Out of the Ordinary®

Investec

Investec Bank plc
Annual Financial Statements
2009

Corporate information

Investec Bank plc

Secretary and Registered Office

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

Internet address

www.investec.com

Registration number

Investec Bank plc
Reg. No. 489604

Auditors

Ernst & Young LLP

Investec directors

Refer to page 95

Transfer Secretaries

Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol B599 6ZY
United Kingdom
Telephone (44) 870 702 0001

Investec offices – contact details

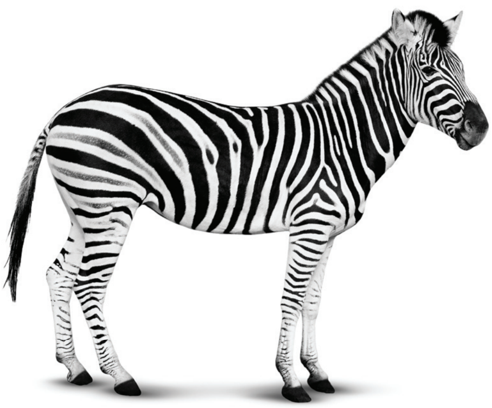
Refer to page 197

For queries regarding information in this document:

Investor Relations

Telephone (44) 20 7597 5546
e-mail: investorrelations@investec.com
Internet address: www.investec.com/en_za/#home/investor_relations.html

Contents



Investec in perspective

1

Overview of the Investec group

Who we are

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

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

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

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

What we do

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

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

Mission statement

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

Values

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

Distinctive Performance

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

Dedicated Partnerships

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

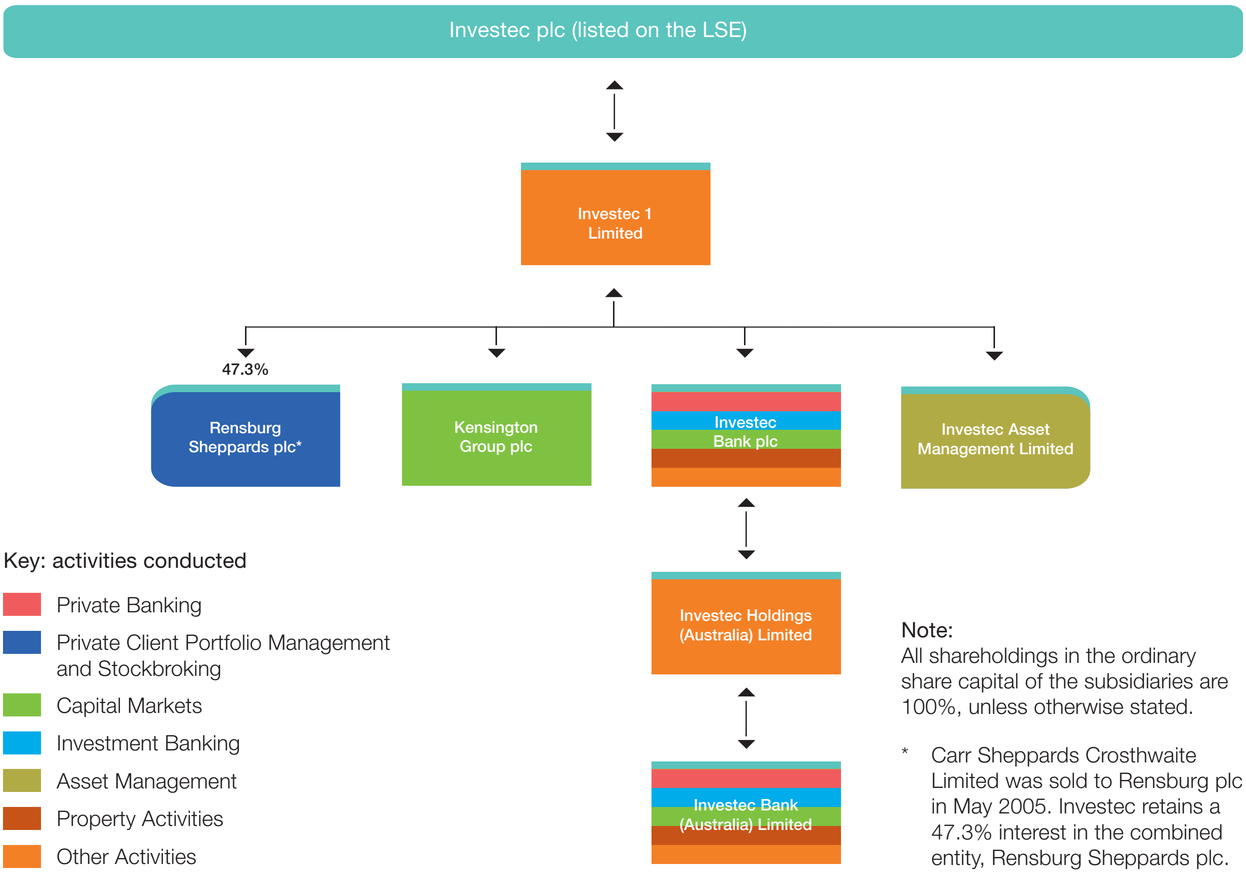
Philosophies

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

Investec Bank plc organisational structure

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

As at 31 March 2009

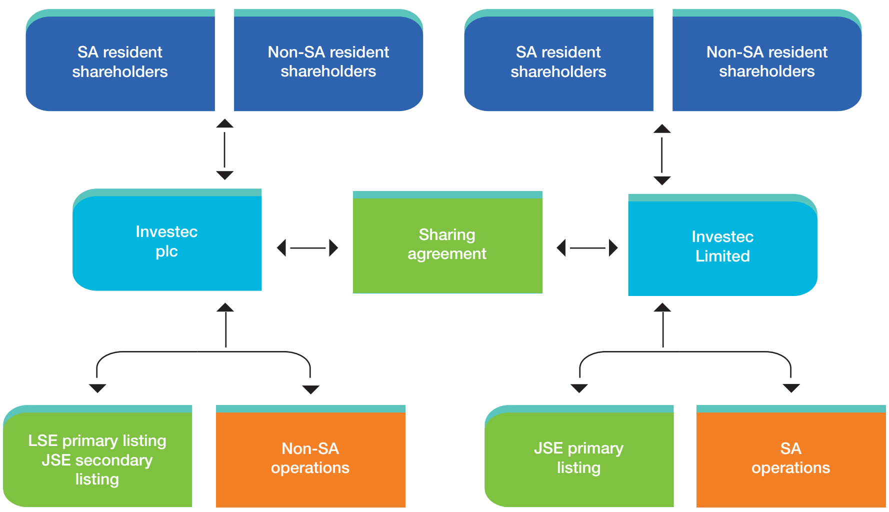


Note:
All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

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

DLC structure

During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore business on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.



Salient features:

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms.
- Investec operates as if it is a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company.
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Overview of the activities of Investec Bank plc

2

Overview of the activities of Investec Bank plc

Introduction

Investec Bank plc has received an Institution Certificate under the UK Government Credit Guarantee Scheme 2008 and is accordingly eligible to apply under the Scheme Rules for Eligibility Certificates in respect of debt instruments issued by it. In terms of the Scheme, debt instruments issued by the eligible institution are guaranteed by the Debt Management Office (DMO), subject to certain conditions. One such condition is that the instruments to be guaranteed by the DMO be issued by the eligible institution itself. However, in accordance with UK company law, Investec Bank (UK) Limited (IBUK) as a private limited company was unable to issue securities to the public. Accordingly, IBUK applied to the UK Registrar of Companies for permission to re-register as a public limited company. Application was also sought to rename IBUK to Investec Bank plc. The Registrar provided approval in this regard and the changes became effective on 23 January 2009.

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

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

Private Banking

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

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

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

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

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

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

Wealth Management

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

Our offering focuses on identifying institutional managers who consistently excel in their areas of expertise. We are independent and utilise outstanding traditional and alternative investment products and services from the world's leading financial institutions. Special opportunities are an increasingly important feature of our offering. These include the sub-participation of debt and equity in transactions originated by Investec and held on our own balance sheet. We also offer third party opportunities (such as Limited Partnerships) where we are invited to participate.

Structured Property Finance

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

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

Specialised Lending

Our specialised lending practice provides structured finance facilities to financially sophisticated individuals in four sectors: publicly listed equities, the private equity industry, the sports and media industry and movable assets.

Overview of the activities of Investec Bank plc

Growth and Acquisition Finance

We work with entrepreneurs, management teams and private equity houses to implement acquisition and growth strategies for their businesses. Our practitioners work with clients on a long-term basis, creating and realising shareholder value. We use preferred equity, mezzanine debt, integrated finance and/or asset-based lending to meet the needs of growing mid-market companies. Transaction sizes typically range between £8 million and £20 million.

Trust and Fiduciary Services

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

Banking Services

Treasury and deposits

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

Mortgages

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

- UK main residence and investment property mortgages
- Overseas property mortgages
- Multi-currency loans

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

Central Treasury provides Sterling, Euro, Australian Dollar and US Dollar funding to the group and manages liquidity and interest rate risk for the group.

Treasury products and distribution

We offer a broad range of treasury products and services to the corporate and public sector markets. We offer medium to small corporate entities spot, forward exchange, currency swaps and currency options, principally in G7 currencies.

Interest Rates

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

Foreign Exchange

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

Structured Equity

Structured Equity capabilities have been available across Irish and UK markets since the Structured Equities Desk in London was set up in July 2007. The Desks undertake structuring, finance, product issuance, market making, arbitrage and principal trading in equities and equity derivatives. The team manufactures and delivers a comprehensive suite of solutions to the retail and wholesale markets. The focus of the business is to develop close relationships with clients, creating product synergies wherever possible.

Overview of the activities of Investec Bank plc

Financial Products

We are involved in financial engineering, preference share investments and structures, equities scrip lending, credit derivatives and the development of investment products.

Fixed Income

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

Principal Finance

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

Structured and Asset Finance

This area focuses on structured and conventional lending, bond origination, securitisation and advice, asset leasing and finance, preference share finance, mezzanine debt financing, leveraged buy-out funding and financing solutions for corporate, government and public sector clients.

Project Finance

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

Commodities and Resource Finance

We offer advisory services, debt arranging and underwriting, equity raising in the mining resources industry together with structured hedging solutions.

Investment Banking

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

Corporate Finance

We provide financial advisory services, particularly for mergers and acquisitions. We also advise on and participate in equity market fundraisings for our clients. Our corporate client list currently comprises 94 quoted companies and a number of private company advisory roles and we also continue to expand our client base.

Institutional Broking

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

Private Equity

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

Property Activities

We have made progress in expanding the group’s South African property model in the UK to include property fund management, investment, trading and development.

Overview of the activities of Investec Bank plc

Group Services and Other Activities

Central Services

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

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

Central Funding

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

Investec Bank (Australia) Limited

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

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

Following organic growth within the Capital Markets pillar, the Australian banking operations of NM Rothschild & Sons Australia Limited was successfully acquired in July 2006 creating an opportunity to further our market presence in this space.

With the creation of the Investec Property Opportunity Fund in 2007, the platform for property Investments in Australia was enhanced.

Investec Australia's acquisition of Experien Finance in late 2007 has enabled the group to build relationships with specialists in the medical and accounting fields, further establishing our banking platform and increasing our brand footprint to a wider target audience.

Financial review 3

Snapshot of the year and strategic focus

Overview

- Investec Bank plc recorded a resilient performance with operating profits supported by:
  - A diversified business model
  - A sound balance sheet with low leverage
  - A solid recurring revenue base
- We emerged from this period with our capacity to compete, our brand and our entrepreneurial spirit unimpeded.
- Disciplined focus by management to build capital, preserve liquidity and maintain efficiency.

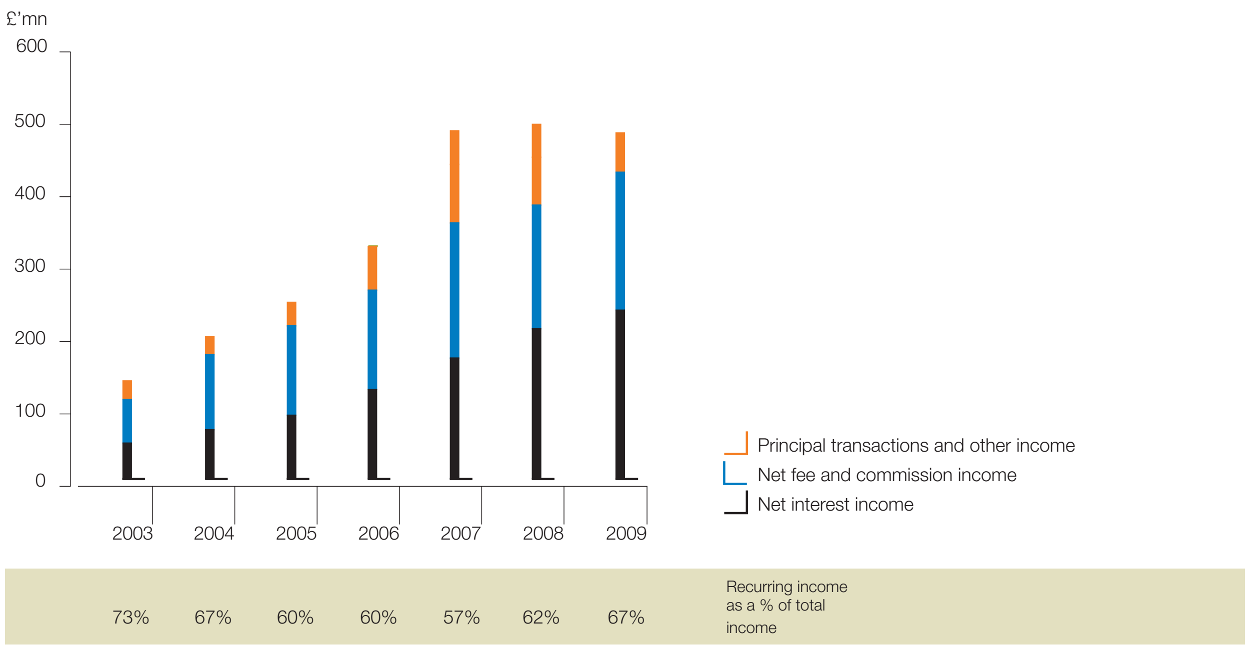
Financial highlights

	31 March 2009	31 March 2008	% change
Operating profit before impairments on loans and advances	126 708	138 373	(8.4%)
Operating profit before goodwill, non-operating items, taxation and after minorities (£'000)	31 483	110 428	(71.5%)
Earnings attributable to ordinary shareholders (£'000)	11 510	93 078	(87.6%)
Cost to income ratio	75.7%	71.1%	–
Total capital resources (including subordinated liabilities) (£'000)	1 674 466	1 562 719	7.2%
Total shareholders' equity (£'000)	986 169	916 790	7.6%
Total assets (£'000)	13 567 943	12 197 307	*11.2%
Net core loans and advances (£'000)	7 335 482	6 544 164	*12.1%
Customer accounts (deposits) (£'000)	5 486 068	5 264 487	4.2%
Capital adequacy ratio	15.9%	14.6%	–
Tier 1 ratio	10.3%	9.1%	–

* Largely attributable to foreign currency movements of Pounds Sterling against the Euro

Continued focus on building our recurring income… to ensure a sustainable earnings base

