2008 and will be paid on 3 July 2008.

Redeemable cumulative preference shares

Dividends amounting to R38 108 887.64 were paid on the redeemable cumulative preference shares.

Directors and secretary

Details of directors and the secretary of Investec Limited are reflected on pages 74 to 77 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 Limited with effect from 30 September 2007.

Directors' report

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 Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited. A resolution to reappoint them as joint 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 page 125 and details of associated companies on page 119.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 72.

Special resolutions

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

- A renewable authority was granted to Investec Limited and its subsidiaries to acquire its own ordinary and non-redeemable, non-cumulative, non-participating preference shares in terms of Section 85 and 89 of the South African Companies Act No 61 of 1973.
- An amendment was made to Article 85 of the Articles of Association of Investec Limited 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 South African law and International Financial Reporting Standards. These policies are set out on pages 89 to 98.

Purpose and basis of preparation of financial statements

Under the contractual arrangements implementing the Dual Listed Companies (DLC) structure, Investec Limited and Investec plc, the latter a company incorporated in the United Kingdom, 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 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.

The Companies Act of South Africa does not specifically envisage a reporting structure such as the DLC structure. The combined consolidated financial statements of Investec Limited and Investec plc are considered the statutory financial statements of Investec Limited and Investec plc.

The attached annual financial statements and the group annual financial statements of Investec Limited are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, in the absence of a DLC structure, and are prepared in accordance with International Financial Reporting Standards on this basis, but with earnings per share disclosed in the DLC combined consolidated financial statements by virtue of the sharing arrangement. 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 Limited and Investec plc.

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 Limited made donations for charitable purposes, totalling R33.6 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.

Subsequent events

There are no material facts or circumstances which occurred between the accounting date and the date of this report that would require adjustment or disclosure in the annual financial statements.

Benita Coetsee
Company Secretary
Investec Limited

30 June 2008

Consolidated income statements

For the year to 31 March R'million	Notes	Group 2008	2007	Company 2008	2007
Interest income		14 886	9 725	196	165
Interest expense		(11 567)	(7 402)	(81)	(78)
Net interest income		**3 319**	**2 323**	**115**	**87**
Fee and commission income		3 905	3 407	-	-
Fee and commission expense		(246)	(164)	-	-
Principal transactions	3	2 402	2 446	3 619	867
Operating loss from associates	19	(1)	(10)	-	-
Investment income on assurance activities	28	1 322	521	-	-
Premiums and reinsurance recoveries on insurance contracts	28	598	1 137	-	-
Other operating income	4	55	39	-	-
Other income		**8 035**	**7 376**	**3 619**	**867**
Claims and reinsurance premiums on insurance business	28	(1 767)	(1 575)	-	-
Total operating income net of insurance claims		**9 587**	**8 124**	**3 734**	**954**
Impairment losses on loans and advances	17	(439)	(121)	-	-
Operating income		**9 148**	**8 003**	**3 734**	**954**
Administrative expenses	5	(4 648)	(4 028)	(56)	(105)
Depreciation and amortisation of property, equipment and intangible assets	22/25	(87)	(65)	-	-
Operating profit before goodwill impairment		**4 413**	**3 910**	**3 678**	**849**
Impairment of goodwill	24	(45)	(115)	-	-
Operating profit		**4 368**	**3 795**	**3 678**	**849**
Profit on disposal of group operations		1 001	2	-	-
Profit before taxation		**5 369**	**3 797**	**3 678**	**849**
Taxation	7	(1 193)	(1 115)	(35)	-
Profit after taxation		**4 176**	**2 682**	**3 643**	**849**
Earnings attributable to minority interests		9	37	-	-
Earnings attributable to shareholders		4 167	2 645	3 643	849
		4 176	**2 682**	**3 643**	**849**

Consolidated balance sheets

At 31 March R'million	Notes	Group 2008	 2007	Company 2008	 2007
Assets					
Cash and balances at central banks		2 811	851	-	-
Loans and advances to banks		16 560	22 565	30	28
Cash equivalent advances to customers		8 039	7 458	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	12	7 171	4 895	-	-
Trading securities	13	24 683	20 695	-	1
Derivative financial instruments	14	9 679	5 902	-	-
Investment securities	15	222	414	-	-
Loans and advances to customers	17	94 798	68 995	1	3
Securitised assets	18	13 444	11 807	-	-
Interests in associated undertakings	19	195	221	-	-
Deferred taxation assets	20	469	444	-	-
Other assets	21	5 595	7 570	1	-
Property and equipment	22	165	124	-	-
Investment properties	23	2 182	1 213	-	-
Goodwill	24	339	384	-	-
Intangible assets	25	75	255	-	-
Investment in subsidiaries	27	-	-	9 235	6 561
		186 427	**153 793**	**9 267**	**6 593**
Other financial instruments at fair value through income in respect of					
- liabilities to customers	28	46 547	42 942	-	-
- assets related to reinsurance contracts	28	13 016	14 094	-	-
		245 990	**210 829**	**9 267**	**6 593**
Liabilities					
Deposits by banks		9 427	12 959	-	-
Derivative financial instruments	14	10 235	5 670	-	-
Other trading liabilities	29	4 165	3 203	-	-
Repurchase agreements and cash collateral on securities lent	12	1 533	2 378	-	-
Customer accounts		115 480	91 035	-	-
Debt securities in issue	30	2 524	1 343	-	-
Liabilities arising on securitisation	18	12 669	11 735	-	-
Current taxation liabilities	31	1 169	918	122	84
Deferred taxation liabilities	20	558	605	-	-
Other liabilities	32	9 396	9 639	481	827
		167 156	**139 485**	**603**	**911**
Liabilities to customers under investment contracts	28	46 289	42 648	-	-
Insurance liabilities, including unit-linked liabilities	28	258	294	-	-
Reinsured liabilities	28	13 016	14 094	-	-
		226 719	**196 521**	**603**	**911**
Subordinated liabilities (including convertible debt)	33	4 710	3 029	379	379
		231 429	**199 550**	**982**	**1 290**
Equity					
Ordinary share capital	34	1	1	1	1
Share premium		5 145	4 951	5 255	5 061
Treasury shares	35	(1 227)	(1 177)	-	-
Equity portion of compulsorily convertible debentures		22	22	-	-
Perpetual preference shares	36	2 309	2 309	2 309	2 309
Other reserves		1 079	1 078	62	62
Retained income/(loss)		5 730	2 584	658	(2 130)
Shareholders' equity excluding minority interests		**13 059**	**9 768**	**8 285**	**5 303**
Minority interests	37	1 502	1 511	-	-
- Perpetual preferred securities issued by subsidiary		1 491	1 491	-	-
- Minority interests in partially held subsidiaries		11	20	-	-
Total equity		**14 561**	**11 279**	**8 285**	**5 303**
Total liabilities and equity		**245 990**	**210 829**	**9 267**	**6 593**

Statement of changes in equity

R'million	Ordinary share capital	Share premium account	Treasury shares	Compulsorily convertible debentures	Perpetual preference shares
Group					
At 1 April 2006	1	4 701	(833)	22	2 309
Movement in reserves 1 April 2006 - 31 March 2007					
Foreign currency adjustments	-	-	-	-	-
Profit after taxation	-	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	-
Share based payments adjustments	-	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-	-
Purchase of treasury shares	-	-	(344)	-	-
Shares issued	-	250	-	-	-
Transfer from retained income to regulatory general risk reserve	-	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-
At 31 March 2007	1	4 951	(1 177)	22	2 309
Movement in reserves 1 April 2007 - 31 March 2008					
Foreign currency adjustments	-	-	-	-	-
Profit after taxation	-	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	-
Share based payments adjustments	-	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-	-
Purchase of treasury shares	-	-	(50)	-	-
Shares issued	-	194	-	-	-
Transfer from retained income to regulatory general risk reserve	-	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-
At 31 March 2008	1	5 145	(1 227)	22	2 309

R'million	Share capital	Share premium account	Perpetual preference shares	Capital reserve account	Profit and loss account
Company					
At 1 April 2006	1	4 811	2 309	62	(2 356)
Movement in reserves 1 April 2006 - 31 March 2007					
Profit after taxation	-	-	-	-	849
Share based payments adjustments	-	-	-	-	234
Dividends paid to ordinary shareholders	-	-	-	-	(690)
Dividends paid to perpetual preference shareholders	-	-	-	-	(167)
Issue of shares	-	250	-	-	-
At 31 March 2007	1	5 061	2 309	62	(2 130)
Movement in reserves 1 April 2007 - 31 March 2008					
Profit after taxation	-	-	-	-	3 643
Share based payments adjustments	-	-	-	-	292
Dividends paid to ordinary shareholders	-	-	-	-	(951)
Dividends paid to perpetual preference shareholders	-	-	-	-	(196)
Issue of shares	-	194	-	-	-
At 31 March 2008	1	5 255	2 309	62	658

Capital reserve account	Other reserves: Available for sale reserves	Other reserves: Regulatory general risk reserve	Other reserves: Foreign currency reserves	Retained income	Shareholder's equity excluding minority interests	Minority interests	Total equity
62	83	520	(36)	827	7 656	1 565	9 221
-	-	-	87	-	87	-	87
-	-	-	-	2 645	2 645	37	2 682
-	150	-	-	-	150	-	150
-	150	-	87	2 645	2 886	37	2 919
-	-	-	-	239	239	-	239
-	-	-	-	(628)	(628)	-	(628)
-	-	-	-	(287)	(287)	-	(287)
-	-	-	-	-	-	(83)	(83)
-	-	-	-	-	(344)	-	(344)
-	-	-	-	-	250	-	250
-	-	212	-	(212)	-	-	-
-	-	-	-	-	-	(8)	(8)
62	233	732	51	2 584	9 768	1 511	11 279
-	-	-	61	-	61	-	61
-	-	-	-	4 167	4 167	9	4 176
-	(185)	-	-	-	(185)	-	(185)
-	(185)	-	61	4 167	4 043	9	4 052
-	-	-	-	303	303	-	303
-	-	-	-	(861)	(861)	-	(861)
-	-	-	-	(338)	(338)	-	(338)
-	-	-	-	-	-	(16)	(16)
-	-	-	-	-	(50)	-	(50)
-	-	-	-	-	194	-	194
-	-	125	-	(125)	-	-	-
-	-	-	-	-	-	(2)	(2)
62	48	857	112	5 730	13 059	1 502	14 561