Total operating income

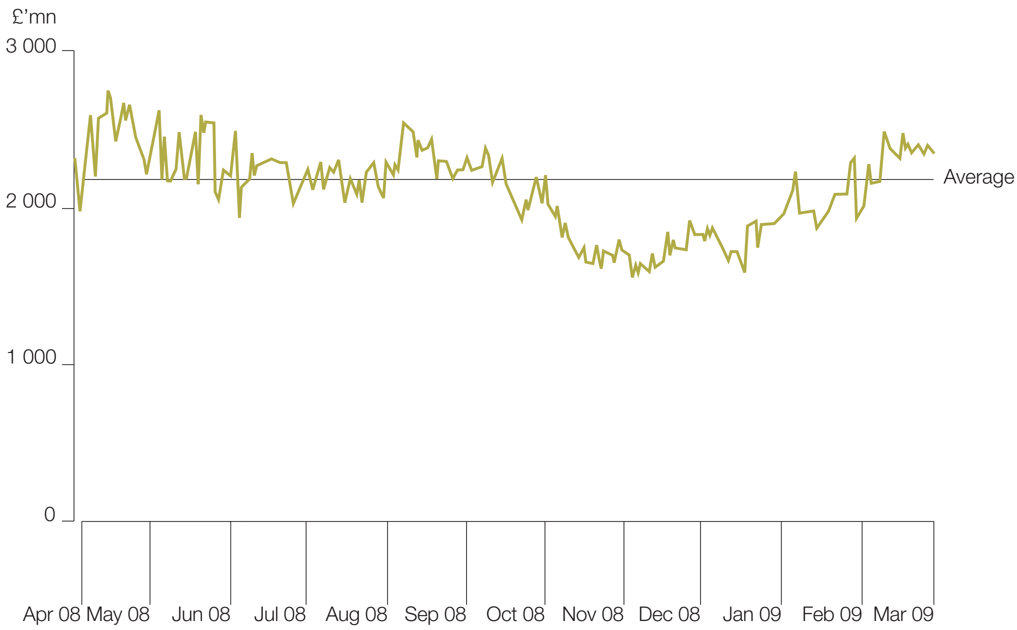


Snapshot of the year and strategic focus

Balance sheet strength… stringent management of liquidity

- The intimate involvement of senior management ensures stringent management of risk and liquidity.
- A well established liquidity management philosophy.
- Continue to focus on:
  - Maintaining a high level of readily available, high quality liquid assets in excess of regulatory requirements; representing 20% to 30% of our liability base
  - Diversifying funding sources
  - Limiting concentration risk
  - Maintaining a low reliance on interbank wholesale funding to fund core lending
- Customer deposits have held up well over the period.
- Active campaigns to build our retail deposit franchise have been launched in the UK, Ireland and Australia towards the end of 2008.
  - Total net retail and private client inflows since December 2008 of about £0.8 billion.
- Investec Bank plc is eligible to issue 3 year debt guaranteed by the UK government.
- The Investec plc group is not participating in the UK government Bank Recapitalisation Scheme as it was considered to have sufficient Tier 1 capital to participate in the government guarantee scheme without government assistance.
- Investec Bank (Australia) Limited is eligible to issue government backed debt and has recently completed a 3 year and 5 year government guaranteed fixed rate transferable deposit issue.

Surplus cash and near cash



Balance sheet strength… good progress towards capital targets

- Our policy has always been to hold capital well in excess of regulatory requirements and we intend to perpetuate this philosophy.
- We maintained capital strength throughout the period without recourse to shareholders, new investors or government assistance.
- We are focusing on increasing our capital base and have revised our capital adequacy targets.
- We are targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio of 14% to 17% on a consolidated basis for Investec Limited and Investec plc.
- Investec plc has made good progress in achieving these targets and intends on meeting these targets by the end of calendar year 2010.
- As at 31 March 2009, the capital adequacy ratio of the bank was 15.9% and the tier 1 ratio was 10.3%.

Snapshot of the year and strategic focus

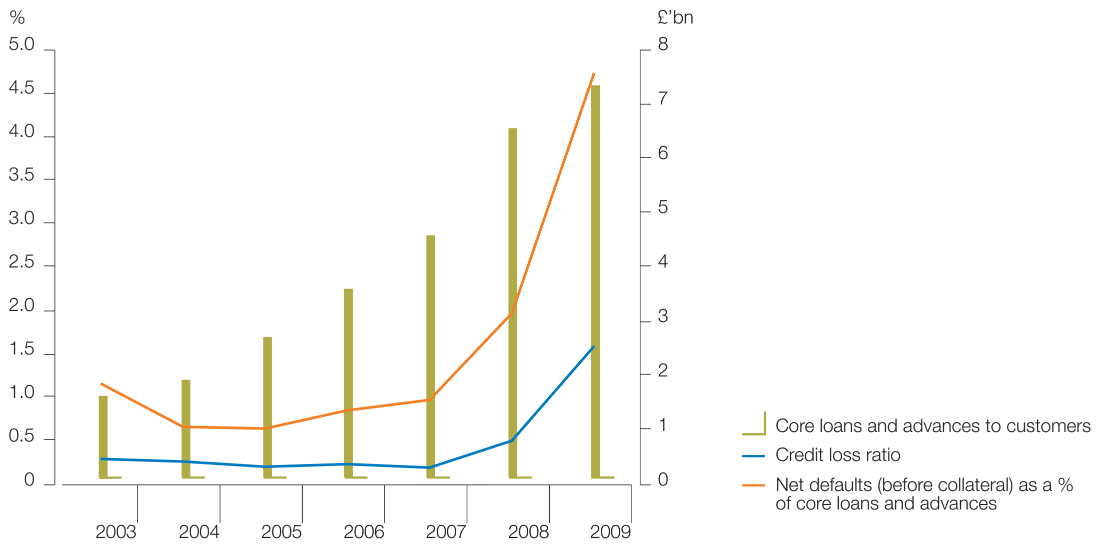
Balance sheet strength… low leverage ratios

	31 March 2009	31 March 2008
Core loans to equity ratio	7.4x	7.1x
Core loans (excluding own originated assets which have been securitised) to customer deposits	1.3x	1.2x
Total gearing (total assets to equity)	13.8x	13.3x

Balance sheet strength… impairments and defaults have increased as expected

- Impairments and defaults have increased as a result of weak economic conditions.
- Credit risk however, remains appropriately managed and net defaults (after collateral and impairments) would be covered 100%.
- Credit and counterparty exposures are to select target markets:
  - Private Bank lends to high net worth and high income clients.
  - Capital Markets transacts primarily with mid to large sized corporates, public sector bodies and institutions.

Defaults and core loans



Medium-term strategy continues

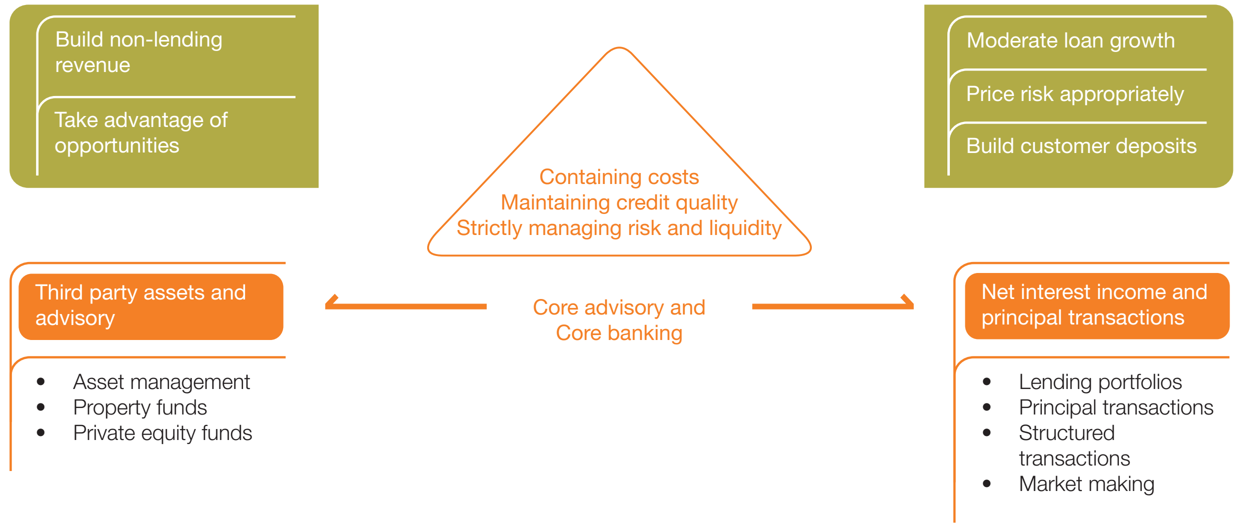
- We are a niched and focused specialist banking group constantly striving to be distinctive.
- We continue to focus on:
  - Moderating loan growth, shifting emphasis to increasing the proportion of non-lending revenue base
  - Maintaining credit quality
  - Strictly managing risk and liquidity
  - Creating additional operational efficiencies and containing costs
  - Building business depth rather than business breadth by deepening existing client relationships and generating high quality income through diversified, sustainable revenue streams
  - Proactively building our brand.

Snapshot of the year and strategic focus

Maintaining efficiency…

- Total headcount is being tightly managed.
- Expense growth (excluding variable remuneration) is targeted below the respective inflation rates in each of the core geographies.
- A non-cash deferred component has been introduced to variable remuneration payments.

Continually realigning the business model… balancing operational risk businesses with financial risk businesses



Outlook

- The outlook for the global economy is uncertain and markets are likely to remain volatile.
- There have been some positive signals recently but this was a financial crisis like no other and the knock-on effect to global growth cannot be fully assessed yet.
- The competitive landscape has changed and our brand continues to gain recognition.
- We are independent and have a distinct franchise.
- We have strengthened our capital position and will continue to safeguard our liquidity.
- We believe that the market upheaval will present opportunities to strengthen our position across our core geographies and enable us to move onto the front foot.

Commentary on the results of Investec Bank plc for the year ended 31 March 2009

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the results for the year ended 31 March 2008.

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

Introduction

Operating profit decreased to £31.5 million (2008: £110.4 million). The bank's core businesses recorded a resilient performance although we have posted an increase in impairments on loans and advances. Operating profit was also negatively impacted by the consolidation of two private equity investments (discussed in more detail below).

Segmental information

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total
2009						
Total operating income	223 667	179 610	28 475	5 467	13 984	451 203
Impairment losses on loans and advances	(71 156)	(39 080)	–	–	–	(110 236)
Net operating income	152 511	140 530	28 475	5 467	13 984	340 967
Operating expenses	(108 166)	(112 039)	(88 600)	(2 554)	(30 158)	(341 517)
Operating profit/(loss) before goodwill	44 345	28 491	(60 125)	2 913	(16 174)	(550)
Operating loss/(profit) attributable to minorities	–	(23)	22 212	–	9 844	32 033
Operating profit/(loss) before goodwill after minorities	44 345	28 468	(37 913)	2 913	(6 330)	31 483
Cost to income ratio (%)	48.4	62.4	>100.0	46.7	>100.0	75.7
2008						
Total operating income	247 060	124 930	103 550	1 959	17 763	495 262
Impairment losses on loans and advances	(22 940)	(5 005)	–	–	–	(27 945)
Net operating income	224 120	119 925	103 550	1 959	17 763	467 317
Operating expenses	(116 971)	(103 398)	(91 014)	(1 716)	(39 066)	(352 165)
Operating profit/(loss) before goodwill	107 149	16 527	12 536	243	(21 303)	115 152
Operating (profit) attributable to minority interests	–	–	(4 724)	–	–	(4 724)
Operating profit/(loss) before goodwill after minorities	107 149	16 527	7 812	243	(21 303)	110 428
Cost to income ratio (%)	47.3	82.8	87.9	87.6	>100.0	71.1

Commentary on the results of Investec Bank plc for the year ended 31 March 2009

Assessing the impact arising from the consolidation of two private equity investments within the Investment Banking division

Two private equity investments, namely Global Ethanol and Idatech LLC are regarded as subsidiaries of the bank from an accounting perspective. As a result, the bank is required to consolidate the operating results of these investments on each applicable line within its consolidated income statement i.e. 100% of the operating results are reflected in the bank's operating profit before taxation. A portion of these results are attributable to minority interests and are thus reflected as such. These investments reported operating losses during the year under review. It would be the bank's preference to fair value these investments, but unfortunately accounting convention does not allow us to do so. In the case of Idatech LLC, for example, the market value of the bank's investment as at 31 March 2009 was double the on-balance sheet carrying value. Furthermore, the bank's effective interest in Global Ethanol is less than 50%. A further analysis of the impact arising from the consolidation of these investments is provided in the table below:

£'000	Year to 31 March 2009			Year to 31 March 2008		
	Total	Remainder of the bank's businesses	Consolidated investments	Total	Remainder of the bank's businesses	Consolidated investments
Total operating income	451 203	467 535	(16 332)	495 262	458 855	36 407
Impairment losses on loans and advances	(110 236)	(110 236)	–	(27 945)	(27 945)	–
Net operating income	340 967	357 299	(16 332)	467 317	430 910	36 407
Operating expenses	(341 517)	(311 906)	(29 611)	(352 165)	(316 865)	(35 300)
Operating (loss)/profit before goodwill	(550)	45 393	(45 943)	115 152	114 045	1 107
Operating loss/(profit) attributable to minorities	32 033	9 821	22 212	(4 724)	–	(4 724)
Operating profit/(loss) before goodwill after minorities	31 483	55 214	(23 731)	110 428	114 045	(3 617)
Goodwill impairment	(30 265)	(2 365)	(27 900)	–	–	–
Goodwill attributable to minorities	15 254	–	15 254	–	–	–
Operating profit/(loss) before taxation	16 472	52 849	(36 377)	110 428	114 045	(3 617)
Taxation	(4 962)	(10 371)	5 409	(17 350)	(15 673)	(1 677)
Profit/(loss) after taxation attributable to shareholders	11 510	42 478	(30 968)	93 078	98 372	(5 294)
Earnings/(losses)	41 775	44 843	(3 068)	93 078	98 372	(5 294)
Goodwill impairment	(30 265)	(2 365)	(27 900)	–	–	–

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Total operating income

Total operating income before impairment losses on loans and advances of £451.2 million is 8.9% lower than the prior year. The various components of total operating income are analysed below.

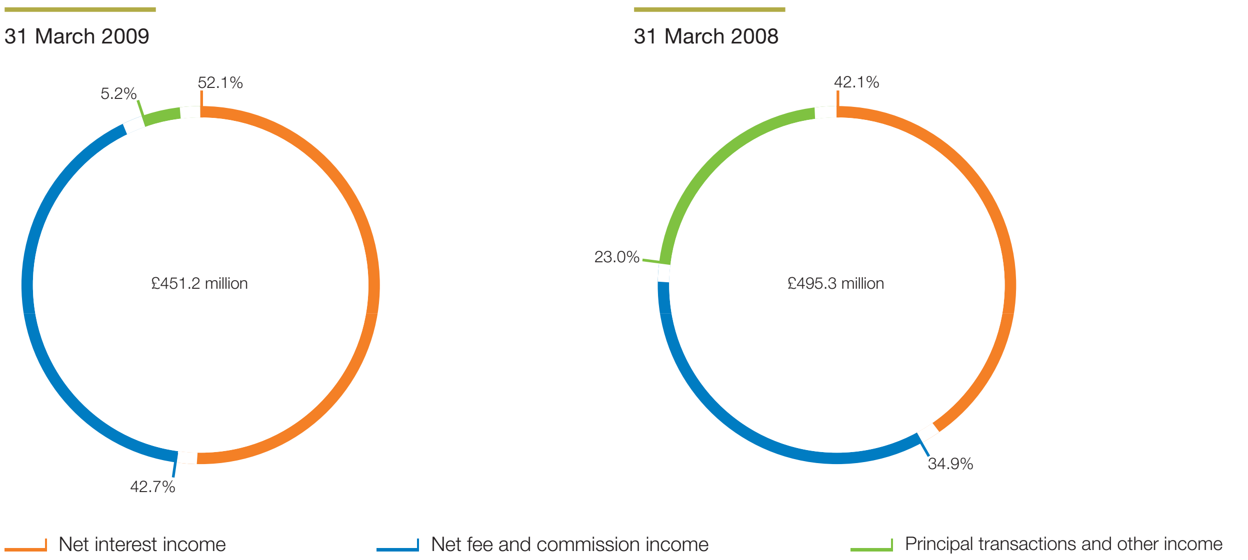
£'000	31 March 2009	% of total income	31 March 2008	% of total income	% change
Net interest income	234 970	52.1%	208 751	42.1%	12.6%
Other income	216 233	47.9%	286 511	57.9%	(24.5%)
Net fee and commission income	192 734	42.7%	172 676	34.9%	11.6%
Principal transactions	46 308	10.3%	67 205	13.6%	(31.1%)
Operating income from associates	190	–	698	0.1%	(72.8%)
Other operating (loss)/income	(22 999)	(5.1%)	45 932	9.3%	(>100.0%)
Total operating income before impairment losses on loans and advances	451 203	100.0%	495 262	100.0%	(8.9%)

The following table sets out information on total operating income by division for the year under review.

£'000	31 March 2009	% of total income	31 March 2008	% of total income	% change
Private Client Activities	223 667	49.6%	247 060	49.9%	(9.5%)
Capital Markets	179 610	39.8%	124 930	25.2%	43.8%
Investment Banking	28 475	6.3%	103 550	20.9%	(72.5%)
Property Activities	5 467	1.2%	1 959	0.4%	>100.0%
Group Services and Other Activities	13 984	3.1%	17 763	3.6%	(21.3%)
Total operating income before impairment losses on loans and advances	451 203	100.0%	495 262	100.0%	(8.9%)

Commentary on the results of Investec Bank plc for the year ended 31 March 2009

% of total operating income before impairment losses on loans and advances



Net interest income

Net interest income increased by 12.6% to £235.0 million (2008: £208.8 million) as a result of growth in average advances.

Net fee and commission income

Net fee and commission income increased by 11.6% to £192.7 million (2008: £172.7 million). Transactional activity and asset levels have been impacted by the economic environment, however, the bank benefited from a solid performance from the Capital Markets advisory and structuring businesses.

Principal transactions

Income from principal transactions declined by 31.1% to £46.3 million (2008: £67.2 million) reflecting a reduced profit from revaluations and realisations in the current year.

Impairment losses on loans and advances

As a result of the weaker credit cycle we have seen a decline in the performance of the loan portfolio resulting in an increase in impairment losses on loans and advances from £27.9 million to £110.2 million. The credit loss charge as a percentage of average gross core loans and advances has increased from 0.5% to 1.6% since 31 March 2008. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 2.0% to 4.7% since 31 March 2008. Further information on our asset quality is provided on page 46.

Total expenses

The ratio of total operating expenses to total operating income increased to 75.7% from 71.1%.

Total expenses decreased by 3.0% to £341.5 million (2008: £352.2 million) largely as a result of a decline in variable remuneration. Total headcount is being tightly managed and expense growth (excluding variable remuneration) is targeted below the respective inflation rates in each of the bank's core geographies. The bank has also introduced a non-cash deferred component to variable remuneration payments.

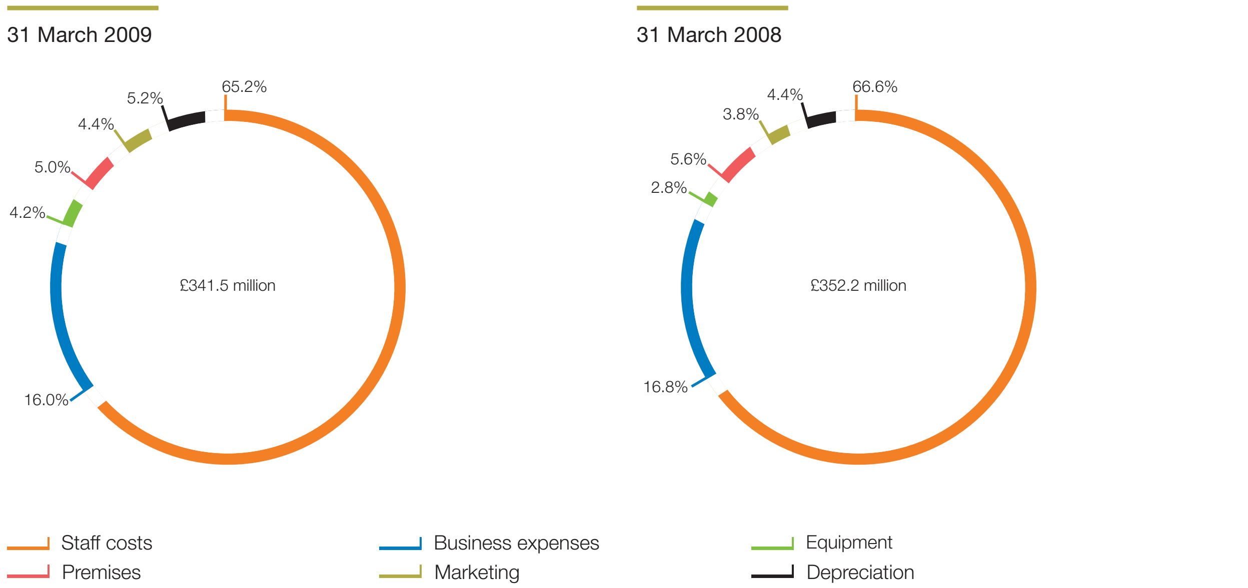
Commentary on the results of Investec Bank plc for the year ended 31 March 2009

£'000	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Staff costs (including directors' remuneration)	222 638	65.2%	234 710	66.6%	(5.1%)
Business expenses	54 755	16.0%	59 006	16.8%	(7.2%)
Equipment (excluding depreciation)	14 256	4.2%	9 756	2.8%	46.1%
Premises (excluding depreciation)	17 106	5.0%	19 878	5.6%	(13.9%)
Marketing expenses	14 885	4.4%	13 343	3.8%	11.6%
Depreciation	17 877	5.2%	15 472	4.4%	15.5%
Total expenses	341 517	100.0%	352 165	100.0%	(3.0%)

The following table sets out information on total expenses by division for the year under review.

£'000	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Private Client Activities	108 166	31.8%	116 971	33.2%	(7.5%)
Capital Markets	112 039	32.8%	103 398	29.4%	8.4%
Investment Banking	88 600	25.9%	91 014	25.8%	(2.7%)
Property Activities	2 554	0.7%	1 716	0.5%	48.8%
Group Services and Other Activities	30 158	8.8%	39 066	11.1%	(22.8%)
Total expenses	341 517	100.0%	352 165	100.0%	(3.0%)

% of total expenses



Balance sheet analysis

Since 31 March 2008:

- Total shareholders' equity (including minority interests) increased by 7.6% to £986.2 million largely as a result of the issue of equity shares.
- Total assets increased by 11.2% to £13.6 billion largely as a result of an increase in core loans and advances and foreign currency adjustments.

Business unit review

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

Commentary on the results of Investec Bank plc for the year ended 31 March 2009

Private Banking

Overview of performance

The operating profit of the Private Bank decreased to £44.3 million (2008: £107.1 million). Higher average advances and a diversified set of revenues continued to drive operating income. However, activity levels have declined and impairment losses on loans and advances have increased in all geographies as a result of the weaker credit environment.

Key earnings drivers:
- Core loans and advances increased by 12.1% to £4.9 billion since 31 March 2008.
- The deposit book increased by 8.0% to £4.7 billion since 31 March 2008.
- Funds under advice decreased by 20.5% to £1.7 billion since 31 March 2008.

Developments

UK and Europe

- Trading conditions in the UK and Europe have been difficult throughout the period, particularly during the second half of the year.
- Customer deposits showed a net outflow in the third quarter of the year at the height of the upheaval in the financial markets. This trend was reversed during December 2008 when net inflows were recorded and growth has been strong ever since.
- The Banking business continues to be a key focus area where distribution teams, product and marketing have all benefited from a significant increase in investment. The High 5, a three month notice deposit, has been particularly successful in attracting new clients to the Investec brand.
- Activity levels in the lending specialisations have been lower. The focus has been on managing underperforming loans and seeking out the opportunistic transactions which arise in this market. In certain areas the competitive landscape has been completely reshaped, presenting an opportunity for Investec Private Bank to build a portfolio and brand which previously would have been impossible.
- The Private Wealth Management business has been under pressure as a result of market conditions and the performance of certain special opportunities. This specialisation remains a key area of focus and will continue to benefit from investment over the coming period.
- The Trust and Fiduciary business has again shown modest growth in revenues on the back of reduced activity levels from private clients. Investec Administration Services, a Guernsey based funds administration business, was sold during the fourth quarter of the year. The sale had an immaterial impact on overall profits.

Australia

- The professional finance business of Investec-Experien has been fully integrated into Investec Private Bank and now operates under the Investec-Experien brand. This business has provided a diversification to the historical lending portfolio and has achieved book growth of 30%.
- Through product innovation, broadening of distribution channels and the depositor base, and the introduction of the Government Guarantee scheme, private client deposits have increased by 46% during the period under review. The cost of retail funds has however, also increased.
- Lending activities in Structured Property Finance, Specialised Lending and Growth and Acquisition Finance have been negatively affected by the economic environment. Activity levels are down and there have been no material realisations of equity stakes and profit shares.

Outlook

- Current market conditions continue to have a negative impact on impairments, realisations and activity levels across each of the lending specialisations.
- We expect growth in the combined total loan portfolio to be flat for the year ahead, and we will continue to re-price existing assets.
- Substantial investment will continue to be made in our general banking business targeting retail deposits.
- The drive to accelerate the contribution of our Private Wealth Management business will be supported by further investment.
- We will continue to focus on realigning costs to future revenues.
- Management of impairments and underperforming loans remains a key focus in all geographies for the forthcoming period.
- The business will continue to seek out opportunistic transactions resulting from the fallout in the broader market.

Commentary on the results of Investec Bank plc for the year ended 31 March 2009

Capital Markets

Overview of performance

Capital Markets posted an increase in operating profit of 72.2% to £28.5 million (2008: £16.5 million). The division's advisory, structuring and trading activities performed well. The results of the Principal Finance division improved substantially as current year write downs on US structured credit investments of £13 million were significantly less than the prior period of £49 million. Core loans and advances increased by 12.6% to £2.4 billion.

Developments

UK and Europe

- The Project Finance team continues to be a leader in the UK PFI advisory business, and the new office in Canada, set up to service the North American PFI market, is performing well.
- The Acquisition Finance book is under pressure as a result of deteriorating economic conditions, and is being monitored closely.
- The Asset Finance business is now ranked in the top three in the small ticket leasing market.
- We are considered one of the top ten European banks in aircraft finance.
- The trading desks showed an improved performance benefiting from market volatility, the introduction of new products and increased staff in certain areas. The Corporate Foreign Exchange and Structured Equity desks are now fully operational.
- The Structured Equity retail distribution platforms have been established and we have recently launched eight in the UK market. The desk has won numerous awards, including Income Product of the Year 2008 and Product Provider of the Year 2009 at the Professional Adviser Structured Products Provider Awards and best Online Branding Campaign at the Online Finance Awards 2008.
- The Treasury Products and distribution desk has been established to actively market structured solutions, foreign exchange and interest rates to the corporate market.
- The uncertain credit markets continue to impact activity in the Principal Finance division.

Australia

- The Investec Global Aircraft Fund (IGAF) is now fully invested. The fund has a portfolio of seven aircraft with a value of AUD669 million. A second capital raising for the fund is currently underway.
- The strategic intention of sourcing and developing clean energy assets resulted in the realisation of a profit share on the sale of two wind farm assets. The pipeline remains good.
- We successfully issued an institutional government guaranteed medium term note in February 2009 in which we raised AUD600 million (AUD400 million of three year funding and AUD200 million of five year funding).
- The liquidity position remains very strong.
- The marketing strategy for the Commodities and Resource Finance business continues to be cautious in light of sustained commodity price and capital market volatility. However, an immediate business goal is to increase exposure to mid tier resource companies, with resource assets in production, where the current risk return profi les are very attractive.

Outlook

- We continue to be a focused business targeting markets where we can be distinctive and competitive focusing on our core value drivers.
- We remain committed to building a sustainable scale business with diversified revenue streams.
- In the UK we will continue to strive for depth and greater penetration. In Australia we continue to look for opportunities to broaden our franchise.
- The current negative cycle is a time to shape the business for the future and to position ourselves for a return to a more normal market.
- This stage of the cycle is likely to see a rise in corporate defaults and losses in the acquisition finance portfolio. Additional effort and resources will be spent on asset management to ensure our portfolios perform optimally in poor economic conditions.
- In the UK and Australia the environment remains weak and it is too early to say if the green shoots represent any sustained change. We expect impairments to continue, however, trading conditions remain favourable and the dislocated markets continue to present opportunities. Overall we continue to be reasonably well positioned to weather the storm in conditions that are similar to last year.
- The environment has changed but so too has the competitive landscape. A large amount of capacity has been removed from the market and the number of players in our core geographies has reduced substantially. This plays to our strengths of being a specialist and bespoke service provider. In the short-term we expect conditions to remain challenging, however, we believe that in the medium term this is an excellent opportunity to grow market share and deepen our franchise.

Commentary on the results of Investec Bank plc for the year ended 31 March 2009

Investment Banking

Overview of performance

The Investment Banking division recorded an operating loss of £37.9 million (2008: profit of £7.8 million). The division was impacted by a much weaker performance from certain of the investments held within the Private Equity and Direct Investments division as discussed on page 19. The agency business closed fewer deals in comparison to the prior year but reported higher trading revenues.

Developments

Corporate Finance

UK and Europe
- The difficult market conditions led to fewer corporate transactions, especially in the second half of the year. There were no IPOs and limited fund-raisings.
- Most notable was a £290 million joint fund-raising for Melrose in connection with their purchase of FKI Plc.
- We completed 20 M&A transactions with a value of £3.5 billion (2008: 26 transactions with a value of £2.3 billion).
- We completed 13 fundraisings during the period raising in aggregate £599 million (2008: 18 fund-raisings raising £299 million).
- We continue to build the quality and size of the corporate client list, gaining 25 new brokerships during the year. At year end we had 94 quoted clients.

Australia
- There is increasing awareness and recognition of the Investec brand within the Australian market and we have continued to increase the quality and size of our client list.
- During the period we strengthened our team in Sydney and Brisbane.
- We have continued to expand our sector specialisation, with our Natural Resources team showing the strongest pipeline.
- Despite the challenging market conditions, we are currently active on a number of mandates.

Institutional Research, Sales and Trading

UK and Europe
- Volatile and difficult market conditions have restricted secondary commission growth.
- Trading revenues have showed considerable improvement.
- We have strengthened our UK research team over the year with the addition of a number of experienced analysts.
- We continue to expand the capacity of our New York sales team.
- We have also seen market share gains in large cap trading.
- Market share gains continue across our trading platform.

Principal Investments

UK, Europe and Hong Kong
- Performance has been impacted by volatile market conditions.

Australia
- The total size of the Private Equity funds is AUD460 million.
- Performance has been impacted by market conditions.

Outlook

Corporate Finance

- While market conditions remain uncertain and problematic for transactions, we are well positioned to take advantage of the changing competitive landscape. The increase in our number of corporate clients in the UK, especially in the FTSE 250, is testimony to this.
- In Australia M&A mandates are scarcer and transactions are taking longer to complete. However, the strong relationships established by the corporate advisory team will provide a solid platform for future growth opportunities when market conditions improve.

Institutional Research, Sales and Trading

- The UK business has, through ongoing investment, substantially strengthened its positioning across sales, trading and research. The market conditions however, remain difficult.

Principal Investments

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

Commentary on the results of Investec Bank plc for the year ended 31 March 2009

Property Activities

Overview of performance

The Property division posted an operating profit of £2.9 million (2008: £0.2 million).