Total equity
4 827
849
234
(690)
(167)
250
5 303
3 643
292
(951)
(196)
194
8 285

Cash flow statements

For the year to 31 March R'million	Notes	Group 2008	Group 2007	Company 2008	Company 2007
Cash flows from operating activities					
Cash generated by operating activities	39	4 628	4 094	3 970	1 083
Taxation (paid)/received		(907)	(950)	3	-
Net cash inflow from operating activities		**3 721**	**3 144**	**3 973**	**1 083**
Cash flows from banking activities					
Increase in operating liabilities		29 994	33 955	2	60
(Decrease)/increase in operating assets		(31 232)	(33 819)	(346)	3
Net cash (outflow)/inflow from banking activities		**(1 238)**	**(1 842)**	**(344)**	**63**
Cash flows from investing activities					
Net cash inflow on repayment of loans by associate		25	-	-	-
Net cash outflow on acquisition of group businesses	26	-	(148)	-	-
Net cash outflow on acquisition of associate		-	(231)	-	-
Net (investments)/disposal of property and equipment		(278)	646	-	-
Net cash (outflow)/inflow from investing activities		**(253)**	**267**	**-**	**-**
Cash flows from financing activities					
Repurchase of treasury shares		(50)	(344)	-	-
Issue of shares		194	250	194	250
Issue of subordinated liabilities		1 657	-	-	-
Dividends paid		(1 199)	(915)	(1 147)	(857)
Dividends paid to minorities		(2)	(8)	-	-
Capital reduction paid to minorities		-	(83)	-	-
Net decrease in subsidiaries and loans to group companies		-	-	(2 674)	(538)
Net cash inflow/(outflow) from financing activities		**600**	**(1 100)**	**(3 627)**	**(1 145)**
Net increase in cash and cash equivalents		**2 830**	**469**	**2**	**1**
Cash and cash equivalents at beginning of year		10 628	10 159	28	27
Cash and cash equivalents at end of year		**13 458**	**10 628**	**30**	**28**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		2 811	851	-	-
On demand loans and advances to banks		2 608	2 319	30	28
Cash equivalent advances to customers		8 039	7 458	-	-
Cash and cash equivalents at the end of the year		**13 458**	**10 628**	**30**	**28**

Cash and cash equivalents have a maturity profile of less than 3 months.

Basis of presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa, as if Investec Limited were a standalone component of the DLC structure, as explained in the directors' report, but with earnings per share disclosed in the combined consolidated financial statements of Investec plc and Investec Limited by virtue of the sharing arrangement.

The accounting policies are consistent with those adopted in the previous year.

(b) Presentation of information

Disclosures under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 16 to 66.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Financial instruments at fair value through profit and loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Investment properties are measured at fair value.

(d) Functional and presentation currency

These consolidated financial statements are presented in South African Rand, which is both the group's functional and presentation currency. Except as indicated, financial information is presented in South African Rand, rounded to the nearest million.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements include:

- Valuation of unlisted investments in the private equity and direct investment portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognise market volatility. Details of unlisted investments can be found in note 13, trading securities and note 15, 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.
- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time. Refer to note 23 for the carrying value of investment property.
- Determination of interest income and interest expense using the effective interest method involves judgment in determining the timing and extent of future cashflows.

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.

No geographical analysis is presented for the group as Investec Limited mainly operates within the Southern African region.

Goodwill

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

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

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of the group 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 income statement 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 South African Rand, being the currency in which the group mainly operates.

Foreign operations are subsidiaries, associates, joint ventures or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of the 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 the income statement on disposal of the foreign operation; and
- 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 the income statement;
- 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; and
- 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 3.

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 the 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 financial assets

Held-to-maturity financial 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 financial assets are measured at amortised cost using the effective interest method, less impairment losses.

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

Loans and receivables

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

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

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

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

Available for sale assets

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

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

Accounting policies (continued)

Financial liabilities

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

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

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

Valuation of financial instruments

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

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

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

Impairments of financial assets held at amortised cost

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

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 risk 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.

Accounting policies (continued)

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; and
- 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.

Accounting policies (continued)

Equity instruments issued by subsidiaries of Investec Limited are recorded as minority interests on the 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 shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on the 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 on 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 the 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 the 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 income statement on a straight line basis over the lease term. Contingent rentals (if any) are accrued to the income statement 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 life.

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.

Accounting policies (continued)

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.

Investment property

Properties held by the group which is held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under "principal transactions".
Fair value of investment property is calculated by taking into account the expected rental stream associated with the property and is supported by market evidence.

Impairment of non-financial assets

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

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

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.
As these are not assets of the group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

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

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:
- The initial recognition of goodwill.
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit or loss.
- In respect of taxable temporary differences associated with the investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums / claims are not offset in the income statement or balance sheet.

Accounting policies (continued)

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Employee benefits

The group operates various defined contribution schemes.

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

The group has no liabilities for 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.

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 periods 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 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 unconditioned right to a refund. The group is currently evaluating the effect of this amendment, if any, on the consolidated financial statements.

IFRIC 13 – Customer Loyalty Programmes (applicable for reporting periods beginning on or after 1 January 2009)

IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The group is currently evaluating the effect of this interpretation on the consolidated financial statements.

The following interpretation has been issued which is deemed to have no impact on the group financial statements but has not been formally adopted by the group:

- IFRIC 12 – Service Concession Arrangements.
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Reclassifications and corrections to prior year financial statements

Comparative figures have been reclassified where necessary to conform to changes in presentation in the current year. These are further described below:

- 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 and other liabilities.
- Following the implementation of IFRS 7 – Financial Instruments: Disclosures, the classification of certain financial instruments into balance sheet classes were refined to achieve more appropriate disclosure. Adjustments to the prior year balance sheet comprise R17 961 million reclassified from debt securities in issue to customer accounts.
- In order to more appropriately present the cash flow information dividends paid have been reclassified from operating activities to financing activities as they are seen to be a cost of obtaining financial resources.

Total assets, total liabilities, total cash and cash equivalents and amounts recognised in the income statement and equity were not affected by these reclassifications.

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services and Other Activities	Total
2. Segmental analysis							
Group							
Business analysis 2008							
Interest income	14 706	15 094	103	45	(12)	(15 050)	14 886
Interest expense	(13 028)	(14 215)	(63)	-	(136)	15 875	(11 567)
Net interest income	**1 678**	**879**	**40**	**45**	**(148)**	**825**	**3 319**
Fee and commission income	1 128	450	546	1 522	278	(19)	3 905
Fee and commission expense	(124)	(12)	(95)	-	-	(15)	(246)
Principal transactions	201	827	965	1	629	(221)	2 402
Operating loss from associates	-	-	-	-	-	(1)	(1)
Investment income on assurance activities	-	-	-	-	-	1 322	1 322
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	598	598
Other operating income	-	-	-	55	-	-	55
Other income	**1 205**	**1 265**	**1 416**	**1 578**	**907**	**1 664**	**8 035**
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(1 767)	(1 767)
Total operating income net of insurance claims	**2 883**	**2 144**	**1 456**	**1 623**	**759**	**722**	**9 587**
Impairment losses on loans and advances	(149)	(268)	(20)	-	-	(2)	(439)
Operating income	**2 734**	**1 876**	**1 436**	**1 623**	**759**	**720**	**9 148**
Administrative expenses	(1 673)	(903)	(503)	(867)	(248)	(454)	(4 648)
Depreciation and amortisation of property, equipment and intangible assets	(23)	(2)	(1)	(11)	(4)	(46)	(87)
Operating profit before goodwill impairment	**1 038**	**971**	**932**	**745**	**507**	**220**	**4 413**
Impairment of goodwill	-	-	-	(45)	-	-	(45)
Operating profit	**1 038**	**971**	**932**	**700**	**507**	**220**	**4 368**
Profit on disposal of group operations	-	-	-	-	998	3	1 001
Profit before taxation	**1 038**	**971**	**932**	**700**	**1 505**	**223**	**5 369**
Cost to income ratio	58.8%	42.2%	34.6%	54.1%	33.2%	69.3%	49.4%
Total assets	51 754	112 271	2 943	1 844	1 172	76 006	245 990

Financial statements

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services and Other Activities	Total
2. Segmental analysis (continued)							
Group							
Business analysis 2007							
Interest income	9 019	10 143	57	37	(6)	(9 525)	9 725
Interest expense	(7 747)	(9 532)	(40)	-	(71)	9 988	(7 402)
Net interest income	**1 272**	**611**	**17**	**37**	**(77)**	**463**	**2 323**
Fee and commission income	762	376	473	1 380	381	35	3 407
Fee and commission expense	(115)	(19)	(39)	-	-	9	(164)
Principal transactions	164	522	851	2	145	762	2 446
Operating loss from associates	-	-	-	-	-	(10)	(10)
Investment income on assurance activities	-	-	-	-	-	521	521
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	1 137	1 137
Other operating income	1	-	-	37	-	1	39
Other income	**812**	**879**	**1 285**	**1 419**	**526**	**2 455**	**7 376**
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(1 575)	(1 575)
Total operating income net of insurance claims	**2 084**	**1 490**	**1 302**	**1 456**	**449**	**1 343**	**8 124**
Impairment losses on loans and advances	(63)	(63)	-	-	-	5	(121)
Operating income	**2 021**	**1 427**	**1 302**	**1 456**	**449**	**1 348**	**8 003**
Administrative expenses	(1 283)	(675)	(466)	(769)	(271)	(564)	(4 028)
Depreciation and amortisation of property, equipment and intangible assets	(19)	(2)	(1)	(11)	(1)	(31)	(65)
Operating profit before goodwill impairment	**719**	**750**	**835**	**676**	**177**	**753**	**3 910**
Impairment of goodwill	-	-	-	(87)	(28)	-	(115)
Operating profit	**719**	**750**	**835**	**589**	**149**	**753**	**3 795**
Profit on disposal of group operations	-	-	-	-	-	2	2
Profit before taxation	**719**	**750**	**835**	**589**	**149**	**755**	**3 797**
Cost to income ratio	62.5%	45.4%	35.9%	53.6%	60.6%	44.3%	50.4%
Total assets	41 625	95 498	2 489	1 768	323	69 126	210 829