Developments

UK and Europe

- The Property Investments business is now fully operational. The global financial crisis has severely affected the property market and therefore our business. However, a number of opportunities have been identified and are being actively pursued.
- We will continue to source UK stock for our various initiatives and consider suitable investments from the UK REIT sector for Investec and third party client investment purposes.
- The Investec GLL Global Special Opportunities Real Estate Fund has invested in four properties in Chile (2), Argentina and the USA. The fund will continue to invest in international direct commercial real estate with caution and endeavour to unlock value in the short-term. A total of €375 million has been raised to date and of this, €75 million has been invested.
- The business will raise capital for the UK Special Opportunities Property Fund when it believes it prudent and responsible to do so.
- Development and refurbishment opportunities will be considered on a case-by-case basis and in cooperation with experienced operators.

Australia

- The Investec Property Opportunity Fund has largely invested its equity. The fund is performing in line with its targeted return.
- The business is positioning itself for further fund raising opportunities in the second half of this year to take advantage of a stressed market.
- Total funds under management are AUD252 million (2008: AUD252 million).

Outlook

UK and Europe

- The ability to raise capital for the newly established UK fund is difficult in the current market due to the lack of liquidity. There will be opportunities as the financial crisis unwinds. The repricing of the UK property market has resulted in the business being able to source potentially attractive real estate for the Investec GLL Global Special Opportunities Real Estate Fund. The distressed UK REIT market and its recent aggressive repricing is also providing potential investment for Investec direct and third party investment.

Australia

- The Australia REIT managers are raising equity to replace debt that cannot be refinanced.
- The high cost of debt to the property markets suggest further asset devaluation in the short-term.
- Given current market conditions and the age of the fund, the focus is on the growth and development of the assets under management.
- We will continue to look for acquisition opportunities in the current market.

Group Services and Other Activities

The Group Services and Other Activities division posted an operating loss of £6.3 million compared to a loss of £21.3 million in the previous year largely as a result of a decline in Central Services costs and an improvement in the performance of the Central Funding division.

Risk management and corporate governance

4

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 annual report (pages 28 to 88) with further disclosures provided within the financial statements section (pages 114 to 196). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

The bank 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, quantifying, managing and mitigating the risks associated with each of our businesses.

Risk awareness, control and compliance are embedded in all our day-to-day activities.

Group Risk Management (part of Group Services) is independent from the business units and monitors, manages and reports on our risk to ensure it is within the stated appetite 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 controlled growth across our business.

Group Risk Management's objectives

Group Risk Management's objectives are to:
- Be the custodian of our risk management culture
- Ensure the business operates within the board's stated appetite
- 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 board reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees, as mandated by the board.

Executive summary of the year in review from a risk perspective

As mentioned in the beginning of this report (refer to pages 14 to 25) Investec has maintained a sound balance sheet with low leverage and a diversified business model which has enabled it to navigate through the present challenging operating environment.

This has been supported by the following key operating fundamentals:
- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital.
- Strong risk and capital management culture; embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests.
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised Economic Value Added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years.
- Credit and counterparty exposures to a select target market; Our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. We have, however, experienced an increase in impairments and defaults as a result of weak economic conditions. The credit loss ratio has increased to 1.5% of core loans and advances, in line with our expectations.
- Limited exposure to rated and unrated structured credit investments; representing approximately 2% of total assets.
- A low leverage ratio of approximately 14 times.
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with "level 3" assets amounting to less than 3% of total assets.
- Modest proprietary market risk with our trading portfolio; value at risk and stress testing scenarios remain at prudent levels. Potential losses that could arise in our trading book portfolio stress tested under extreme market conditions (15 standard deviations) amount to less than 2.5% of total operating income.
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately £2.1 billion, representing 20% to 30% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth.
- An increase in retail customer deposits and access to longer term funding initiatives.
- Healthy capital ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We have strengthened our capital base and increased our net tangible asset value during the period.
- A high level of recurring income which continues to support sustainability of operating profit, albeit at a lower level.

Risk management

The global financial market crisis has resulted in increasing risk levels and has impacted the markets in which we operate on a number of fronts. Our overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held us in good stead over the period. Detailed information on key developments during the financial year is provided in the sections that follow (refer to pages 37, 65, 73, 74 and 78).

Maintaining credit quality, moderating loan growth, strictly managing risk and liquidity and continuing to grow our capital base remain strategic imperatives for the year ahead.

An overview of key risks

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.

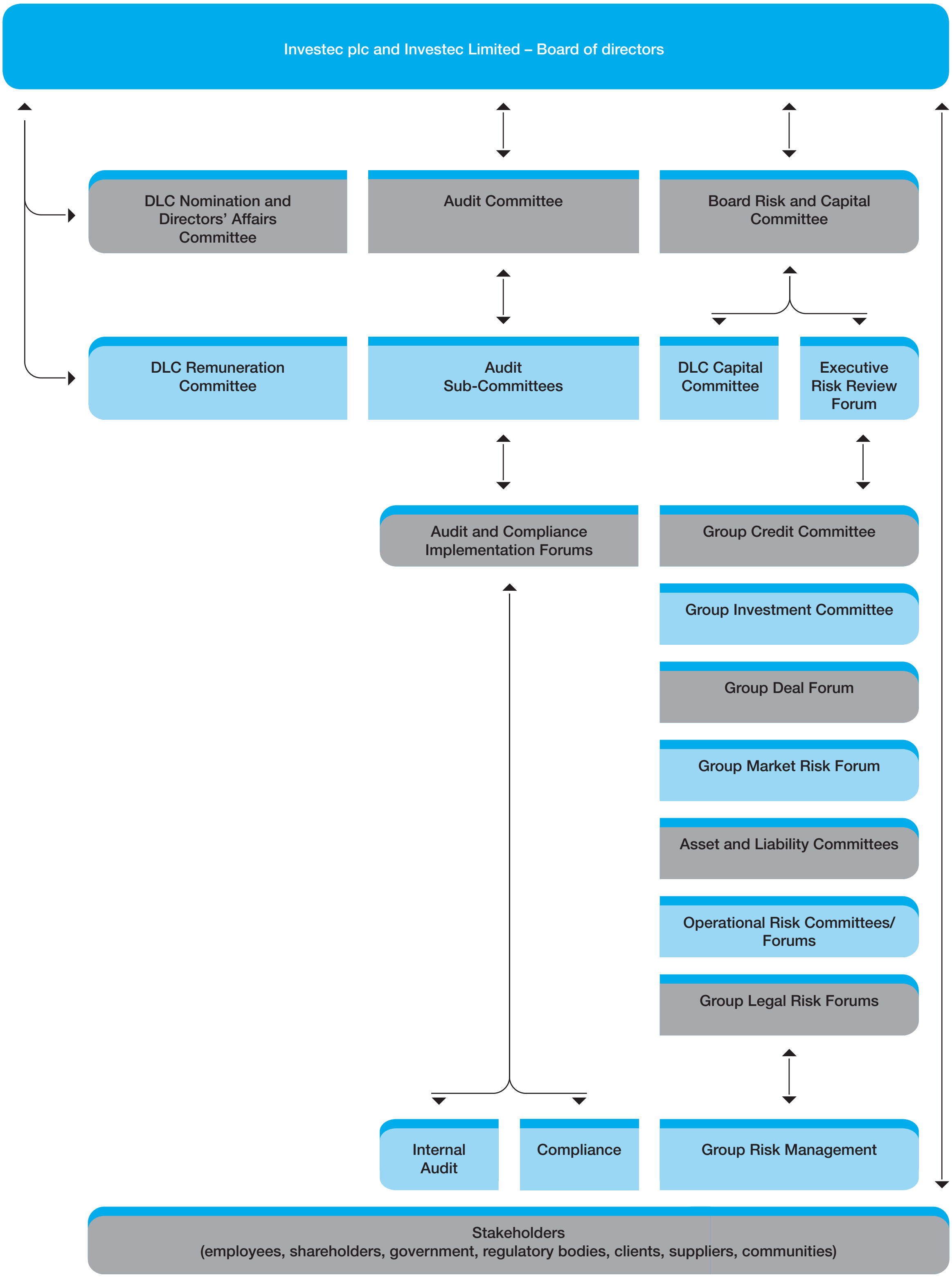
Key risks	Reference
• Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 32 to 60
• Liquidity risk may impair our ability to fund our operations	See pages 66 to 73
• Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 66 to 73
• Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 61 to 66
• 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 75 to 78
• Operational risk may disrupt our business or result in regulatory action	See pages 75 to 78
• We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 75 to 78
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 79 to 87
• The financial services industry in which we operate is intensely competitive	See pages 4 to 25
• Legal and regulatory risks are substantial in our businesses	See page 79
• Reputational, strategic and business risk	See page 78
• We may be exposed to pension risk in our UK operations	See page 79

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.

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

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. 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.



Risk management and corporate governance

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 2009 period end	31 March 2008 period end	Average over the period
Market indicators			
FTSE all share	1 984	2 927	2 486
Australia all ords	3 532	5 410	4 491
S&P 500	798	1 323	1 090
Nikkei	8 110	12 526	10 866
Dow Jones	7 609	12 263	10 136
Exchange rates			
US Dollar/Euro	1.33	1.58	1.42
Australian Dollar/Pounds Sterling	2.07	2.18	2.19
US Dollar/Pounds Sterling	1.43	1.99	1.93
Euro/Pounds Sterling	1.08	1.25	1.20
Rates			
UK overnight	0.63%	5.55%	3.49%
UK 10 year	3.17%	4.34%	4.22%
UK Clearing Banks Base Rate	0.57%	5.25%	3.74%
LIBOR – 3 month	1.65%	6.01%	4.65%
Reserve Bank of Australia cash target rate	3.25%	7.25%	5.84%
US 10 year	2.67%	3.41%	3.41%
Commodities			
Gold	USD919/oz	USD917/oz	USD869/oz
Gas Oil Futures	USD420/mt	USD969/mt	USD812/mt
Platinum	USD1 129/oz	USD1 966/oz	USD1 371/oz
Macro-economic			
UK GDP (% change over the period)	(1.00%)	2.90%	n/c
UK per capita GDP (£)	23 496	22 712	
Australia GDP (% change over the period)	1.60%	4.20%	n/c
Australia per capita GDP (AUD)	55 260	51 985	

Source: Datastream, Bloomberg's, Office for National Statistics, Australian Bureau of Statistics

Securitisation/principal finance activities and exposures

Developments within the international economy have impacted on securitisation/principal finance activities and have limited our strategic initiatives in this space. The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been significantly curtailed given the current economic climate.

UK and Europe

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

Australia

Investec Bank (Australia) Limited acquired Experien in 2007. Assets originated by the business have been securitised. These amount to AUD914 million (2008: AUD756 million) and include leases and instalment debtors (AUD474 million), residential mortgages (AUD31 million), commercial mortgages (AUD246 million) and other loans, for example overdrafts (AUD163 million).These securitisation structures have all been rated by Standard and Poor's.

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 funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off balance sheet.

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

- Lending transactions, giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, where we have placed funds with other financial institutions;
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received; and
- 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 centralised credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the Group Credit Committee, the following processes 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.

Whilst we do not have a separate country risk committee, the Global Credit Committees will consider, analyse, and assess the appropriate limits to be recorded when required, to extend the loans to foreign jurisdictions. When applications are submitted to the local group credit committee, consideration of the country risk element forms part of the sanctioning process. The local group credit committee has the power to recommend to the Global Credit Committee an appropriate country credit limit where undertaking a particular transaction could exceed the approved country limit. The Global Credit Committee is responsible for approving country limits.

Credit and counterparty risk appetite

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

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 60 for further information).

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and longstanding relationship with our clients. In certain instances we have elected to sell certain assets down and/or securitised them (refer to page 31 for further information).

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, capital usage and liquidity. 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.

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.

Investec completes scenario tests on its loan portfolio with regards to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit/risk stress tests also play an integral part in the banks capital planning process.

A large proportion of the portfolio 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.

The internal rating models used are specific to each portfolio. The internal ratings are used as an input into the credit decision and as a means of assessing the risk of rated portfolios. Ongoing development of internal rating models has yielded good results in Project Finance, Private Bank Property, Corporate and Bank and Financial Institutions areas of operation. We remain focused on developing our models in the light of our idiosyncratic risk profile and against extreme downturn events.

Fitch, Standard and Poor's 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 & Poor's being used as support where a Fitch rating is not available.
- In relation to sovereigns, corporates and small to medium enterprises, both Standard & Poor's and Moody's are considered to be eligible ECAIs. Where the assessments of these two ECAIs differ, the more conservative rating will be applied.

Credit and counterparty risk in the UK and Europe

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

Private Bank

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

The Structured Property Finance area provides senior debt and secondary funding for property transactions covering the residential and commercial markets. Our exposure to the property market is well diversified. Our properties are well located residential or good quality commercial assets with recognised tenant covenants, there are also some exposures linked to asset performance. Assets are located in the UK, with limited exposure to retail property assets in Germany and Switzerland, which are anchored by major European retail covenants. Client quality and expertise are at the core of our credit philosophy. Debt service cover ratios are core to the lending process supported by reasonable loan to security values. These average at approximately 80% taking into account recent market falls.

All facilities are reviewed at least annually and property values are monitored by reference to reports from our appointed panel valuation firms. Committees review and monitor our mezzanine funding exposure on a quarterly basis.

Growth and Acquisition Finance provides composite debt funding to proven management teams, running UK based mid-market companies. Transaction sizes typically range between £8 million and £20 million. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business both historically and against forecasts.

Higher risk exposures arising out of the transactions mentioned above are approximately £200 million, against a total portfolio of £3.6 billion.

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

Specialised Lending provides bespoke credit facilities to high net worth individuals and financially sophisticated clients. We also provide funding secured on contracted cash flows, including media rights and sponsorship transactions where certainty of serviceability, client quality and expertise are key.

Private Client Lending provides bespoke mortgages and secured lending to high net worth and high income individuals. Credit risk is assessed against prudent debt servicing cover ratios. Lending is underpinned by good quality assets, including residential and commercial property, bank guarantees, discretionary investment portfolios and cash deposits. In determining serviceability, we also consider the liquidity of the client, including cash reserves and liquid asset holdings. Funding is characterised by long-term annuity income and a historically low probability of default.

Property assets are located predominantly in the UK, with some exposure to prime residential areas in Europe. All facilities are reviewed at least annually and property values are monitored by our appointed panel valuation firms. The total bespoke mortgage portfolio at 31 March 2009 was £224 million.

Capital Markets

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

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

Our trading portfolio consists of positions in interest rates, foreign exchange, equities, with some non precious metal positions. Credit risk arises from normal trading risks. We maintain a thorough risk process that reviews and monitors all potential credit risks inherent in customer trading facilities. These positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of counterparty default.

Within the banking business, credit risk can arise from structured finance, project and resource financing, asset finance, acquisition finance, principal finance and corporate lending activities. There are approved limits specifying the maximum exposure to each individual counterparty, to minimise concentration risk. Facilities are secured on the assets of the underlying corporate. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying cash flow and security. While most of the activities of our Capital Markets division are concentrated in Europe, any exposure to counterparties outside this jurisdiction is mitigated through a stringent country risk approval and monitoring process, and covered by political risk insurance where deemed appropriate.

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

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

Investment Banking

Counterparty risk in this area is modest. All share underwriting is fully sub underwritten with well known market counterparties. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre agreed market risk limits.

Settlement trades are all on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any mark to market losses on the underlying security.

Credit and counterparty risk in Australia

Investec Bank (Australia) Limited operates within a clearly defined framework for managing credit risk. The policies and procedures for credit risk management are consistent with those of the group and comply with the prudential standards issued by the APRA.

Credit and counterparty risk is assumed through transacting with target private and corporate clients, project and resource finance, and the placement of surplus liquidity with highly rated domestic banks and financial institutions. Details with respect to the nature of the credit and counterparty risk assumed is similar to that of the activity conducted within our UK operations.

Asset quality analysis – credit risk classification and provisioning policy Audited

It is a policy requirement that each operating division overseen by Central Credit Management makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established group guidelines and in conjunction with the Watchlist Committee policy and process. In the financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 46). 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 assets with credit risk where a "loss trigger event" has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/ credit agreed payment due date, although management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil their credit obligation to the group (i.e. Credit Committee is concerned). For the following reasons: • 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; or • Any re-structured credit exposures until appropriate Credit Committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days
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: • 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	The counterparty is placed in sub-standard when the 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; or • 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	• The counterparty is placed in doubtful when the 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.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets is remote.

Risk management

Credit risk mitigation Audited

Collateral is 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 appropriately valued.

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 often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. In the year under review, there was downward pressure on the value of commercial and residential real estate as a result of the global economic slowdown in all our key operating jurisdictions. 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 commercial 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. Residential properties are valued by a combination of Computer Aided Valuation (CAV) and approved valuers, if applicable. Other common forms of collateral in the retail asset class are motor vehicles, cash 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.

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 should be 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 60.

Credit and counterparty risk year in review

UK and Europe

The year in review has seen large market volatilities caused by the global financial market crisis and the subsequent economic downturn. Through prudent risk management, exposures to large well published, distressed, bankrupted and failed counterparties have been avoided or losses substantially minimised.

The worsening economy has made it more difficult to re-finance or sell assets due to reduced liquidity and vastly lower asset prices in the market for all asset classes, in particular property, equities and commodities. Many traditional purchasers of assets either have not been able to raise funding to acquire new assets, or believe that assets will continue to cheapen and are cautious in their approach to new acquisitions. The slowdown has affected most asset classes and we have seen both property and corporate lending being negatively impacted particularly from diminishing asset values.

Core loans and advances increased by 10.4% to £5.9 billion, primarily as a result of currency fluctuations rather than increased lending activity. Approximately 20% of the book is denominated in Euro which has strengthened against Pounds Sterling in the year under review.

Default loans (net of impairments) have increased from 2.2% to 3.6% of core loans and advances, but remain within tolerable levels. The credit loss ratio has increased from 0.5% to 1.5%. All accounts are proactively managed and customers have demonstrated ability to service loans where assets have not been sold. The relatively low interest rate environment has enabled clients to bear the fairly low interest burden attached to their debt for longer periods. Holding assets for longer periods has thus allowed customers to avoid forced sale scenarios which may have exacerbated already depressed asset values. The performance of all accounts is regularly reviewed by the independent credit function and impairments taken as necessary. As a risk management strategy, prudent account management is formulised over asset growth.

Within our Capital Markets division we have experienced increased defaults in our Acquisition Finance, Resource Finance and small ticket leasing businesses.

- Acquisition Finance: counterparties in the automotive, construction and leisure sectors in particular have experienced severe cash flow pressures. Our exposures are all senior secured facilities. We expect further difficulties to be experienced in this book as consumer facing counterparties' cash flows weaken.
- Resource Finance: junior- to mid-cap mining operators have suffered from the collapse in commodity prices and the drying up of equity finance. We are in active negotiations regarding the refinancing of several of our larger facilities. We expect to receive repayment on a significant proportion of our book over the next few months.

Activity in the Private Banking business diminished significantly in the second half of the financial year. The business unit members as well as members of the Group Risk division have proactively assessed the entire loan book to ascertain where the bank may be exposed to increased risk. Where customers have experienced financial difficulty we have worked with them to arrive at an optimal solution including change of use for certain property related transactions and extensions of time for properties that are servicing their debt obligations. Where private clients have supported a transaction by way of personal guarantees, and the original exit was through the sale of assets and such sale would severely diminish the profitability of a project, we may agree an extension of term to achieve an orderly exit.

The Group Risk division will continue to work closely with the business units over the course of the next financial year to manage the risks in the lending portfolios. The focus will be on active book management whilst scanning the market for opportunities that present themselves.

Australia

During the year core loans and advances to customers increased by 13.2% to AUD2.9 billion, predominantly through selective growth within the professional finance business unit; which provides finance to targeted members of the medical and accounting professions.

There has been deterioration in credit quality throughout the year under review. Defaults (net of impairments) have risen to 9.6% of core loans and advances and the credit loss ratio has increased from 0.7% to 1.7%. A continued focus on asset quality remains fundamental to our approach to the challenging credit environment.

Credit and counterparty risk information

Pages 31 to 38 describe where and how credit and counterparty risk is exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

£'000 Audited	31 March 2009	31 March 2008	% change	Average*
On-balance sheet exposures	11 886 540	10 870 450	9.3%	11 378 498
Securitisation exposures arising from securitisation/principal finance activities	329 810	485 878	(32.1%)	407 845
Rated instruments	214 929	121 127	77.4%	168 028
Unrated instruments	58 040	106 989	(45.8%)	82 515
Other	56 841	257 762	(77.9%)	157 302
Debt instruments (NCDs, bonds held, debentures)	922 975	1 063 504	(13.2%)	993 240
Bank placements	1 025 252	979 767	4.6%	1 002 510
Sovereign, government placements	916 748	616 122	48.8%	766 435
Trading exposures (positive fair value excluding potential future exposures)	1 254 697	1 120 584	12.0%	1 187 641
Other credit exposures	11 315	30 142	(62.5%)	20 729
Gross core loans and advances to customers**	7 425 743	6 574 453	12.9%	7 000 098
Off-balance sheet exposures	632 709	1 105 906	(42.8%)	869 308
Guarantees	62 250	93 458	(33.4%)	77 854
Contingent liabilities, committed facilities, other	570 459	1 012 448	(43.7%)	791 454
Total gross credit and counterparty exposures pre collateral or other credit enhancements	12 519 249	11 976 356	4.5%	12 247 806

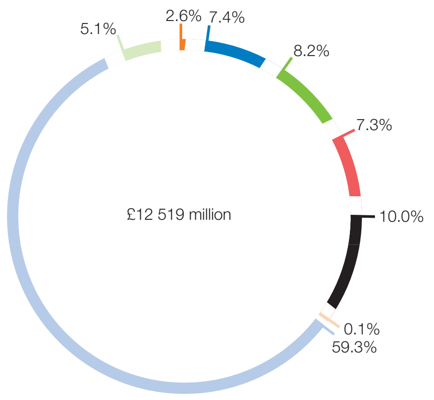
* Where the average is based on a straight line average

** As calculated on page 46

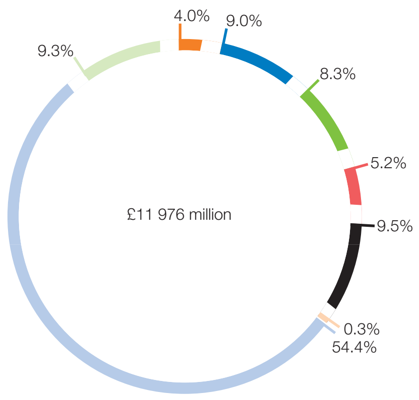
Risk management and corporate governance

Risk management

31 March 2009



31 March 2008



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

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

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

£'000 Audited	Securitisation exposures arising from securitisation/principal finance activities Total	Rated instruments	Unrated instruments	Other
As at 31 March 2009				
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	5 106	336	209	4 561
Derivative financial instruments	31 733	–	–	31 733
Investment securities	538	–	538	–
Loans and advances to customers	214 974	155 937	43 248	15 789
Securitised assets	72 701	58 656	14 045	–
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	4 758	–	–	4 758
Property and equipment	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Total	329 810	214 929	58 040	56 841
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	142 196	57 563	74 656	9 977
Derivative financial instruments	8 995	–	–	8 995
Investment securities	3 850	–	3 850	–
Loans and advances to customers	252 026	13 236	–	238 790
Securitised assets	78 811	50 328	28 483	–
Deferred taxation assets	–	–	–	–
Other assets	–	–	–	–
Interests in associated undertakings	–	–	–	–
Property and equipment	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Total	485 878	121 127	106 989	257 762

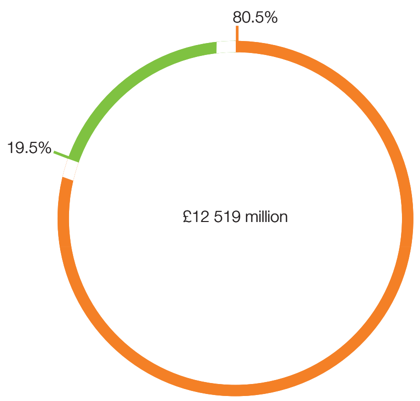
Notes:
1. Largely relates to exposures that are classified as equity risk in the banking book.
2. Relates to impairments offset by intercompany exposures which we deem to have no credit exposure. Further information is provided on page 151.
3. Whilst the group manages all risks (including credit risk) from a day to day operational perspective these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the "total credit and counterparty exposure" with the maximum credit exposure referenced to credit providers external to the group in the column headed "assets that we do not hold legal credit risk or have no credit risk".

Debt instruments (NCDs bonds held, debentures)	Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
–	830	870 653	934	–	–	872 417	5		872 422
–	968 534	–	–	101	–	968 635	47 317		1 015 952
–	–	–	–	–	–	–	–		–
–	–	–	253 247	–	–	253 247	–		253 247
4 869	–	–	243 204	–	–	253 179	106 846	1	360 025
–	–	–	549 555	–	–	581 288	80 585	1	661 873
918 106	–	46 095	–	–	–	964 739	51 134	1	1 015 873
–	–	–	–	–	6 983 146	7 198 120	583 374	2	7 781 494
–	–	–	–	–	442 597	515 298	334 299	3	849 597
–	–	–	–	–	–	–	15 197		15 197
–	–	–	–	–	–	–	88 873		88 873
–	55 888	–	207 757	11 214	–	279 617	123 093		402 710
–	–	–	–	–	–	–	155 572		155 572
–	–	–	–	–	–	–	69 591		69 591
–	–	–	–	–	–	–	25 517		25 517
922 975	1 025 252	916 748	1 254 697	11 315	7 425 743	11 886 540	1 681 403		13 567 943
–	6 607	608 004	–	–	–	614 611	8		614 619
712	973 160	–	–	–	–	973 872	36 904		1 010 776
–	–	–	7 124	–	–	7 124	59		7 183
–	–	–	325 162	–	–	325 162	25 454		350 616
17 963	–	–	166 125	2 566	–	328 850	104 615	1	433 465
–	–	–	461 167	–	–	470 162	15 991	1	486 153
1 044 829	–	8 118	–	–	–	1 056 797	59 678	1	1 116 475
–	–	–	–	–	6 228 369	6 480 395	230 100	2	6 710 495
–	–	–	–	–	346 084	424 895	349 908	3	774 803
–	–	–	–	–	–	–	49 876		49 876
–	–	–	161 006	27 576	–	188 582	202 976		391 558
–	–	–	–	–	–	–	14 440		14 440
–	–	–	–	–	–	–	125 927		125 927
–	–	–	–	–	–	–	88 282		88 282
–	–	–	–	–	–	–	22 639		22 639
1 063 504	979 767	616 122	1 120 584	30 142	6 574 453	10 870 450	1 326 857		12 197 307

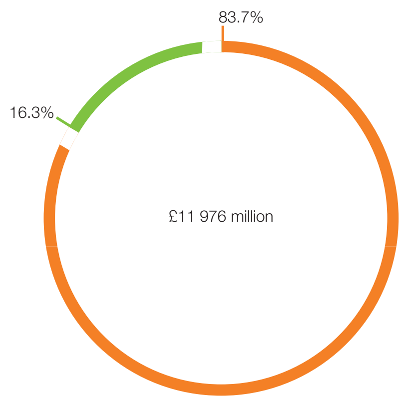
An analysis of gross credit and counterparty exposures by geography

£'000 Audited	UK and Europe 31 March 2009	UK and Europe 31 March 2008	Australia 31 March 2009	Australia 31 March 2008	Total 31 March 2009	Total 31 March 2008
On-balance sheet exposures	9 597 266	9 179 687	2 289 274	1 690 763	11 886 540	10 870 450
Securitisation exposures arising from securitisation/principal finance activities	329 810	485 878	–	–	329 810	485 878
Rated instruments	214 929	121 127	–	–	214 929	121 127
Unrated instruments	58 040	106 989	–	–	58 040	106 989
Other	56 841	257 762	–	–	56 841	257 762
Debt instruments (NCDs, bonds held, debentures)	289 839	762 313	633 136	301 191	922 975	1 063 504
Bank placements	892 318	835 834	132 934	143 933	1 025 252	979 767
Sovereign, government placements	916 748	616 122	–	–	916 748	616 122
Trading exposures (positive fair value excluding potential future exposures)	1 155 298	1 056 581	99 399	64 003	1 254 697	1 120 584
Other credit exposures	11 315	30 142	–	–	11 315	30 142
Gross core loans and advances to customers	6 001 938	5 392 817	1 423 805	1 181 636	7 425 743	6 574 453
Off-balance sheet exposures	483 868	846 298	148 841	259 608	632 709	1 105 906
Guarantees	32 909	46 714	29 341	46 744	62 250	93 458
Contingent liabilities,committed facilities,other	450 959	799 584	119 500	212 864	570 459	1 012 448
Total gross credit and counterparty exposures pre collateral or other credit enhancements	10 081 134	10 025 985	2 438 115	1 950 371	12 519 249	11 976 356

31 March 2009



31 March 2008



UK and Europe   Australia

Summary analysis of gross credit and counterparty exposures by industry

£'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008
HNW and professional individuals	4 924 957	3 690 474	472 520	626 314	5 397 477	4 316 788
Agriculture	47 901	47 029	8	857	47 909	47 886
Electricity, gas and water (utility services)	108 590	105 219	21 632	5 467	130 222	110 686
Public and non-business services	111 587	159 747	923 994	639 327	1 035 581	799 074
Business services	60 151	131 017	929	24 714	61 080	155 731
Finance and insurance	321 695	307 440	3 281 797	3 154 571	3 603 492	3 462 011
Retailers and wholesalers	106 382	154 955	2 241	18 445	108 623	173 400
Manufacturing and commerce	412 449	283 415	73 463	53 299	485 912	336 714
Real estate	781 127	1 212 794	76 974	440 785	858 101	1 653 579
Mining and resources	83 835	61 570	140 269	167 410	224 104	228 980
Leisure, entertainment and tourism	223 924	171 410	11 420	20 448	235 344	191 858
Transport and communication	243 145	249 384	6 304	33 052	249 449	282 436
Other*	–	–	81 955	217 214	81 955	217 214
Total	7 425 743	6 574 453	5 093 506	5 401 903	12 519 249	11 976 356

* Other: Only includes securitised exposures where the industry is not clearly defined

Detailed analysis of gross credit and counterparty exposures by industry

£'000	HNW and professional individuals	Agriculture	Electricity gas and water (utility services)	Public and non-business services	Business services
As at 31 March 2009					
On-balance sheet exposures	4 939 935	47 909	108 599	1 028 603	60 664
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs bonds held debentures)	–	–	–	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	916 748	–
Call facilities (non-bank entities)	–	–	–	–	–
Trading exposures (positive fair value excluding potential future exposures)	6 866	–	–	186	498
Other credit exposures	8 112	8	9	82	15
Gross core loans and advances to customers	4 924 957	47 901	108 590	111 587	60 151
Off-balance sheet exposures	457 542	–	21 623	6 978	416
Guarantees	44 135	–	–	–	–
Contingent liabilities, committed facilities, other	413 407	–	21 623	6 978	416
Total gross credit and counterparty exposures pre collateral or other credit enhancements	5 397 477	47 909	130 222	1 035 581	61 080
As at 31 March 2008					
On balance sheet exposures	3 695 463	47 029	105 219	776 089	131 853
Securitisation exposures arising from securitisation/principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs bonds held debentures)	–	–	–	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	616 122	–
Call facilities (non-bank entities)	–	–	–	–	–
Trading exposures (positive fair value excluding potential future exposures)	4 989	–	–	–	26
Other credit exposures	–	–	–	220	810
Gross core loans and advances to customers	3 690 474	47 029	105 219	159 747	131 017
Off-balance sheet exposures	621 325	857	5 467	22 985	23 878
Guarantees	30 954	83	3 516	3 356	165
Contingent liabilities, committed facilities, other	590 371	774	1 951	19 629	23 713
Total gross credit and counterparty exposures pre collateral or other credit enhancements	4 316 788	47 886	110 686	799 074	155 731