For the year to 31 March R'million	Group 2008	 2007
2. Segmental analysis (continued)		
Further breakdowns of business line operating profit before goodwill impairment, non-operating items and taxation are shown below:		
Private Client Activities		
Private Banking	821	560
Private Client Portfolio Management and Stockbroking	217	159
	1 038	**719**
Capital Markets	**971**	**750**
Investment Banking		
Corporate Finance	111	135
Institutional Research and Sales and Trading	114	93
Direct Investments	255	181
Private Equity	452	426
	932	**835**
Asset Management	**745**	**676**
Property Activities	**507**	**177**
Group Services and Other Activities		
International Trade Finance	58	34
Assurance Activities	65	24
UK Traded Endowments	12	(1)
	135	57
Central Funding	511	1 015
Central Costs	(426)	(319)
	220	**753**
Total group	**4 413**	**3 910**

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

No geographical analysis has been presented as Investec Limited only operates in one geographical segment, namely Southern Africa.

The company's activities mainly comprises of central funding activities within the Group Services and Other Activities segment.

Notes to the financial statements

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
3. Principal transactions				
Principal transaction income includes:				
Gross trading income	1 797	805	-	-
Funding cost set-off against trading income	(745)	(328)	-	-
Net trading income	1 052	477	-	-
Net income from financial instruments designated at fair value through profit and loss	77	1 579	-	-
Fair value income on investment properties	639	232	-	-
Profit on realisation of AFS instruments	293	-	-	-
Dividend income	333	130	3 619	867
Other income	8	28	-	-
	2 402	**2 446**	**3 619**	**867**
Net income from financial instruments designated at fair value through profit and loss includes:				
Fair value gain on designated equity positions	483	1 494	-	-
Fair value loss on designated loans and receivables	(696)	(53)	-	-
Fair value gain on designated securities	(5)	14	-	-
Fair value gain on designated liabilities	295	124	-	-
	77	**1 579**	**-**	**-**
4. Other operating income				
Rental income from properties	-	2	-	-
Gains on realisation of properties	-	1	-	-
Operating profit of non-core businesses*	55	36	-	-
	55	**39**	**-**	**-**
* Includes operating income of certain private equity investments that have been consolidated with their operating costs included in administrative expenses				
5. Administrative expenses				
Staff costs	3 240	2 730	57	103
- Salaries and wages (including directors' remuneration)	2 809	2 379	-	40
- Share based payments expense	303	239	57	63
- Social security costs	20	17	-	-
- Pensions and provident fund contributions	108	95	-	-
Premises (excluding depreciation)	258	258	-	-
Equipment (excluding depreciation)	339	252	-	-
Business expenses**	652	623	(1)	2
Marketing expenses	159	165	-	-
	4 648	**4 028**	**56**	**105**
The following amounts were paid to the auditors:				
Audit fees	37	37	-	-
Audit related fees	-	2	-	-
Other services	4	4	-	-
	41	**43**	**-**	**-**
Audit fees by audit firm				
Ernst & Young Inc	22	23	-	-
KPMG Inc	19	19	-	-
Other	-	1	-	-
	41	**43**	**-**	**-**
Minimum operating lease payments recognised in administrative expenses	**215**	**209**	**-**	**-**

Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration report in the combined consolidated financial statements of Investec plc and Investec Limited.

** Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscription costs.

For the year to 31 March R'million	Group 2008	 2007
6. Share based payments		
The group operates share option and share purchase schemes for employees, which are 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 remuneration report of the combined consolidated financial statements of Investec plc and Investec Limited.		
Expense charged to the income statement (included in administrative expenses)	303	239
Fair value of options granted in the year	**408**	**492**

	Group			
	2008		2007	
	Number of share options	Weighted average exercise price ZAR	Number of share options	Weighted average exercise price ZAR
Details of options outstanding during the year				
Outstanding at the beginning of the year	30 542 346	14.02	34 131 575	20.95
Granted during the year	7 601 180	-	6 627 281	-
Exercised during the year*	(7 433 770)	30.30	(8 457 472)	30.20
Expired during the year	(1 791 950)	7.63	(1 759 038)	18.50
Outstanding at the end of the year	**28 917 806**	**6.55**	**30 542 346**	**14.02**
Exercisable at the end of the year	**2 538 170**	**39.69**	**3 355 132**	**39.73**

* Options were exercised at the average share price during the year.

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

	2008	2007
Options with strike prices		
Exercise price range	R20.28 - R57.60	R20.28 - R57.60
Weighted average remaining contractual life	3.16 years	3.13 years
Long term incentive grants with no strike price		
Exercise price range	R0	R0
Weighted average remaining contractual life	3.34 years	3.82 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	R71 - R92	R64 - R81
- Exercise price	R nil	R nil
- Expected volatility	30%	35% - 39%
- Option life	5 years	5 years
- Expected dividend yields	4.30% - 6%	3.94% - 4%
- Risk-free rate	9.55% - 10.20%	8.82% - 8.94%

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.)

Notes to the financial statements

For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
7. Taxation				
Taxation on income				
South Africa				
- current taxation	1 199	879	35	-
- capital gains taxation	162	6	-	-
- deferred taxation	(179)	123	-	-
- current year	(173)	123	-	-
- change in tax rate	(6)	-	-	-
Total South African taxation	**1 182**	**1 008**	**35**	**-**
Foreign taxation				
- Mauritius	8	13	-	-
- Botswana	3	(4)	-	-
Total foreign taxation	**11**	**9**	**-**	**-**
Taxation on income	**1 193**	**1 017**	**35**	**-**
Secondary taxation on companies	-	98	-	-
Total tax charge for the year	**1 193**	**1 115**	**35**	**-**
Tax rate reconciliation				
Profit before taxation as per income statement	5 369	3 797	3 678	849
Total taxation charge in income statement	1 193	1 115	35	-
Less: secondary taxation on companies	-	(98)	-	-
Total taxation on income	**1 193**	**1 017**	**35**	**-**
Effective rate of taxation	22.2%	26.8%	1.0%	0.0%
The standard rate of South African normal taxation has been affected by:				
- dividend income	1.8%	1.1%	28.5%	29.6%
- foreign earnings*	0.1%	0.1%	-	-
- capital gains	3.0%	0.2%	-	-
- other permanent differences	1.9%	0.8%	(0.5%)	(0.6%)
	29.0%	**29.0%**	**29.0%**	**29.0%**

* Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.

Notes to the financial statements

For the year to 31 March R'million	Group				Company			
	2008		2007		2008		2007	
	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million
8. Dividends								
Ordinary dividend								
Final dividend from prior year	180.00	364	125.40	287	180.00	410	125.40	317
Interim dividend for current year	159.50	*497	138.00	341	159.50	541	138.00	373
Total dividend attributable to ordinary shareholders recognised in current financial year	**339.50**	**861**	**263.40**	**628**	**339.50**	**951**	**263.40**	**690**
Perpetual preference dividend								
Final dividend from prior year	887.48	164	759.16	140	428.44	95	366.49	81
Interim dividend for current year	941.02	174	797.50	147	454.04	101	385.00	86
Total dividend attributable to perpetual preference shareholder recognised in current financial year	**1 828.50**	**338**	**1 556.66**	**287**	**882.48**	**196**	**751.49**	**167**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2008 of 202 cents (2007: 180 cents) 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. The Annual General Meeting at which the proposed dividend will be considered for approval is scheduled to take place on 7 August 2008.

The directors have declared a final dividend in respect of the financial year ended 31 March 2008 of 501.41 cents (2007: 428.44 cents) per perpetual preference share (Investec Limited) and 537.23 cents (2007: 459.04 cents) per perpetual preference share (Investec Bank Limited). The final dividend will be payable on 3 July 2008 to shareholders on the register at the close of business on 20 June 2008.

* This includes the dividend paid by Investec Limited on the DAS share equivalent for South African resident shareholders of Investec plc.

For the year to 31 March R'million	Group		Company	
	2008	2007	2008	2007
9. Headline earnings				
Headline earnings attributable to ordinary shareholders				
Earnings attributable to shareholders	4 167	2 645	3 643	849
Preference dividends paid	(338)	(287)	(196)	(167)
Earnings attributable to ordinary shareholders	**3 829**	**2 358**	**3 447**	**682**
Headline adjustments	(1 544)	(33)	-	-
Goodwill impairment	45	115	-	-
Revaluation of investment properties	(449)	(148)	-	-
Profit on disposal of group operations	(889)	-	-	-
Disposal of available for sale instruments	(251)	-	-	-
Headline earnings attributable to ordinary shareholders	**2 285**	**2 325**	**3 447**	**682**

Notes to the financial statements

For the year to 31 March 2008 R'million	At fair value through profit and loss Trading	 Designated at inception	Held to maturity	Loans and receivables
10. Analysis of income and expenses by category of financial instrument				
Group				
2008				
Net interest income	(47)	497	21	9 662
Fee and commission income	165	7	-	325
Fee and commission expense	(3)	-	-	-
Principal transactions	1 797	410	-	-
Operating loss from associates	-	-	-	-
Investment income on assurance activities	-	-	-	-
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-
Other operating income	-	55	-	-
	1 912	**969**	**21**	**9 987**
Claims and reinsurance premiums on insurance business	-	-	-	-
Total operating income net of insurance claims	**1 912**	**969**	**21**	**9 987**
Impairment losses on loans and advances	-	-	-	(439)
Operating income	**1 912**	**969**	**21**	**9 548**
2007				
Net interest income	(146)	345	-	8 276
Fee and commission income	(79)	4	-	168
Fee and commission expense	(3)	(3)	-	5
Principal transactions	416	2 194	-	-
Operating loss from associates	-	-	-	-
Investment income on assurance activities	-	-	-	-
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-
Other operating income	-	37	-	-
	188	**2 577**	**-**	**8 449**
Claims and reinsurance premiums on insurance business	-	-	-	-
Total operating income net of insurance claims	**188**	**2 577**	**-**	**8 449**
Impairment losses on loans and advances	-	-	-	(121)
Operating income	**188**	**2 577**	**-**	**8 328**
Company				
2008				
Net interest income	-	-	-	115
Principal transactions	-	-	-	-
Operating income	**-**	**-**	**-**	**115**
2007				
Net interest income	-	-	-	87
Principal transactions	-	-	-	-
Operating income	**-**	**-**	**-**	**87**

* This includes dividend income from subsidiary companies.

Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Other fee income	Total
-	(6 814)	-	-	-	3 319
-	-	-	233	3 175	3 905
-	(4)	-	-	(239)	(246)
293	(745)	-	647	-	2 402
-	-	-	(1)	-	(1)
-	-	1 322	-	-	1 322
-	-	598	-	-	598
-	-	-	-	-	55
293	**(7 563)**	**1 920**	**879**	**2 936**	**11 354**
-	-	(1 767)	-	-	(1 767)
293	**(7 563)**	**153**	**879**	**2 936**	**9 587**
-	-	-	-	-	(439)
293	**(7 563)**	**153**	**879**	**2 936**	**9 148**
-	(6 152)	-	-	-	2 323
-	-	-	332	2 982	3 407
-	(10)	-	-	(153)	(164)
-	(328)	-	164	-	2 446
-	-	-	(10)	-	(10)
-	-	521	-	-	521
-	-	1 137	-	-	1 137
-	-	-	1	1	39
-	**(6 490)**	**1 658**	**487**	**2 830**	**9 699**
-	-	(1 575)	-	-	(1 575)
-	**(6 490)**	**83**	**487**	**2 830**	**8 124**
-	-	-	-	-	(121)
-	**(6 490)**	**83**	**487**	**2 830**	**8 003**
-	-	-	-	-	115
-	-	-	*3 619	-	3 619
-	**-**	**-**	**3 619**	**-**	**3 734**
-	-	-	-	-	87
-	-	-	867	-	867
-	**-**	**-**	**867**	**-**	**954**

11. Analysis of financial assets and liabilities by measurement basis

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

The table includes investment properties in the analysis of the basis used to determine fair value, as this is an asset carried at fair value with fair value adjustments recognised in the income statement. Assets and liabilities related to the long term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

At 31 March 2008 R'million	At fair value through profit and loss		Held to maturity	Loans and receivables
	Trading	Designated at inception		
Group				
Assets				
Cash and balances at central banks	-	-	-	2 811
Loans and advances to banks	474	-	-	16 086
Cash equivalent advances to customers	745	-	-	7 294
Reverse repurchase agreements and cash collateral on securities borrowed	7 171	-	-	-
Trading securities	12 970	11 713	-	-
Derivative financial instruments	9 679	-	-	-
Investment securities	-	-	-	-
Loans and advances to customers	-	14 423	287	80 087
Securitised assets	-	1 624	-	11 820
Interests in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	1 380	333	-	2 481
Property and equipment	-	-	-	-
Investment properties	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	32 419	28 093	287	120 579
Other financial instruments at fair value through income in respect of				
- liabilities to customers	-	-	-	-
- assets related to reinsurance contracts	-	-	-	-
	32 419	28 093	287	120 579
Liabilities				
Deposits by banks	-	-	-	-
Derivative financial instruments	10 235	-	-	-
Other trading liabilities	4 165	-	-	-
Repurchase agreements and cash collateral on securities lent	1 521	-	-	-
Customer accounts	27	15 988	-	-
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	3 097	-	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	613	358	-	-
	19 658	16 346	-	-
Liabilities to customers under investment contracts				
Insurance liabilities, including unit-linked liabilities				
Reinsured liabilities				
	19 658	16 346	-	-
Subordinated liabilities (including convertible debt)	-	-	-	-
	19 658	16 346	-	-

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 R251 million. The loans, which form part of loans and advances were previously classified as available for sale. Management intend to hold this investment to maturity and thus have reclassified it as a held-to-maturity financial instrument.

Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Total	Assets and liabilities carried at fair value excluding insurance related	Valuation technique applied Level 1	Level 2	Level 3
-	-	-	-	2 811	-	-	-	-
-	-	-	-	16 560	474	474	-	-
-	-	-	-	8 039	745	745	-	-
-	-	-	-	7 171	7 171	7 171	-	-
-	-	-	-	24 683	24 683	20 607	4 076	-
-	-	-	-	9 679	9 679	-	9 428	251
222	-	-	-	222	222	153	69	-
1	-	-	-	94 798	14 424	14 424	-	-
-	-	-	-	13 444	1 624	1 624	-	-
-	-	-	195	195	-	-	-	-
-	-	-	469	469	-	-	-	-
-	-	-	1 401	5 595	1 713	1 713	-	-
-	-	-	165	165	-	-	-	-
-	-	-	2 182	2 182	2 182	-	2 182	-
-	-	-	339	339	-	-	-	-
-	-	-	75	75	-	-	-	-
223	**-**	**-**	**4 826**	**186 427**	**62 917**	**46 911**	**15 755**	**251**
-	-	46 547	-	46 547				
-	-	13 016	-	13 016				
223	**-**	**59 563**	**4 826**	**245 990**	**62 917**	**46 911**	**15 755**	**251**
-	9 427	-	-	9 427	-	-		
-	-	-	-	10 235	10 235	-	10 235	-
-	-	-	-	4 165	4 165	4 165	-	-
-	12	-	-	1 533	1 521	1 521	-	-
-	99 465	-	-	115 480	16 015	-	16 015	-
-	2 524	-	-	2 524	-	-	-	-
-	9 572	-	-	12 669	3 097	-	3 097	-
-	-	-	1 169	1 169	-	-	-	-
-	-	-	558	558	-	-	-	-
-	8 303	-	122	9 396	971	971	-	-
-	**129 303**	**-**	**1 849**	**167 156**	**36 004**	**6 657**	**29 347**	**-**
-	-	46 289	-	46 289				
-	-	258	-	258				
-	-	13 016	-	13 016				
-	**129 303**	**59 563**	**1 849**	**226 719**	**36 004**	**6 657**	**29 347**	**-**
-	4 710	-	-	4 710	-	-	-	-
-	**134 013**	**59 563**	**1 849**	**231 429**	**36 004**	**6 657**	**29 347**	**-**

At 31 March 2007 R'million	At fair value through profit and loss Trading	 Designated at inception	Loans and receivables
11. Analysis of financial assets and liabilities by measurement basis (continued)			
Group			
Assets			
Cash and balances at central banks	-	-	851
Loans and advances to banks	13	-	22 552
Cash equivalent advances to customers	685	-	6 773
Reverse repurchase agreements and cash collateral on securities borrowed	4 895	-	-
Trading securities	10 178	10 517	-
Derivative financial instruments	5 902	-	-
Investment securities	-	27	-
Loans and advances to customers	-	13 007	55 574
Securitised assets	-	1 929	9 878
Interests in associated undertakings	-	-	-
Deferred taxation assets	-	-	-
Other assets	1 611	527	5 352
Property and equipment	-	-	-
Investment properties	-	-	-
Goodwill	-	-	-
Intangible assets	-	-	-
	23 284	26 007	100 980
Other financial instruments at fair value through income in respect of			
- liabilities to customers	-	-	-
- assets related to reinsurance contracts	-	-	-
	23 284	26 007	100 980
Liabilities			
Deposits by banks	-	-	-
Derivative financial instruments	5 670	-	-
Other trading liabilities	3 203	-	-
Repurchase agreements and cash collateral on securities lent	2 378	-	-
Customer accounts	18	13 003	-
Debt securities in issue	-	-	-
Liabilities arising on securitisation	4 611	-	-
Current taxation liabilities	-	-	-
Deferred taxation liabilities	-	-	-
Other liabilities	1 000	-	-
	16 880	13 003	-
Liabilities to customers under investment contracts			
Insurance liabilities, including unit-linked liabilities			
Reinsured liabilities			
	16 880	13 003	-
Subordinated liabilities (including convertible debt)	-	-	-
	16 880	13 003	-

	Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Total	Assets and liabilities carried at fair value excluding insurance related	Valuation technique applied Level 1	Level 2	Level 3
	-	-	-	-	851	-	-	-	-
	-	-	-	-	22 565	13	13	-	-
	-	-	-	-	7 458	685	685	-	-
	-	-	-	-	4 895	4 895	4 895	-	-
	-	-	-	-	20 695	20 695	18 003	2 692	-
	-	-	-	-	5 902	5 902	4	5 570	328
	387	-	-	-	414	414	123	291	-
	414	-	-	-	68 995	13 421	-	13 421	-
	-	-	-	-	11 807	1 929	-	1 929	-
	-	-	-	221	221	-	-	-	-
	-	-	-	444	444	-	-	-	-
	-	-	-	80	7 570	2 138	2 138	-	-
	-	-	-	124	124	-	-	-	-
	-	-	-	1 213	1 213	1 213	-	1 213	-
	-	-	-	384	384	-	-	-	-
	-	-	-	255	255	-	-	-	-
	801	**-**	**-**	**2 721**	**153 793**	**51 305**	**25 861**	**25 116**	**328**
	-	-	42 942	-	42 942				
	-	-	14 094	-	14 094				
	801	**-**	**57 036**	**2 721**	**210 829**	**51 305**	**25 861**	**25 116**	**328**
	-	12 959	-	-	12 959	-	-	-	-
	-	-	-	-	5 670	5 670	3	5 667	-
	-	-	-	-	3 203	3 203	3 203	-	-
	-	-	-	-	2 378	2 378	2 378	-	-
	-	78 014	-	-	91 035	13 021	-	13 021	-
	-	1 343	-	-	1 343	-	-	-	-
		7 124			11 735	4 611	-	4 611	-
	-		-	918	918	-	-	-	-
	-	-	-	605	605	-	-	-	-
	-	8 245	-	394	9 639	1 000	1 000	-	-
	-	**107 685**	**-**	**1 917**	**139 485**	**29 883**	**6 584**	**23 299**	**-**
	-	-	42 648	-	42 648				
	-	-	294	-	294				
	-	-	14 094	-	14 094				
	-	**107 685**	**57 036**	**1 917**	**196 521**	**29 883**	**6 584**	**23 299**	**-**
	-	3 029	-	-	3 029	-	-	-	-
	-	**110 714**	**57 036**	**1 917**	**199 550**	**29 883**	**6 584**	**23 299**	**-**

At 31 March 2008 R'million	At fair value through profit and loss - Designated at inception	Loans and receivables
11. Analysis of financial assets and liabilities by measurement basis (continued)		
Company		
Assets		
Loans and advances to banks	-	30
Loans and advances to customers	-	1
Other assets	-	1
Investment in subsidiaries	-	1 542
	-	1 574
Liabilities		
Current taxation liabilities	-	-
Other liabilities	-	-
Subordinated liabilities (including convertible debt)	-	-
	-	-
At 31 March 2007		
Company		
Assets		
Loans and advances to banks	-	28
Trading securities	1	-
Loans and advances to customers	-	3
Other assets	-	-
Investment in subsidiaries	-	777
	1	808
Liabilities		
Current taxation liabilities	-	-
Other liabilities	-	-
Subordinated liabilities (including convertible debt)	-	-
	-	-

The fair value of the trading securities designated at fair value through profit or loss has been determined using the quoted market price for identical instruments in an active market.

Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Total
-	-	-	-	30
-	-	-	-	1
-	-	-	-	1
-	-	-	7 693	9 235
-	**-**	**-**	**7 693**	**9 267**
-	-	-	122	122
-	432	-	49	481
-	379	-	-	379
-	**811**	**-**	**171**	**982**
-	-	-	-	28
-	-	-	-	1
-	-	-	-	3
-	-	-	-	-
			5 784	6 561
-	**-**	**-**	**5 784**	**6 593**
-	-	-	84	84
-	827	-	-	827
-	379	-	-	379
-	**1 206**	**-**	**84**	**1 290**

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For the year to 31 March R'million	Group 2008	 2007	Company 2008	 2007
12. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Reverse repurchase agreements	1 820	2 343	-	-
Cash collateral on securities borrowed	5 351	2 552	-	-
	7 171	**4 895**	**-**	**-**
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. R5.8 billion (2007: R4.7 billion) has been resold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions				
Liabilities				
Repurchase agreements	1 497	2 165	-	-
Cash collateral on securities lent	36	213	-	-
	1 533	**2 378**	**-**	**-**

At 31 March R'million	Group 2008 Fair value	 Cumulative unrealised gains/losses	 2007 Fair value	 Cumulative unrealised gains/losses	Company 2008 Fair value	 Cumulative unrealised gains/losses	 2007 Fair value	 Cumulative unrealised gains/losses
13. Trading securities								
Listed equities	5 815	130	6 072	(468)	-	-	-	-
Unlisted equities	3 402	2 033	2 497	1 299	-	-	1	-
Promissory notes	196	7	569	19	-	-	-	-
Liquid asset bills	2 321	23	3 844	39	-	-	-	-
Debentures	12 235	99	4 964	60	-	-	-	-
Bonds	714	17	2 749	56	-	-	-	-
	24 683	**2 309**	**20 695**	**1 005**	**-**	**-**	**1**	**-**

14. 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 R'million	2008 Notional principal amounts	Positive fair value 2008	Negative fair value 2008	2007 Notional principal amounts	Positive fair value 2007	Negative fair value 2007
Foreign exchange derivatives						
Forward foreign exchange	12 160	208	969	68 249	850	1 133
Currency swaps	76 656	3 485	3 114	5 208	175	-
OTC options	5 293	93	31	3 651	16	21
Other foreign exchange contracts	-	2	4	-	-	-
OTC derivatives	94 109	3 788	4 118	77 108	1 041	1 154
Exchange traded futures	1 169	*	*	-	-	-
Exchange traded option	-	-	-	-	-	-
	95 278	**3 788**	**4 118**	**77 108**	**1 041**	**1 154**
Interest rate derivatives						
Caps and floors	11 799	31	56	16 076	19	21
Swaps	244 241	4 410	4 725	250 402	1 809	1 934
Forward rate agreements	527 712	707	662	548 653	288	370
OTC options	9 370	10	1	25 371	13	5
Other interest rate contracts	-	-	-	-	-	-
OTC derivatives	793 122	5 158	5 444	840 502	2 129	2 330
Exchange traded futures	-	-	-	4 752	-	3
	793 122	**5 158**	**5 444**	**845 254**	**2 129**	**2 333**
Equity and stock index derivatives						
OTC options	8 107	482	545	1 021	871	512
Equity swaps and forwards	-	-	-	112	36	-
OTC derivatives	8 107	482	545	1 133	907	512
Exchange traded futures	13 618	*	*	3 198	1	-
Exchange traded options	986	*	*	575	3	-
Warrants	216	-	96	560	-	222
	22 927	**482**	**641**	**5 466**	**911**	**734**
Commodity derivatives						
OTC options	225	-	2	2 758	1 337	1 343
Commodity swaps and forwards	31	-	30	3 241	156	106
	256	**-**	**32**	**5 999**	**1 493**	**1 449**
Credit derivatives						
Credit swaps	195	1	-	-	-	-
	195	**1**	**-**	**-**	**-**	**-**
Embedded derivatives	**-**	**250**	**-**	**-**	**328**	**-**
Gross fair values		**9 679**	**10 235**		**5 902**	**5 670**
Effect of on balance sheet netting		-	-		-	-
Derivatives per balance sheet		**9 679**	**10 235**		**5 902**	**5 670**

* Less than R1 million.

Notes to the financial statements

At 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
15. Investment securities				
Listed equities	153	123	-	-
Unlisted equities	69	264	-	-
Bonds	-	27	-	-
	222	**414**	**-**	**-**

16. Designated at fair value: loans and receivables and financial liabilities

At 31 March R'million	Carrying value	Fair value adjustment		Maximum exposure to credit risk
		Year to date	Cumulative	
Loans and receivables				
2008				
Loans and advances to customers	14 423	698	2 070	14 423
	14 423	**698**	**2 070**	**14 423**
2007				
Loans and advances to customers	13 007	(390)	(510)	13 007
	13 007	**(390)**	**(510)**	**13 007**

Given the lack of market related credit discount rates for these specific assets, the group has been unable to determine fair value adjustments related to credit risk.

	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment	
			Year to date	Cumulative
Financial liabilities				
2008				
Customer accounts	15 988	16 041	(192)	(53)
Other liabilities	358	277	35	81
	16 346	**16 318**	**(157)**	**28**
2007				
Customer accounts	13 003	12 863	(146)	140
	13 003	**12 863**	**(146)**	**140**

Notes to the financial statements

At 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
17. Loans and advances to customers				
Category analysis				
Private bank	64 317	47 436	-	-
Corporate sector	19 361	13 048	1	3
Financial institutions other than banks	9 464	7 151	-	-
Public and government sector	1 094	905	-	-
Trade finance	1 001	761	-	-
Other	-	7	-	-
	95 237	**69 308**	**1**	**3**
Specific impairment	(367)	(240)	-	-
Portfolio impairment	(72)	(73)	-	-
	94 798	**68 995**	**1**	**3**
Specific and portfolio impairments				
Reconciliation of movements in group specific and portfolio impairments				
Specific impairment				
Balance at beginning of year	240	240	-	-
Charge to the income statement	428	135	-	-
Acquired	2	(2)	-	-
Utilised	(355)	(135)	-	-
Exchange adjustment	52	2	-	-
Balance at end of year	**367**	**240**	**-**	**-**
Portfolio impairment				
Balance at beginning of year	73	93	-	-
Charge to the income statement	11	(14)	-	-
Utilised	2	(6)	-	-
Exchange adjustment	(14)	-	-	-
Balance at end of year	**72**	**73**	**-**	**-**
Impairments of loans and advances to customers can be analysed between core and non-core loans and advances o customers as follows:				
Specific impairment				
- Core loans	303	240	-	-
- Non-core loans	64	-	-	-
	367	**240**	**-**	**-**
Portfolio impairment				
- Core loans	72	73	-	-
- Non-core loans	-	-	-	-
	72	**73**	**-**	**-**

Notes to the financial statements

At 31 March R'million	Group 2008	 2007
18. Securitised assets		
Securitised assets are made up of the following categories of assets:		
Loans and advances to customers	11 598	9 415
Loans and advances to banks	223	414
Other assets	-	52
Other financial instruments at fair value	1 624	1 929
	13 445	**11 810**
Impairment of loans and advances to customers	(1)	(3)
Total securitised assets	**13 444**	**11 807**
The associated liabilities are recorded on balance sheet in "Liabilities arising on securitisation".		
Carrying value at year end	**12 669**	**11 735**
Securitised loans and advances to customers		
Category analysis		
Private banking - professional and high net worth individuals	9 179	8 575
Corporate sector	2 419	840
	11 598	**9 415**
Specific impairments	(1)	(1)
Portfolio impairments	*	(2)
	11 598	**9 412**

* Less than R1 million

Liabilities arising on securitisation

Liabilities arising on securitisation include bonds and medium term notes repayable. Of the R12.6 billion securitised liabilities, R12.2 billion are listed on the Bond Exchange of South Africa and have maturity dates as noted below:

R5.2 billion
Final legal maturity of 26 June 2008.