* Other: Only includes securitised exposures where the industry is not clearly defined

Finance and insurance	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure entertainment and tourism	Transport and com-munication	Other*	Total
3 601 526	107 299	413 566	836 367	191 134	224 142	244 841	81 955	11 886 540
193 247	–	–	54 608	–	–	–	81 955	329 810
137 551	–	–	14 438	–	–	–	62 940	214 929
43 248	–	–	14 045	–	–	–	747	58 040
12 448	–	–	26 125	–	–	–	18 268	56 841
922 975	–	–	–	–	–	–	–	922 975
1 025 252	–	–	–	–	–	–	–	1 025 252
–	–	–	–	–	–	–	–	916 748
–	–	–	–	–	–	–	–	–
1 137 460	895	826	–	106 209	71	1 686	–	1 254 697
897	22	291	632	1 090	147	10	–	11 315
321 695	106 382	412 449	781 127	83 835	223 924	243 145	–	7 425 743
1 966	1 324	72 346	21 734	32 970	11 202	4 608	–	632 709
–	–	–	–	18 115	–	–	–	62 250
1 966	1 324	72 346	21 734	14 855	11 202	4 608	–	570 459
3 603 492	108 623	485 912	858 101	224 104	235 344	249 449	81 955	12 519 249
3 351 833	154 955	290 521	1 453 278	207 512	171 423	268 062	217 214	10 870 450
52 164	–	–	228 557	–	–	–	205 157	485 878
–	–	–	–	–	–	–	121 127	121 127
–	–	–	28 483	–	–	–	78 506	106 989
52 164	–	–	200 074	–	–	–	5 524	257 762
1 057 881	–	–	–	–	–	–	5 623	1 063 504
979 767	–	–	–	–	–	–	–	979 767
–	–	–	–	–	–	–	–	616 122
–	–	–	–	–	–	–	–	–
952 791	–	6 233	4 156	145 942	13	–	6 434	1 120 584
1 790	–	873	7 771	–	–	18 678	–	30 142
307 440	154 955	283 415	1 212 794	61 570	171 410	249 384	–	6 574 453
110 178	18 445	46 193	200 301	21 468	20 435	14 374	–	1 105 906
22 431	28	26	21 093	11 806	–	–	–	93 458
87 747	18 417	46 167	179 208	9 662	20 435	14 374	–	1 012 448
3 462 011	173 400	336 714	1 653 579	228 980	191 858	282 436	217 214	11 976 356

Asset quality and impairments

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 on page 31.

£'000 Audited	31 March 2009	31 March 2008
Loans (pre-impairments and intercompany loans) as per balance sheet	7 215 721	6 480 395
Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments)	(232 575)	(252 026)
Add: own-originated securitised assets	442 597	346 084
Gross core loans and advances to customers (pre impairments)	7 425 743	6 574 453

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

Overall asset quality

£'000 Audited	31 March 2009	31 March 2008
Gross core loans and advances to customers	7 425 743	6 574 453
Total impairments	(90 261)	(30 289)
Portfolio impairments	(3 032)	(2 236)
Specific impairments	(87 229)	(28 053)
Net core loans and advances to customers	7 335 482	6 544 164
Average gross core loans and advances to customers	7 000 098	5 566 291
Current loans and advances to customers	6 499 079	6 003 876
Total gross non-current loans and advances to customers	926 664	570 577
Past due loans and advances to customers (1-60 days)	459 609	327 545
Special mention loans and advances to customers	32 284	85 696
Default loans and advances to customers	434 771	157 336
Gross core loans and advances to customers	7 425 743	6 574 453
Total gross non-current core loans and advances to customers	926 664	570 577
Default loans that are current and not impaired	11 057	–
Gross core loans and advances to customers that are past due but not impaired	708 653	474 870
Gross core loans and advances to customers that are impaired	206 954	95 707
Total income statement charge for impairments against core loans	(110 236)	(27 944)
Gross default loans and advances to customers	434 771	157 336
Specific impairments	(87 229)	(28 053)
Defaults net of specific impairments	347 542	129 283
Collateral and other credit enhancements	381 122	126 373
Net default loans and advances to customers (limited to zero)	–	2 910
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	1.17%	0.43%
Portfolio impairments as a % of gross core loans and advances to customers	0.04%	0.03%
Total impairments as a % of gross core loans and advances to customers	1.22%	0.46%
Specific impairments as a % of gross default loans	20.06%	17.83%
Gross defaults as a % of gross core loans and advances to customers	5.85%	2.39%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.74%	1.98%
Net defaults as a % of gross core loans and advances to customers	–	0.04%
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	1.57%	0.50%

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

£'000 Audited	31 March 2009	31 March 2008
Default loans that are current	26 047	–
1 – 60 days	484 702	356 571
61 – 90 days	38 024	59 833
91 – 180 days	191 266	154 173
181 – 365 days	110 086	–
>365 days	76 539	–
Total gross non-current loans and advances to customers (actual capital exposure)	926 664	570 577
1 – 60 days	15 796	14 911
61 – 90 days	6 999	941
91 – 180 days	17 658	17 911
181 – 365 days	50 043	–
>365 days	43 363	–
Total gross non-current loans and advances to customers (actual amount in arrears)	133 859	33 763

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

£'000 Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 31 March 2009							
Default loans that are current and not impaired							
Total capital exposure	11 057	–	–	–	–	–	11 057
Amount in arrears	–	–	–	–	–	–	–
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	461 278	33 209	78 184	86 988	48 994	708 653
Amount in arrears	–	5 663	5 025	13 784	37 369	23 711	85 552
Gross core loans and advances to customers that are impaired							
Total capital exposure	14 990	23 424	4 815	113 082	23 098	27 545	206 954
Amount in arrears	–	10 133	1 974	3 874	12 674	19 652	48 307
As at 31 March 2008							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	353 928	59 313	61 629	–	–	474 870
Amount in arrears	–	14 731	936	1 034	–	–	16 701
Gross core loans and advances to customers that are impaired							
Total capital exposure	–	2 643	520	92 544	–	–	95 707
Amount in arrears	–	180	5	16 877	–	–	17 062

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on total capital exposure)

£'000 Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	459 609	–	–	–	–	459 609
Special mention	–	88	32 196	–	–	–	32 284
Special mention (1 – 60 days)	–	88	–	–	–	–	88
Special mention (61 – 90 days and well secured)	–	–	32 196	–	–	–	32 196
Default	26 047	25 005	5 828	191 266	110 086	76 539	434 771
Sub-standard	13 711	1 581	5 170	126 641	95 087	50 520	292 710
Doubtful	12 336	23 424	658	47 010	14 999	24 943	123 370
Loss	–	–	–	17 615	–	1 076	18 691
Total	26 047	484 702	38 024	191 266	110 086	76 539	926 664

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on actual amount in arrears)

£'000 Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	5 650	–	–	–	–	5 650
Special mention	–	2	5 010	–	–	–	5 012
Special mention (1 – 60 days)	–	2	–	–	–	–	2
Special mention (61 – 90 days and well secured)	–	–	5 010	–	–	–	5 010
Default	–	10 144	1 989	17 658	50 043	43 363	123 197
Sub-standard	–	11	1 380	14 068	37 369	23 712	76 540
Doubtful	–	10 133	609	3 560	12 674	18 591	45 567
Loss	–	–	–	30	–	1 060	1 090
Total	–	15 796	6 999	17 658	50 043	43 363	133 859

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

£'000 Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	327 545	–	–	–	–	327 545
Special mention	26 383	59 313	–	–	–	85 696
Special mention (1 – 60 days)	26 383	–	–	–	–	26 383
Special mention (61 – 90 days and well secured)	–	59 313	–	–	–	59 313
Default	2 643	520	154 173	–	–	157 336
Sub-standard	–	–	132 152	–	–	132 152
Doubtful	2 457	520	5 932	–	–	8 909
Loss	186	–	16 089	–	–	16 275
Total	356 571	59 833	154 173	–	–	570 577

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

£'000 Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	14 731	–	–	–	–	14 731
Special mention	–	936	–	–	–	936
Special mention (1 – 60 days)	–	–	–	–	–	–
Special mention (61 – 90 days and well secured)	–	936	–	–	–	936
Default	180	5	17 911	–	–	18 096
Sub-standard	–	–	1 808	–	–	1 808
Doubtful	14	5	14	–	–	33
Loss	166	–	16 089	–	–	16 255
Total	14 911	941	17 911	–	–	33 763

An analysis of core loans and advances to customers

£'000 Audited	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)
As at 31 March 2009				
Current core loans and advances	6 499 079	–	–	6 499 079
Past due (1 – 60 days)	–	459 609	–	459 609
Special mention	–	32 284	–	32 284
Special mention (1 – 60 days)	–	88	–	88
Special mention (61 – 90 days and well secured)	–	32 196	–	32 196
Default	11 057	216 760	206 954	434 771
Sub-standard	11 057	216 760	64 893	292 710
Doubtful	–	–	123 370	123 370
Loss	–	–	18 691	18 691
Total	6 510 136	708 653	206 954	7 425 743
As at 31 March 2008				
Current core loans and advances	6 003 876	–	–	6 003 876
Past due (1 – 60 days)	–	327 545	–	327 545
Special mention	–	85 696	–	85 696
Special mention (1 – 60 days)	–	26 383	–	26 383
Special mention (61 – 90 days and well secured)	–	59 313	–	59 313
Default	–	61 629	95 707	157 336
Sub-standard	–	61 629	70 523	132 152
Doubtful	–	–	8 909	8 909
Loss	–	–	16 275	16 275
Total	6 003 876	474 870	95 707	6 574 453

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
–	(3 032)	6 496 047	–
–	–	459 609	5 650
–	–	32 284	5 012
–	–	88	2
–	–	32 196	5 010
(87 229)	–	347 542	123 197
(46 061)	–	246 649	76 540
(32 773)	–	90 597	45 567
(8 395)	–	10 296	1 090
(87 229)	(3 032)	7 335 482	133 859
–	–	6 003 876	–
–	(2 236)	325 309	14 731
–	–	85 696	936
–	–	26 383	–
–	–	59 313	936
(28 053)	–	129 283	18 096
(15 884)	–	116 268	1 808
(3 904)	–	5 005	33
(8 265)	–	8 010	16 255
(28 053)	(2 236)	6 544 164	33 763

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

£'000 Audited	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 60 days)	Special mention (61 – 90 days and well secured)
As at 31 March 2009				
Private Banking professional and HNW individuals	4 199 804	402 821	88	16 291
Corporate sector	1 866 578	56 788	–	15 905
Banking, insurance, financial services (excluding sovereign)	321 474	–	–	–
Public and government sector (including central banks)	111 223	–	–	–
Total gross core loans and advances to customers	6 499 079	459 609	88	32 196
As at 31 March 2008				
Private Banking professional and HNW individuals	3 391 827	307 061	26 383	56 949
Corporate sector	2 140 543	20 484	–	2 364
Banking, insurance, financial services (excluding sovereign)	307 440	–	–	–
Public and government sector (including central banks)	159 746	–	–	–
Other	4 320	–	–	–
Total gross core loans and advances to customers	6 003 876	327 545	26 383	59 313

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

£'000 Audited	31 March 2009	31 March 2008
Private Banking professional and HNW individuals	4 924 957	3 899 507
Corporate sector	2 067 504	2 203 440
Banking, insurance, financial services (excluding sovereign)	321 695	307 440
Public and government sector (including central banks)	111 587	159 746
Other	–	4 320
Total gross core loans and advances to customers	7 425 743	6 574 453

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
194 540	93 417	17 996	4 924 957	(2 133)	(47 215)	(49 348)
98 170	29 368	695	2 067 504	(899)	(39 626)	(40 525)
–	221	–	321 695	–	(161)	(161)
–	364	–	111 587	–	(227)	(227)
292 710	123 370	18 691	7 425 743	(3 032)	(87 229)	(90 261)
96 184	4 952	16 151	3 899 507	(2 236)	(24 970)	(27 206)
35 968	3 957	124	2 203 440	–	(3 083)	(3 083)
–	–	–	307 440	–	–	–
–	–	–	159 746	–	–	–
–	–	–	4 320	–	–	–
132 152	8 909	16 275	6 574 453	(2 236)	(28 053)	(30 289)

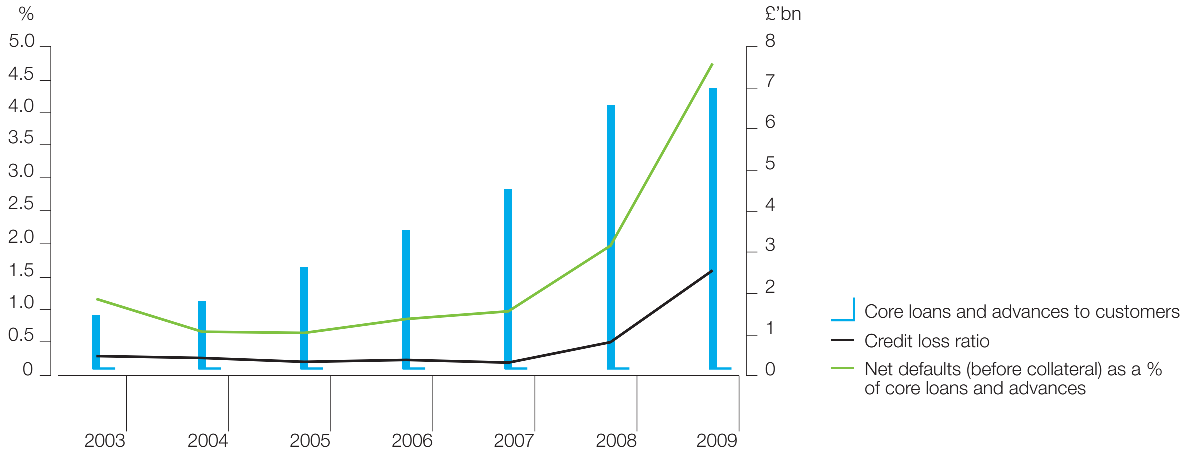
An analysis of core loans and advances to customers and asset quality by geography

£'000 Audited	UK and Europe 31 March 2009	UK and Europe 31 March 2008	Australia 31 March 2009	Australia 31 March 2008	Total 31 March 2009	Total 31 March 2008
Gross core loans and advances to customers	6 001 938	5 392 817	1 423 805	1 181 636	7 425 743	6 574 453
Total impairments	(74 627)	(21 499)	(15 634)	(8 790)	(90 261)	(30 289)
Portfolio impairments	(3 032)	(2 236)	–	–	(3 032)	(2 236)
Specific impairments	(71 595)	(19 263)	(15 634)	(8 790)	(87 229)	(28 053)
Net core loans and advances to customers	5 927 311	5 371 318	1 408 171	1 172 846	7 335 482	6 544 164
% of total	80.8%	82.1%	19.2%	17.9%	100.0%	100.0%
% change since 31 March 2008	10.4%	–	20.1%	–	12.1%	–
Average gross core loans and advances to customers	5 697 378	4 638 946	1 302 721	927 345	7 000 098	5 566 291
Current loans and advances to customers	5 252 891	4 914 790	1 246 188	1 089 086	6 499 079	6 003 876
Total gross non current loans and advances to customers	749 047	478 027	177 617	92 550	926 664	570 577
Past due loans and advances to customers (1 – 60 days)	442 966	283 445	16 643	44 100	459 609	327 545
Special mention loans and advances to customers	22 445	56 165	9 839	29 531	32 284	85 696
Default loans and advances to customers	283 636	138 417	151 135	18 919	434 771	157 336
Gross core loans and advances to customers	6 001 938	5 392 817	1 423 805	1 181 636	7 425 743	6 574 453
Total gross non-current loans and advances to customers	749 047	478 027	177 617	92 550	926 664	570 577
Default loans that are current and not impaired	11 057	–	–	–	11 057	–
Gross core loans and advances to customers that are past due but not impaired	590 725	399 220	117 928	75 650	708 653	474 870
Gross core loans and advances to customers that are impaired	147 265	78 807	59 689	16 900	206 954	95 707
Total income statement charge for impairments on core loans	(87 551)	(21 592)	(22 685)	(6 352)	(110 236)	(27 945)
Gross default loans and advances to customers	283 636	138 417	151 135	18 919	434 771	157 336
Specific impairments	(71 595)	(19 263)	(15 634)	(8 790)	(87 229)	(28 053)
Defaults net of specific impairments	212 041	119 154	135 501	10 129	347 542	129 283
Collateral and other credit enhancements	217 670	114 011	163 452	12 362	381 122	126 373
Net default loans and advances to customers (limited to zero)	–	5 143	–	–	–	2 910
Specific impairments as a % of gross core loans and advances to customers	1.19%	0.36%	1.10%	0.74%	1.17%	0.43%
Portfolio impairments as a % of gross core loans and advances to customers	0.05%	0.04%	–	–	0.04%	0.03%
Total impairments as a % of gross core loans and advances to customers	1.24%	0.40%	1.10%	0.74%	1.22%	0.46%
Specific impairments as a % of gross default loans	25.24%	13.92%	10.34%	46.46%	20.06%	17.83%
Gross defaults as a % of gross core loans and advances to customers	4.73%	2.57%	10.61%	1.60%	5.85%	2.39%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.58%	2.22%	9.62%	0.86%	4.74%	1.98%
Net defaults as a % of gross core loans and advances to customers	–	0.10%	–	–	–	0.04%
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	1.54%	0.47%	1.74%	0.69%	1.57%	0.50%

Risk management

Defaults and core loans trend

UK, Europe and Australia



Risk management and corporate governance

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

As at 31 March 2009 £'000 Audited	UK and Europe	Private Bank Australia	Total
Gross core loans and advances to customers	3 670 353	1 252 814	4 923 167
Total impairments	(36 297)	(13 050)	(49 347)
Portfolio impairments	(2 133)	–	(2 133)
Specific impairments	(34 164)	(13 050)	(47 214)
Net core loans and advances to customers	3 634 056	1 239 764	4 873 820
Average gross core loans and advances to customers	3 507 694	1 145 563	4 653 257
Current loans and advances to customers	3 113 185	1 088 511	4 201 696
Total gross non current loans and advances to customers	557 168	164 303	721 471
Past due loans and advances to customers (1 – 60 days)	386 846	15 975	402 821
Special mention loans and advances to customers	3 087	9 611	12 698
Default loans and advances to customers	167 235	138 717	305 952
Gross core loans and advances to customers	3 670 353	1 252 814	4 923 167
Total gross non-current loans and advances to customers	557 168	164 303	721 471
Default loans that are current and not impaired	6 399	–	6 399
Gross core loans and advances to customers that are past due but not impaired	463 214	116 612	579 826
Gross core loans and advances to customers that are impaired	87 555	47 691	135 246
Total income statement charge for impairments on core loans	(50 955)	(20 201)	(71 156)
Gross default loans and advances to customers	167 235	138 717	305 952
Specific impairments	(34 164)	(13 050)	(47 214)
Defaults net of specific impairments	133 071	125 667	258 738
Collateral and other credit enhancements	136 986	153 617	290 603
Net default loans and advances to customers (limited to zero)	–	–	–
Specific impairments as a % of gross core loans and advances to customers	0.93%	1.04%	0.96%
Portfolio impairments as a % of gross core loans and advances to customers	0.06%	–	0.04%
Total impairments as a % of gross core loans and advances to customers	0.99%	1.04%	1.00%
Specific impairments as a % of gross default loans	20.43%	9.41%	15.43%
Gross defaults as a % of gross core loans and advances to customers	4.56%	11.07%	6.21%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.66%	10.14%	5.31%
Net defaults as a % of gross core loans and advances to customers	–	–	–
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	1.45%	1.76%	1.53%

Capital Markets			Other			
UK and Europe	Australia	Total	UK and Europe	Australia	Total	Total
2 279 316	169 748	2 449 064	52 269	1 243	53 512	7 425 743
(38 331)	(2 583)	(40 914)	–	–	–	(90 261)
(899)	–	(899)	–	–	–	(3 032)
(37 432)	(2 583)	(40 015)	–	–	–	(87 229)
2 240 985	167 165	2 408 150	52 269	1 243	53 512	7 335 482
2 139 842	155 930	2 295 772	49 842	1 227	51 069	7 000 098
2 087 437	156 434	2 243 871	52 269	1 243	53 512	6 499 079
191 879	13 314	205 193	–	–	–	926 664
56 120	668	56 788	–	–	–	459 609
19 358	228	19 586	–	–	–	32 284
116 401	12 418	128 819	–	–	–	434 771
2 279 316	169 748	2 449 064	52 269	1 243	53 512	7 425 743
191 879	13 314	205 193	–	–	–	926 664
4 658	–	4 658	–	–	–	11 057
127 511	1 316	128 827	–	–	–	708 653
59 710	11 998	71 708	–	–	–	206 954
(36 596)	(2 484)	(39 080)	–	–	–	(110 236)
116 401	12 418	128 819	–	–	–	434 771
(37 431)	(2 583)	(40 015)	–	–	–	(87 229)
78 970	9 835	88 804	–	–	–	347 542
80 684	9 835	90 519	–	–	–	381 122
–	–	–	–	–	–	–
1.64%	1.52%	1.63%	–	–	–	1.17%
0.04%	–	0.04%	–	–	–	0.04%
1.68%	1.52%	1.67%	–	–	–	1.22%
32.16%	20.80%	31.06%	–	–	–	20.06%
5.11%	7.32%	5.26%	–	–	–	5.85%
3.52%	5.88%	3.69%	–	–	–	4.74%
–	–	–	–	–	–	–
1.71%	1.59%	1.70%	–	–	–	1.57%

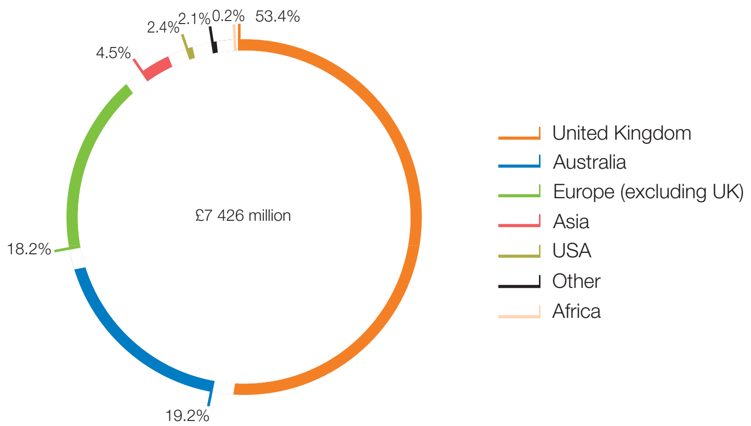
An analysis of default core loans and advances

As at 31 March 2009 £'million	UK and Europe Gross defaults	Collateral	Specific impairments
Private Bank	167.2	137.0	34.2
Property planning projects	78.3	66.7	13.1
Residential developments	59.9	44.5	17.7
Residential investments	10.9	8.4	2.6
Commercial developments	0.6	0.6	–
Commercial investments	14.1	13.5	0.8
Lending to corporates	3.4	3.3	–
Professional and other	–	–	–
Capital Markets	116.4	80.7	37.4
Principal Finance (RMBS)	52.0	52.0	–
Acquisition Finance	33.4	14.6	19.6
Asset Finance	18.7	7.2	12.4
Project Finance	4.7	0.6	4.1
Resource Finance	4.2	3.4	0.8
Structured Finance	3.4	2.9	0.5
Total	283.6	217.7	71.6

Additional information

An analysis of core loans and advances to customers by country of exposure

31 March 2009



Australia			Total		
Gross defaults	Collateral	Specific impairments	Gross defaults	Collateral	Specific impairments
138.7	153.6	13.0	305.9	290.6	47.2
0.5	0.5	–	78.8	67.2	13.1
82.0	82.7	8.9	141.9	127.4	26.6
11.5	11.9	0.8	22.4	20.3	3.4
22.4	34.3	0.8	23.0	34.9	0.8
19.4	23.0	0.9	33.5	36.5	1.7
0.8	0.2	0.6	4.2	3.5	0.6
2.1	1.0	1.0	2.1	1.0	1.0
12.4	9.8	2.6	128.8	90.5	40.0
–	–	–	52.0	52.0	–
–	–	–	33.4	14.6	19.6
–	–	–	18.7	7.2	12.4
–	–	–	4.7	0.6	4.1
11.8	9.4	2.4	16.0	12.8	3.2
0.6	0.4	0.2	4.0	3.3	0.7
151.1	163.4	15.6	434.7	381.1	87.2

Risk management and corporate governance

Collateral

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

£'000	Collateral held against Gross core loans and advances	Collateral held against Other credit and counter-party exposures*	Total
As at 31 March 2009			
Eligible financial collateral	400 128	277 976	678 104
Listed shares	26 540	4 408	30 948
Cash	373 588	44 021	417 609
Debt securities issued by sovereigns	–	229 547	229 547
Mortgage bonds	7 148 931	18 391	7 167 322
Residential mortgages	1 628 857	4 259	1 633 116
Residential development	1 979 632	12 167	1 991 799
Commercial property development	1 009 930	1 954	1 011 884
Commercial property investments	2 530 512	11	2 530 523
Other collateral	3 005 417	10 715	3 016 132
Unlisted shares	125 844	4 788	130 632
Bonds other than mortgage bonds	12 689	–	12 689
Debtors, stock and other corporate assets	2 465 205	5 924	2 471 129
Guarantees	52 056	3	52 059
Other	349 623	–	349 623
Total collateral	10 554 476	307 082	10 861 558

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

Traded market risk management

Traded market risk description Audited

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

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

Traded market risk governance structure Audited

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

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

Management and measurement of traded market risk

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

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

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

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

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

In the UK, all desks are currently on Capital Adequacy (CAD)1 level, while we are in the process of applying for CAD1 model extensions for the Structured Equity desk.

VaR

Audited

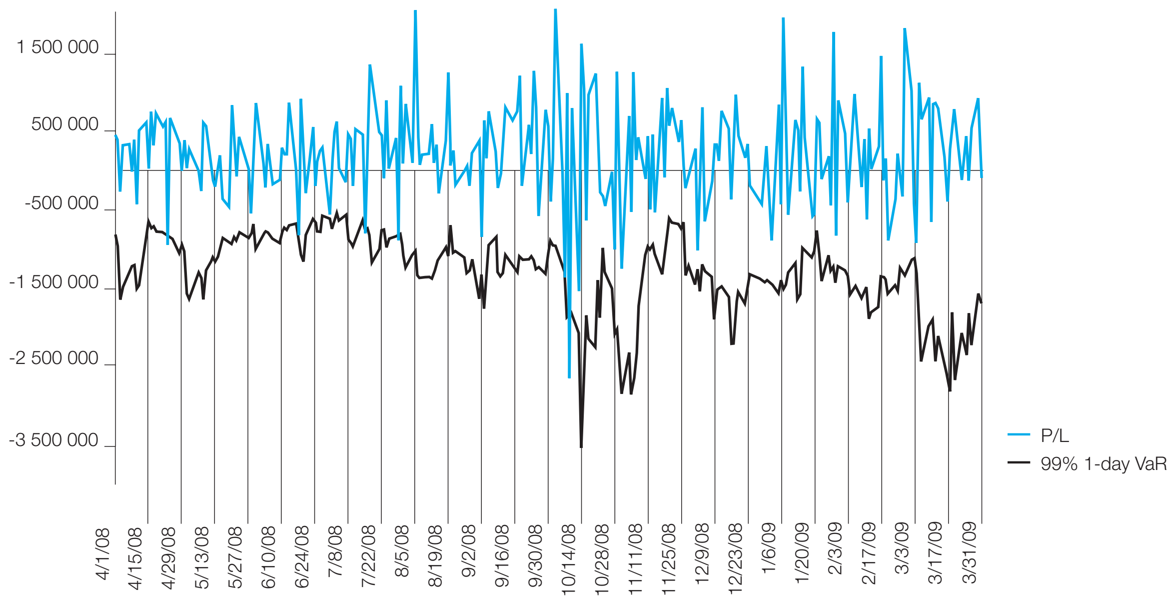
	UK and Europe 95% (one-day) £'000	Australia 99% (one-day) AUD'000
31 March 2009		
Commodities	42	–
Equity derivatives	629	–
Foreign exchange	25	14
Interest rates	759	52
Consolidated*	996	66
High	2 497	307
Low	341	60
Average	738	139
31 March 2008		
Commodities	93	–
Equity derivatives	275	–
Foreign exchange	23	34
Interest rates	397	343
Consolidated*	434	374
High	951	374
Low	130	59
Average	385	178

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

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

UK and Europe

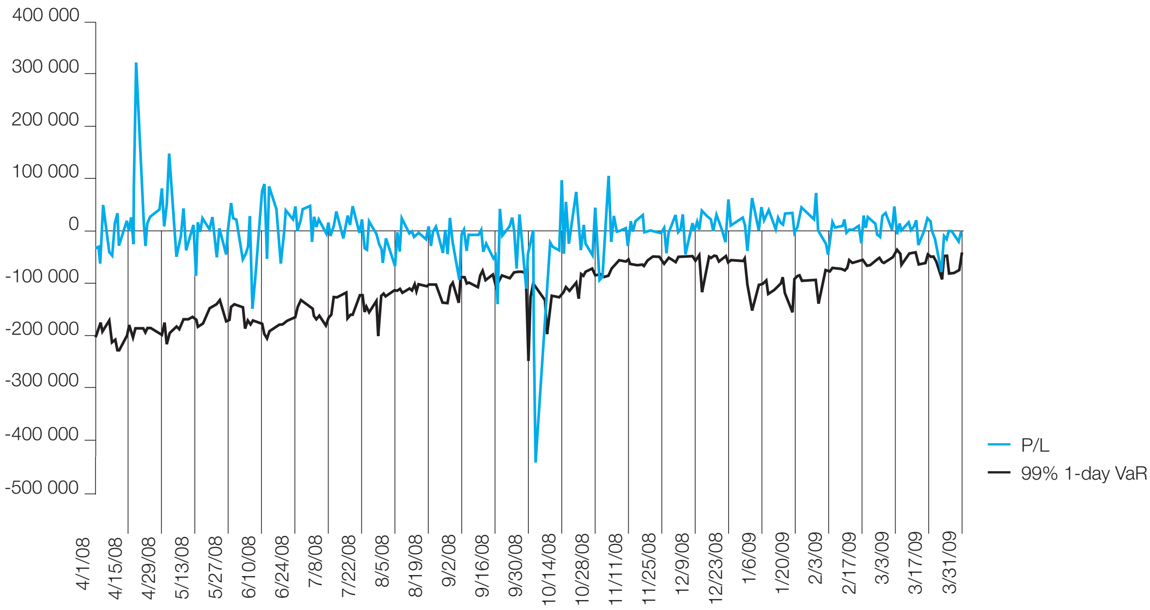
99% 1-day VaR Backtesting (GBP)



There have been five exceptions i.e. where the loss is greater than the VaR. This exceeds the exceptions at the 99% level. Most of these exceptions were marginal and arose due to significant volatility on the Fixed Income desk. The largest variance was due to an extreme rise in the implied volatility in Euribor rates in the beginning of October 2008.

Australia

99% 1-day VaR Backtesting (AUD)



There have been four exceptions i.e. where the loss is greater than the VaR. This exceeds the exceptions at the 99% level. The largest exceptions arose in the beginning of October 2008.The breach on 3 October 2008 was caused by a combination of a large parallel decrease in AUD interest rates, a large parallel increase in Gold lease rates and a depreciation in the AUD exchange rate. The breach on 7 October 2008 was caused by a large parallel decrease in AUD interest rates and a depreciation in the AUD exchange rate.