R26.3 million
Final legal maturity of 10 June 2018.

R91.7 million
Final legal maturity of 10 January 2045.

R2.0 billion
Final legal maturity of 15 October 2031.

R2.5 billion
Final legal maturity of 15 December 2010.

R1.2 billion
Final legal maturity of 15 December 2012.

R1.2 billion
Final legal maturity of 20 April 2024.

Notes to the financial statements

At 31 March R'million	Group 2008	 2007
19. Interest in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	195	221
Investment in associated undertaking	**195**	**221**
Analysis of the movement in our share of net assets:		
At beginning of year	221	-
Acquisitions	-	83
Repayment of loans	(25)	
Loan to associate	-	148
Share of associate losses	(1)	(10)
Share of net asset value at end of year	**195**	**221**
Associated undertakings:		
Unlisted	195	221
	195	**221**
The group holds 23.9% of the shareholding of Global Ethanol Holdings Limited, a company incorporated in Australia. The directors' valuation of the investment in associate approximates its carrying value.		
Summary of Global Ethanol's assets and liabilities:		
Assets	2 761	2 231
Liabilities	1 880	826

Notes to the financial statements

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
20. Deferred taxation				
20.1 Deferred taxation asset				
Income and expenditure accruals	469	444	-	-
	469	**444**	**-**	**-**
20.2 Deferred tax liability				
Unrealised fair value adjustments on financial instruments	513	563	-	-
Other temporary differences	45	42	-	-
	558	**605**	**-**	**-**
Net deferred tax liability	**(89)**	**(161)**	**-**	**-**
Reconciliation of net deferred tax liability				
Opening balance	(161)	85	-	-
Charge to the income statement	179	(123)	-	-
Charged directly to equity	(107)	(27)	-	-
Secondary tax on companies credits utilised	-	(96)	-	-
Closing balance	**(89)**	**(161)**	**-**	**-**
Total deferred tax on available for sale instruments recognised directly in equity	(134)	(27)	-	-

Deferred tax assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
21. Other assets				
Settlement debtors	1 413	4 565	-	-
Dealing properties	342	342	-	-
Accruals and prepayments	418	542	-	-
Other debtors	3 422	2 121	1	-
	5 595	**7 570**	**1**	**-**

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
22. Property and equipment					
Group					
2008					
Cost					
At beginning of year	17	19	135	245	416
Additions	-	1	17	75	93
Disposals	-	-	(11)	(22)	(33)
At end of year	**17**	**20**	**141**	**298**	**476**
Accumulated depreciation and impairment					
At beginning of year	(12)	(2)	(93)	(185)	(292)
Disposals	-	-	8	22	30
Depreciation	-	(3)	(6)	(40)	(49)
Reclassification	-	-	(4)	4	-
At end of year	**(12)**	**(5)**	**(95)**	**(199)**	**(311)**
Net book value	**5**	**15**	**46**	**99**	**165**
2007					
Cost					
At beginning of year	17	5	125	220	367
Additions	-	17	18	38	73
Disposals	-	(3)	(8)	(13)	(24)
At end of year	**17**	**19**	**135**	**245**	**416**
Accumulated depreciation and impairment					
At beginning of year	(12)	(3)	(85)	(163)	(263)
Disposals	-	3	2	6	11
Depreciation	-	(2)	(10)	(28)	(40)
At end of year	**(12)**	**(2)**	**(93)**	**(185)**	**(292)**
Net book value	**5**	**17**	**42**	**60**	**124**

At 31 March R'million	Group 2008	 2007
23. Investment properties		
At fair value		
At beginning of year	1 213	1 748
Additions	376	9
Disposals	(46)	(776)
Revaluation	639	232
At end of year	**2 182**	**1 213**

The group values its investment properties twice annually. The properties were valued by directors who are sworn valuers of the company concerned. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time. Investment properties are carried at fair value. No investment properties are occupied by group companies.

Notes to the financial statements

At 31 March R'million	Group 2008	 2007
24. Goodwill		
Cost		
At beginning of year	1 270	1 270
At end of year	**1 270**	**1 270**
Accumulated impairments		
At beginning of year	(886)	(771)
Impairment raised in current year	(45)	(115)
At end of year	**(931)**	**(886)**
Net book value	**339**	**384**
Analysis of goodwill by line of business		
Private Client Portfolio Management and Stockbroking	36	36
Asset Management	299	344
Property Activities	4	4
Total group	**339**	**384**

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 cash flows 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 and adjusted for expected future events.

2008

Impairment losses comprises:

- R45 million in respect of a portfolio of businesses acquired from Fedsure Group. The impairment was in the Asset Management segment. The impairment calculation was based on a discounted cash flow valuation, utilising a discount rate of 14.5%.

2007

Impairment losses comprises:

- R115 million in respect of the portfolio of businesses acquired from Fedsure Group. The impairment calculation was based on a discounted cashflow valuation, utilising a discount rate of 10%. R87 million of the impairment was in the Asset Management segment and R28 million was in the Property segment.

At 31 March R'million	Group Acquired contracts	 Acquired software	 Internally generated software	 Total
25. Intangible assets				
2008				
Cost				
At beginning of year	243	133	30	406
Additions	-	38	22	60
Disposals	(243)	(1)	-	(244)
At end of year	**-**	**170**	**52**	**222**
Accumulated amortisation and impairment				
At beginning of year	(41)	(92)	(18)	(151)
Disposals	49	1	-	50
Amortisation	(8)	(32)	(6)	(46)
At end of year	**-**	**(123)**	**(24)**	**(147)**
Net book value	**-**	**47**	**28**	**75**
2007				
Cost				
At beginning of year	87	98	12	197
Acquisition of subsidiary	148	-	-	148
Additions	8	37	18	63
Disposals	-	(2)	-	(2)
At end of year	**243**	**133**	**30**	**406**
Accumulated amortisation and impairment				
At beginning of year	(20)	(79)	(6)	(105)
Amortisation	(21)	(13)	(12)	(46)
At end of year	**(41)**	**(92)**	**(18)**	**(151)**
Net book value	**202**	**41**	**12**	**255**

2008

Charge to the income statement of R46 million comprises the following:

- Amortisation of acquired software and internally generated software of R38 million which is included in depreciation and amortisation of property, equipment and software.
- Amortisation of acquired contracts of R8 million which is included in business expenses.

2007

Charge to the income statement of R46 million comprises the following:

- Amortisation of acquired software and internally generated software of R25 million which is included in depreciation and amortisation of property, equipment and software.
- Amortisation of acquired contracts of R21 million which is included in business expenses.

At 31 March
R'million

26. Acquisitions and disposals

2008

Disposals

The sale of the group's South African property fund management and property administration business to Growthpoint was approved by the Competition Tribunal of South Africa on 18 October 2007. A non-operating gain of R998 million (R886 million post tax) was recognised on the sale of this business. Proceeds received on the sale were in the form of Growthpoint units, being a listed instrument carried at fair value through profit and loss. Fair value of the consideration received was R1 362 million.

In addition to the above sale, there were various immaterial disposals of group operations that resulted in a profit on disposal of R3 million.

2007

Acquisitions

On 17 October 2006, Investec Property Group Limited (a subsidiary of Investec Limited) acquired a 100% holding in Spire Property Services (Pty) Ltd ("Spire"), a company engaged in the management of properties. The acquisition was satisfied by the payment of cash. The acquisition resulted in an increase in intangible assets of R148 million, which relate to the management contracts in Spire.

Notes to the financial statements

At 31 March R'million	Nature of business	Issued ordinary capital	Holding %	Shares at book value R'million 2008	Shares at book value R'million 2007	Net indebtness R'million 2008	Net indebtness R'million 2007
27. Investment in subsidiaries							
Direct subsidiaries of Investec Limited							
Investec Bank Ltd Ä	Bank	R 19 225 866	100	7 023	5 173	133	194
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R 200	100	-	(110)	-	-
Investec Assurance Ltd Ä	Insurance company	R 10 000 000	100	10	10	-	-
Investec Employee Benefits Holdings (Pty) Ltd Ä	Investment holding	R 1	100	*	*	669	(1)
Investec Hong Kong (Pty) Ltd _	Investment holding	HKD 2	100	*	(1)	-	-
Investec Int. Holdings (Gibraltar) (Ltd) §	Investment holding	£1 000	100	239	382	-	-
Investec Personal Financial Services (Pty) Ltd Ä	Stockbroking	R 7 000	100	21	36	-	-
Investec Securities Ltd Ä	Stockbroking	R 172 000	100	132	132	(36)	(36)
Sibvest Limited Ä	Investment holding	R100	100	97	97	(98)	(98)
Fedsure International Ltd Ä	Investment holding	R 1 012 456	100	149	149	-	-
Investec Property Group Holdings Ltd Ä	Investment holding	R 3 000	100	*	*	-	-
Other subsidiaries				22	(84)	874	718
				7 693	**5 784**	**1 542**	**777**
Indirect subsidiaries of Investec Limited							
Grayinvest Limited Ä	Investment holding	R 1 000	100				
Investec Asset Management (Pty) Ltd Ä	Asset management	R 50 000	100				
Investec Insurance Brokers (Pty) Ltd Ä	Insurance broking	R 2	100				
Investec Fund Managers SA Ltd Ä	Unit trust management	R 8 000 000	100				
Investec Bank (Mauritius) Ltd i	Banking	R281 630 447	100				
Investec Property Ltd Ä	Property trading	R 1 174	100				
Reichmans Holdings Ltd Ä	Trade financing	R 15	100				
Investec Employee Benefits Ltd Ä	Long-term Insurance	R 7 544 000	100				
Traded Endowment Policies Ltd (Formerly Fedsure Traded Endowments Ltd)^	Endowments trading	£28 530 788	100				

Loans to/(from) subsidiaries are interest bearing, with no fixed terms of repayment.

Details of subsidiary and associated companies which are not material to the financial position of the group are not stated above.

Investec Limited has no equity interest in the following special purpose vehicles, but they are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entity.

- PEU II Ltd.
- Securitisation entities:
  - Private Mortgages 1 (Pty) Ltd.
  - Private Mortgages 2 (Pty) Ltd.
  - Private Mortgages 3 (Pty) Ltd.
  - Private Residential Mortgages (Pty) Ltd.
  - Private Commercial Mortgages (Pty) Ltd.
  - Grayston Conduit 1 (Pty) Ltd.
  - Corporate Finance Solutions Receivables (Pty) Ltd.

i Mauritius.
Ä South Africa.
_ Hong Kong.
§ Gibraltar.
^ United Kingdom.
* Less the R1 million.

The following subsidiaries are not consolidated for regulatory purposes:
Investec Assurance Ltd.
Investec Employee Benefits Holdings (Pty) Ltd and its subsidiaries.

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

Notes to the financial statements

At 31 March R'million	Group 2008	 2007
28. Long-term assurance business attributable to shareholder		
Liabilities to customers under investment contracts	46 289	42 648
Investec Employee Benefits Limited ("IEB")	6 510	7 329
Investec Assurance Limited	39 779	35 319
Insurance liabilities, including unit-linked liabilities - IEB	258	294
Reinsured liabilities - IEB	13 016	14 094
Total policyholder liabilities	**59 563**	**57 036**
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	6 670	7 517
Reinsured assets	13 016	14 094
Other assets	98	106
	19 784	**21 717**
Investments shown above comprise:		
Interest bearing securities	1 294	1 125
Stocks, shares and unit trusts	4 203	4 884
Deposits	1 173	1 508
	6 670	**7 517**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	38 882	33 917
Debtors and prepayments	612	956
Other assets	285	446
Assets of long-term assurance fund attributable to policyholders	**39 779**	**35 319**
Investments shown above comprise:		
Interest bearing securities	2 892	2 263
Stocks, shares and unit trusts	24 247	20 567
Deposits	11 743	11 087
	38 882	**33 917**

The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of the linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets under the policy.

	2008	2007
Income statement items related to assurance activities		
Investment income on assurance activities	1 322	521
Premiums and reinsurance recoveries on insurance contracts	598	1 137
Claims and reinsurance premiums on insurance business	(1 767)	(1 575)
Operating expenses	(88)	(59)
Net income before taxation	65	24
Taxation	(19)	(7)
Net income after taxation	**46**	**17**

Financial statements

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
29. Other trading liabilities				
Short positions				
- equities	3 660	2 121	-	-
- gilts	505	1 082	-	-
	4 165	**3 203**	**-**	**-**
30. Debt securities in issue				
Remaining maturity of unlisted debt securities in issue:				
Not more than three months	1 104	275	-	-
Over three months but not more than one year	1 420	1 068	-	-
	2 524	**1 343**	**-**	**-**
Debt securities are made up of unlisted negotiable certificates of deposit (NCDs).				
31. Current taxation liabilities				
Income taxation payable	1 068	798	122	84
Indirect taxes payable	101	120	-	-
	1 169	**918**	**122**	**84**
32. Other liabilities				
Settlement liabilities	1 489	3 859	-	-
Cumulative redeemable preference shares including accrued dividends	3 309	2 651	405	755
Other non interest bearing liabilities	2 025	1 199	10	11
Other creditors and accruals	2 573	1 930	66	61
	9 396	**9 639**	**481**	**827**

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
33. Subordinated liabilities (including convertible debt)				
Issued by Investec Limited				
Class "A" Series I Unsecured subordinated compulsorily convertible debentures ("CCD's")	-	-	154	154
Class "A" Series II Unsecured subordinated CCDs	-	-	225	225
Issued by Investec Bank Limited				
- a wholly owned subsidiary of Investec Limited				
Unsecured subordinated CCDs	19	68	-	-
IV01 16% subordinated bonds 2012 issued in South African Rand	180	526	-	-
IV02 12.55% Subordinated unsecured callable bonds	-	1 000	-	-
IV03 16% subordinated bonds 2017 issued in South African Rand	1 508	1 435	-	-
IV04 10.75% Subordinated unsecured callable bonds	2 062	-	-	-
IV07 Subordinated unsecured callable bonds	941	-	-	-
	4 710	3 029	379	379
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand				
Remaining maturity:				
One year or less, or on demand	19	-	154	-
More than one year, but not more than two years	-	68	-	154
More than two years, but not more than five years	180	526	225	225
More than five years	4 511	2 435	-	-
	4 710	3 029	379	379

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

The compulsorily convertible debentures issued by Investec Bank Limited were split at issue into their debt and equity components. The equity components were sold to employee share trusts. The debt components were sold to third parties, represented by the amounts above.

Series I and II Class "A" debentures

Interest is payable six monthly in arrears on 1 May and 1 November of each year at a variable rate of 3% below the official rate as defined in the 7th schedule of the South African Income Tax Act of 1962. The debentures convert into ordinary shares, on a one for one basis, at the election of the holders. If not converted by election, the Series I debentures will automatically convert on 1 October 2008. The Series II debentures will automatically convert on 4 December 2010.

The debentures are all held by the staff share schemes and are eliminated on consolidation. The unissued debentures are under control of the directors until the next annual general meeting.

Unsecured subordinated CCDs

The CCDs will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date.

The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 17 869 970 Investec Limited ordinary shares.

IV01 16% subordinated bonds

R180 million (2007: R526 million) Investec Bank Limited 16% local registered unsecured subordinated bonds are due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012. During the year, R346 million IV01 bonds were redeemed.

IV02 12.55% subordinated unsecured callable bonds

R0 (2007: R1 000 million) Investec Bank Limited IV02 subordinated 12.55% unsecured callable bonds. R1 000 million Investec

33. Subordinated debt (continued)

Bank Limited IV02 subordinated 12.55% unsecured callable bonds were redeemed at 31 March 2008. The bonds redemption date was 31 March 2013 but the company exercised the option to call the bonds on 31 March 2008.

IV03 16% subordinated bonds
R1 508 million (2007: R1 435 million) Investec Bank Limited local registered unsecured subordinated bonds are due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 3-month JIBAR plus 200 basis points until maturity. The settlement date of the bonds is 31 March 2017.

IV04 10.75% subordinated unsecured callable bonds
R2 062 million (2007: nil) Investec Bank Limited local registered unsecured subordinated bonds are due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

IV07 subordinated unsecured callable bonds
R941 million (2007: nil) Investec Bank Limited IV07 local registered unsecured subordinated callable bonds are due in 2018. Interest is paid at 3-month JIBAR plus 140 basis points until 31 March 2013. Interest is payable quarterly in arrears. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a 3-month JIBAR plus 200 basis points.

34. Ordinary share capital

At 31 March R'million	Group 2008	2007	Company 2008	2007
Authorised				
277 500 000 (2007: 277 500 000) ordinary shares of R0.0002 (2007: R0.0002) each.				
Issued				
234 311 314 (2007: 227 671 420) ordinary shares of R0.0002 (2007: R0.0002) each.	1	1	1	1

The unissued shares are under the control of the directors until the next Annual General Meeting.

At 31 March	2008	2007
35. Treasury shares		
Treasury shares held by subsidiaries of Investec Limited	R'million	R'million
Investec Limited ordinary shares	1 232	1 198
Options held to acquire Investec Limited shares	(5)	(21)
	1 227	1 177
Number of Investec Limited ordinary shares held by subsidiaries	28 413 734	26 901 375
Reconciliation of treasury shares	Number	Number
Opening balance	26 901 375	23 122 105
Purchase of own shares by subsidiary companies	6 639 894	7 673 786
Shares disposed of by subsidiaries	(5 127 535)	(3 894 516)
Closing balance	28 413 734	26 901 375
	R'million	R'million
Market value of treasury shares	1 632	2 510

At 31 March R'million	Group 2008	 2007	Company 2008	 2007
36. Perpetual preference shares				
Authorised				
100 000 000 (2007:100 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.				
Issued				
22 182 000 (2007: 22 182 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R104.49 per share.	2 309	2 309	2 309	2 309

Preference shareholders will be entitled to receive dividends if declared, at a rate of 70% of prime on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.

An ordinary dividend will not be declared by Investec Limited 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 Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

At 31 March R'million	2008	2007
37. Minority interests		
Minority interests in partially held subsidiaries	11	20
Perpetual preference shares issued by subsidiary	1 491	1 491
Authorised		
70 000 000 (2007: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.		
Issued		
15 000 000 (2007: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each, issued at a premium of R99,99 per share.		
	1 502	1 511

Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of prime interest rate on the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.

An ordinary dividend will not be declared by Investec Bank Limited 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 Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

At 31 March R'million	Group 2008 Total future minimum payments	Group 2008 Present value	Group 2007 Total future minimum payments	Group 2007 Present value
38. Miscellaneous balance sheet disclosure				
Finance lease receivables included in loans and advances to customers				
Lease receivables in:				
Less than 1 year	259	182	302	252
1-5 years	388	318	248	204
	647	**500**	**550**	**456**
Unearned finance income	**147**		**94**	

At 31 March 2008 and 31 March 2007, there were no unguaranteed residual values.

39. Notes to cash flow statement

For the year 31 March R'million	Group 2008	Group 2007	Company 2008	Company 2007
Cash flows from operations is derived as follows:				
Profit before taxation	5 369	3 797	3 678	849
Adjustments for:				
Interest expense on subordinated debt (including convertible debt)	24	(40)	-	-
Depreciation and impairment of property and equipment	41	65	-	-
Fair value gains on investment properties	(639)	(232)	-	-
Amortisation of intangible assets	46	21	-	-
Impairment of goodwill	45	115	-	-
Impairment of loans and advances	439	121	-	-
Share based payments expense	303	239	292	234
Profit on sale of subsidiaries	(1 001)	(2)	-	-
Operating loss from associate	1	10	-	-
Cash flow from operating activities	**4 628**	**4 094**	**3 970**	**1 083**

Notes to the financial statements

For the year to 31 March R'million	Group 2008	 2007
40. Related party transactions		
Compensation to the board of directors and other key management personnel*		
Short-term employee benefits	521	418
Share-based payment	70	52
	591	**470**

* Key management personnel are board directors and members of the Global Operations Forum.

R'million	2008 Balance at end of year	2007 Balance at end of year
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	369	385
Guarantees	10	15
Deposits	(368)	(146)
	11	**254**
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. The transactions did not involve more than the normal risk of repayment.		
Transactions with other related parties		
Various members of key management personnel are members of the board of directors of other companies. At 31 March 2008, Investec Limited Group had the following loans outstanding from these related parties	178	310
F Titi had a 11% holding in Tiso Group. At 31 March Investec Limited group had the following total investments in Tiso Group and its affiliate companies	295	286

During the current year, F Titi disposed of his holding in Tiso Group, hence this is no longer a related party.

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.

Refer to note 27 for loans to/(from) subsidiaries.

Notes to the financial statements

At 31 March R'million	Group 2008	 2007
41. Commitments		
Undrawn facilities	29 565	7 567
	29 565	**7 567**
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		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	153	212
1-5 years	1 038	1 033
Later than 5 years	2 273	2 092
	3 464	**3 337**
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% percent per annum. The majority of the leases have renewal options.		
42. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
- guarantees and irrevocable letters of credit	5 467	4 606
	5 467	**4 606**

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

There were no commitments or contingent liabilities at 31 March for Investec Limited company.

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.

A number of legal actions have been instituted against Investec Employee Benefits Limited (IEB), a subsidiary of Investec Limited, which they are defending. The legal claims were instituted against IEB by various industrial pension and provident funds during 2003 and 2004. The legal claims are based primarily on allegations that IEB breached certain alleged implied terms of policies issued by them. IEB will only have an obligation to pay legal claims once a final judgement has been made. IEB's legal representative has advised that the funds have a difficult claim to prove and there is a reasonable prospect that IEB will successfully defend the claims. IEB's insurers have indicated that the possible claims are covered by existing insurance cover, subject to policy exclusions. The directors of IEB are of the opinion that the provisions created are adequate to cover any potential loss and are not excessive.

43. 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 Capital Markets. 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 R'million	Description of financial instrument being hedged	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						
Interest rate swaps						
- liabilities	Subordinated bonds	45	134	207	(135)	(198)
		45	**134**	**207**	**(135)**	**(198)**
2007						
Interest rate swaps						
- liabilities	Subordinated bonds	162	73	118	(63)	(112)
		162	**73**	**118**	**(63)**	**(112)**

At year end there were no cash flow hedges.

At 31 March R'million	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
44. Liquidity analysis of financial liabilities based on undiscounted cash flows								
Group								
2008								
Deposits by banks	183	696	1 228	195	3 789	3 718	-	9 809
Derivative financial instruments	10 019	-	8	11	86	177	709	11 010
Repurchase agreements and cash collateral on securities lent	1 521	-	-	12	-	-	-	1 533
Customer accounts	35 881	18 797	21 456	5 140	7 799	3 394	1 428	93 895
Debt securities in issue	-	2 902	5 575	7 568	10 447	923	31	27 446
Liabilities arising on securitisation	109	2 174	2 615	9	-	4 653	3 108	12 668
Other liabilities	1 781	5 449	1 288	968	266	3 662	193	13 607
	49 494	**30 018**	**32 170**	**13 903**	**22 387**	**16 527**	**5 469**	**169 968**
Subordinated liabilities (including convertible debt)	-	-	-	-	-	180	4 530	4 710
On balance sheet liabilities	**49 494**	**30 018**	**32 170**	**13 903**	**22 387**	**16 707**	**9 999**	**174 678**
Off balance sheet liabilities	5 308	-	1 246	72	349	3 748	1 252	11 975
Total liabilities	**54 802**	**30 018**	**33 416**	**13 975**	**22 736**	**20 455**	**11 251**	**186 653**
2007								
Deposits by banks	356	4 997	712	61	618	7 649	213	14 606
Derivative financial instruments	5 491	-	38	2	4	115	503	6 153
Repurchase agreements and cash collateral on securities lent	2 378	-	-	-	-	-	-	2 378
Customer accounts	29 674	12 946	16 995	6 127	6 156	1 561	1 134	74 593
Debt securities in issue	-	4 813	4 837	5 711	7 086	552	-	22 999
Liabilities arising on securitisation	328	1 861	2 253	198	28	7 266	5	11 939
Other liabilities	7 972	313	1 046	484	435	1 908	481	12 639
	46 199	**24 930**	**25 881**	**12 583**	**14 327**	**19 051**	**2 336**	**145 307**
Subordinated liabilities (including convertible debt)	-	-	-	-	-	489	2 540	3 029
On balance sheet liabilities	**46 199**	**24 930**	**25 881**	**12 583**	**14 327**	**19 540**	**4 876**	**148 336**
Off balance sheet liabilities	2 525	50	215	552	-	88	16	3 446
Total liabilities	**48 724**	**24 980**	**26 096**	**13 135**	**14 327**	**19 628**	**4 892**	**151 782**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, 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 page 53.

At 31 March R'million	Up to one month	One month to three months	Six months to one year	One year to five years	Total
44. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)					
Company					
2008					
Liabilities					
Other liabilities	-	40	-	41	81
Subordinated liabilities (including convertible debt)	-	-	379	-	379
Total liabilities	**-**	**40**	**379**	**41**	**460**
2007					
Liabilities					
Other liabilities	50	11	-	16	77
Subordinated liabilities (including convertible debt)	-	-	-	379	379
Total liabilities	**50**	**11**	**-**	**395**	**456**

At 31 March R'million	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
45. Fair value of financial instruments				
It has been determined that the carrying value of financial assets and financial liabilities approximate their value except for the items noted below:				
Group				
Financial assets				
Loans and advances to banks	16 560	16 564	22 565	23 248
Loans and advances to customers	94 798	94 797	68 995	69 146
Securitised assets	13 444	13 361	11 807	11 405
Financial liabilities				
Deposits by banks	9 427	9 428	12 959	13 201
Customer accounts	115 480	115 280	91 035	91 546
Debt securities in issue	2 524	2 520	1 343	1 394
Liabilities arising on securitisation	12 669	12 653	11 735	11 938
Subordinated liabilities (including convertible debt)	4 710	4 886	3 029	3 527
Company				
Financial liabilities				
Subordinated liabilities (including convertible debt)	379	379	379	868

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

Contact details

Botswana, Gaborone

10 Kgale Mews Lot 115 Millenium Office Park
Gaborone Botswana
Telephone (09) 267 318 0112
Facsimile (09) 267 318 0114
e-mail info@investec.com

Mauritius, Port Louis

7th Floor Harbour Front Building
President John Kennedy Street
Port Louis Mauritius
Telephone (230) 207 4000
Facsimile (230) 207 4003
e-mail info@investec.com

Namibia, Windhoek

5 Conradie Street ground floor Investment House
Windhoek Namibia
Telephone (264 61) 249 626
Facsimile (264 61) 249 689
e-mail info@investec.com

South Africa, Cape Town

36 Hans Strijdom Avenue Foreshore
Cape Town 8001
PO Box 1826 Cape Town 8000
Telephone (27 21) 416 1000
Facsimile (27 21) 416 1001

South Africa, Durban

1 Holwood Park 5 Canegate Drive
La Lucia Ridge Office Estate Durban 4320
PO Box 3912 Durban 4000
Telephone (27 31) 575 4000
Facsimile (27 86) 500 9901

South Africa, East London

1st Floor Pilot Mill House The Quarry
Selbourne East London 5247
PO Box 19484 Tacoma 5214
Telephone (27 43) 721 0660
Facsimile (27 43) 721 0664

South Africa, Johannesburg

100 Grayston Drive Sandown Sandton 2196
PO Box 785700 Sandton 2146
Telephone (27 11) 286 7000
Facsimile (27 11) 286 7777
e-mail, South African offices

- Recruitment queries
  recruitment@investec.co.za
- Client queries
  - Asset management: comcentre@investecmail.com
  - Institutional Securities: securities@investec.co.za
  - Private Client Securities: iso@investec.co.za
  - Property Group: ipg@investec.co.za
  - Private Bank: privatebank@investec.co.za
  - Capital Markets: info-tsf@investec.co.za

South Africa, Port Elizabeth

Fairview Office Park 66 Ring Road Greenacres
Port Elizabeth 6057
PO Box 27416 Greenacres 6057
Telephone (27 41) 391 9400
Facsimile (27 41) 374 8346/7

South Africa, Pretoria

Cnr Atterbury and Klarinet Streets Menlo Park Pretoria 0081
PO Box 1882 Brooklyn Square 0075
Telephone (27 12) 427 8300
Facsimile (27 12) 427 8301

South Africa, Pietermaritzburg

Redlands Estate 1 George MacFarlane Lane
Pietermaritzburg 3201
P O Box 594 Pietermaritzburg 3200
Telephone (27 33) 264 5800
Fax (27 33) 342 1561

South Africa, Knysna

TH24 & TH25 Long Street Thesen Harbour Town
Knysna 6570
Telephone (27 44) 302 1800
Facsimile (27 44) 382 4954

South Africa, Nelspruit

Corporate Corner 21 Murray Street
Nelspruit 1200
Telephone (27 13) 752 6378
Facsimile (27 13) 752 6406

South Africa, Stellenbosch

De Wagenweg Office Park Stellentian Avenue
Stellenbosch 7600
Telephone (27 21) 809 0700
Facsimile (27 21) 809 0730