ETL 95% (one-day)

£'000 Audited	31 March 2009	31 March 2008
Commodities	78	134
Equity derivatives	929	347
Foreign exchange	39	31
Interest rates	1 359	581
Consolidated*	1 653	648

* 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.

Risk management and corporate governance

Risk management

Stress testing

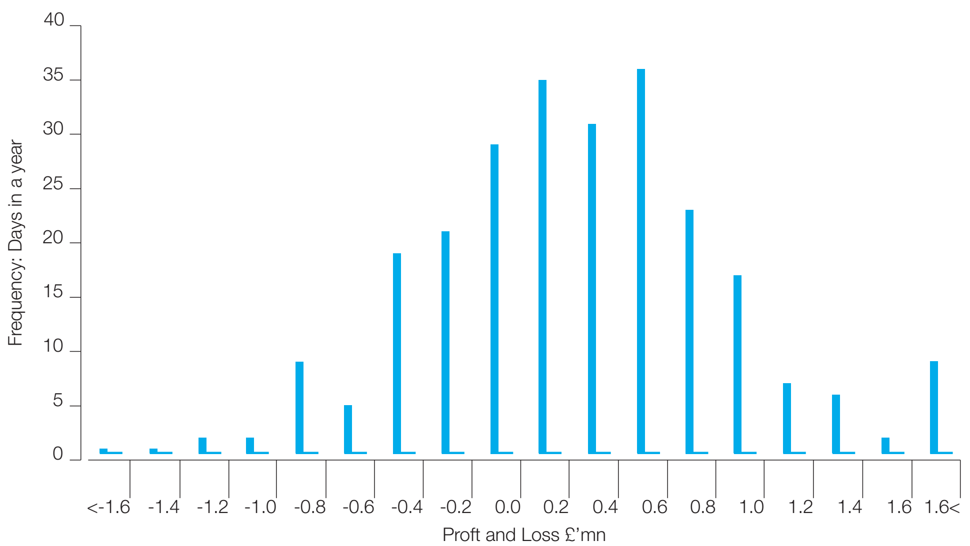
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. (15 standard deviations)

Audited	UK and Europe using VaR £'000	Australia using VaR AUD'000
31 March 2009		
Commodities	324	–
Equity derivatives	4 812	–
Foreign exchange	193	81
Interest rates	5 812	302
Consolidated	11 141	383
31 March 2008		
Commodities	712	–
Equity derivatives	2 105	–
Foreign exchange	176	200
Interest rates	3 038	1 995
Consolidated	6 031	2 195

Profit and loss histograms

UK and Europe

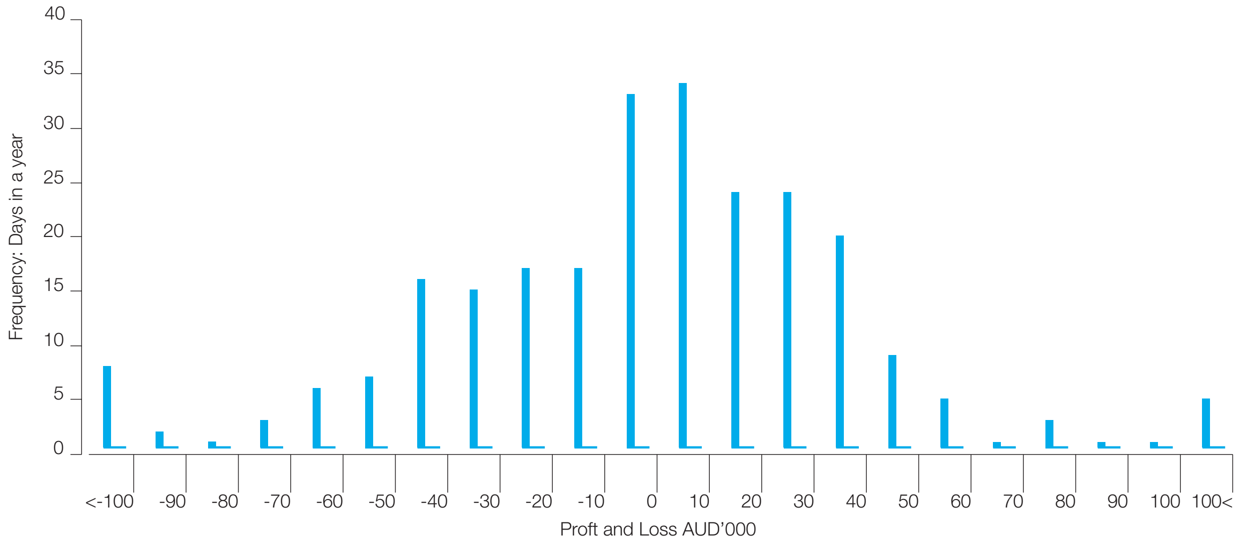
The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 166 days out of a total of 255 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2009 was £244 000.



Risk management and corporate governance

Australia

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is more normally distributed, the graph shows that trading revenue was realised on 160 days out of a total of 252 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2009 was AUD5 000.



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. Historical VaR is used (over 500 days of un-weighted data), where every "risk factor" is exposed to daily moves over the past two years. 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

The past year has been masked by extreme market movements, both in direction and volatility.

In the UK the Structured Equity desk has experienced strong growth in its retail product sales and it continues to expand its product range. The Fixed Income and Forex desks have also performed well benefiting from both the increased volatility and flows.

Australian trading activity remains modest, with the focus being mainly commodity hedging.

The majority of revenue earned from our trading activities within the Capital Markets division is related to client flow activity.

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 150.

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 independent monitoring and prudential management of 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 active global management of balance sheet risk in this complex environment. Balance sheet risk management is discharged within each geography, using regional expertise and local market access as appropriate, continuously assessing the risks whilst taking changes in market conditions into account. Under the delegated authority of the board of directors, Asset and Liability Management Committees (ALCOs) within each region are mandated to manage the balance sheet risks on a consistent basis with pre-approved principles and policies across all business activities without exception. 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. Each region further ensures that the liquidity management framework is compatible with local regulatory requirements and limits are set according to the depth and liquidity of the market in which we operate.

We continue to improve risk measurement processes and methodologies in line with regulatory requirements and banking industry best practice. The Balance Sheet Risk Management team ensure that a comprehensive and consistent governance framework for balance sheet risk management is followed across the group. The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing 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, providing for a controlled and flexible response to volatile market conditions. 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 conservative 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 the stability of unsecured funding 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 arises from the provision of retail, private client and wholesale (non-trading) banking products and services. 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 yield 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 both from a net interest margin (earnings) perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities. 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 appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure and allows for the detection of interest rate risk by concentration of repricing; net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve; and economic value sensitivity and stress-testing to macroeconomic movement or changes which measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. This combination of measures provides senior management (and ALCO) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in 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 then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by transferring the risk into the trading books within Capital Markets division and managing these under market risk limits. Policy requires that interest rate risk arising from fixed interest loans is transferred from the originating business to Treasury by match-funding. In turn, Central Treasury hedges all fixed rate assets with a term of more than one year on a deal-by-deal basis to within 3-months repricing with the use of variable vs. fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury hedges all fixed rate deposits with a term of more than one year to within 3-months repricing. Limits exist to ensure there is no undesired risk retained within any business or product area. The process is supported by technical interest rate analysis and economic review of fundamental developments by geography taking global trends into account.

Treasury have an obligation to manage the market risk within our statutory and surplus liquid assets portfolios. The Treasury mandate allows for tactically responding to market opportunities which may arise during changing interest rate cycles. 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 assuming no management intervention.

UK and Europe – interest rate sensitivity

£'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short term funds – banks	1 545	–	–	–	–	–	1 545
Investment/trading assets	369	45	6	1	3	101	525
Securitised assets	315	83	10	–	–	–	408
Advances	5 195	837	287	374	123	–	6 816
Other assets	–	–	–	–	–	647	647
Assets	7 424	965	303	375	126	748	9 941
Deposits – banks	(1 942)	(137)	(197)	(59)	(65)	–	(2 400)
Deposits – non-banks	(4 017)	(235)	(170)	(6)	(103)	(15)	(4 546)
Negotiable paper	(225)	(2)	–	(82)	–	–	(309)
Securitised liabilities	(323)	–	–	–	–	–	(323)
Investment/trading liabilities	(648)	(34)	–	–	–	(24)	(706)
Subordinated liabilities	–	–	(10)	(200)	(404)	(25)	(639)
Other liabilities	–	–	–	–	–	(401)	(401)
Liabilities	(7 155)	(408)	(377)	(347)	(572)	(465)	(9 324)
Shareholders' funds	–	–	–	–	–	(685)	(685)
Balance sheet	269	557	(74)	28	(446)	(402)	(68)
Off-balance sheet	135	(461)	(43)	(28)	444	–	47
Repricing gap	404	96	(117)	–	(2)	(402)	(21)
Cumulative repricing gap	404	500	383	383	381	(21)	–

Australia – interest rate sensitivity

AUD'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	275	–	–	–	–	–	275
Investment/trading assets	1 130	–	28	139	51	218	1 566
Securitised assets	251	59	110	484	8	–	912
Advances	1 732	71	43	134	16	–	1 996
Other assets	–	–	–	–	–	196	196
Assets	3 388	130	181	757	75	414	4 945
Deposits – banks	(211)	–	–	–	–	–	(211)
Deposits – non banks	(1 357)	(157)	(124)	(62)	(8)	(49)	(1 757)
Negotiable paper	(860)	(18)	(30)	(400)	–	7	(1 301)
Securitised liabilities	(907)	–	–	–	–	–	(907)
Investment/trading liabilities	–	–	–	(4)	(1)	(145)	(150)
Subordinated liabilities	(101)	–	–	–	–	–	(101)
Other liabilities	–	–	–	–	–	(28)	(28)
Liabilities	(3 436)	(175)	(154)	(466)	(9)	(215)	(4 455)
Intercompany loans	121	–	–	(4)	–	13	130
Shareholders' funds	–	–	–	–	–	(620)	(620)
Balance sheet	73	(45)	27	287	66	(408)	–
Off-balance sheet	538	(32)	(14)	(350)	(60)	–	82
Repricing gap	611	(77)	13	(63)	6	(408)	82
Cumulative repricing gap	611	534	547	484	490	82	–

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 assuming no management intervention i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise.

UK and Europe

’million	Sensitivity to the following interest rates (expressed in original currencies)				
	GBP	USD	EUR	Other (GBP)	All (GBP)
200bp Down	(0.3)	0.6	(1.5)	0.5	(0.8)
200bp Up	0.3	(0.6)	1.5	(0.5)	0.8

Australia

’million	AUD
200bp Down	1.9
200bp Up	(1.9)

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 with established funding sources. 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, projected balance sheet growth, and future funding and liquidity needs, whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits.

The bank maintains an internal funds transfer pricing system based on prevailing market rates, thus signalling the right incentive to our lending businesses. Central Treasury charge out the cost of long and short-term funding to internal consumers of liquidity and provide long-term stable funding for our asset creation activity.

We are an active participant in the global financial markets. Our relationship is continuously enhanced through regular investor presentations internationally. During the year we have instituted various unsecured term syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets during challenging conditions and global market dislocation. 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 unsecured 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 without recourse to the wholesale markets. 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 dislocation in the financial markets with customer deposits increasing by 8.0% to £4.7 billion over the financial year.

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 that provides our customers with access to the commercial paper market. 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, government, or bank paper (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. In aggregate, Investec is a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowing. 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 1 April 2008 to 31 March 2009 average cash and near cash balances over the period amounted to £2.1 billion (£1.7 billion in UK and Europe and AUD1.0 billion in Australia).

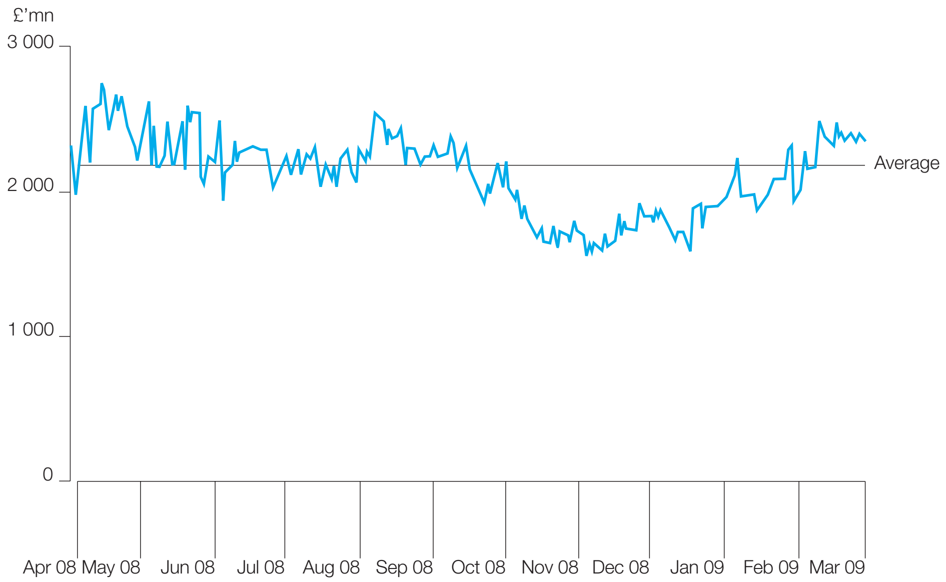
A key component of our liquidity management framework is assumptions-based planning and scenario modelling to estimate the funding requirement to meet expected growth. Anticipated on- and off-balance sheet cash flows are subjected to a variety of scenarios in order to evaluate the impact of both likely outcomes and unlikely but plausible events on liquidity positions. Scenarios and liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and stressed market conditions, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. Our liquidity risk parameters reflect a range of liquidity stress assumptions which are reviewed regularly and updated as needed. Operationally the preparation of cash flow projections (for assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch are translated into flexible short- and long-term funding plans within each legal entity and globally. This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that, in the event of either a firm-specific or general market event, we are able to generate sufficient liquidity to withstand short term liquidity stress.

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

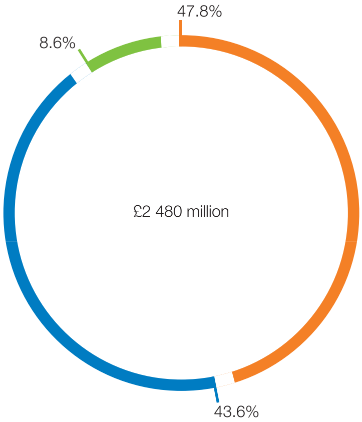
We maintain liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term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

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

Cash and near cash trend



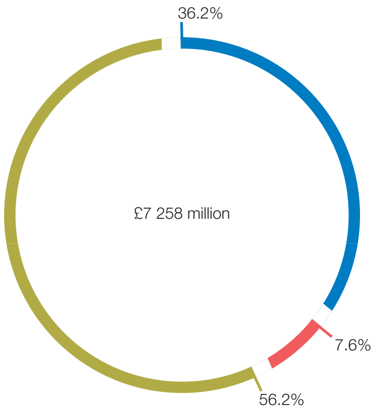
An analysis of cash and near-cash



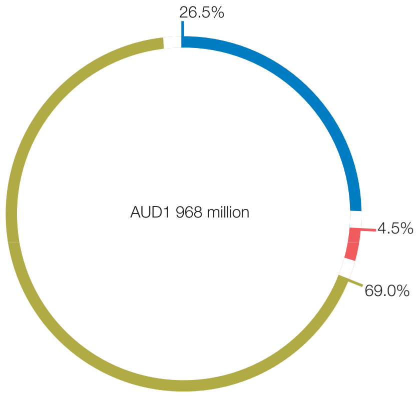
Cash
Near cash (Central Bank guaranteed liquidity)
Near cash (other "monetisable" assets)

Bank and non-bank depositor concentration by type

UK and Europe



Australia



Financial institutions/banks
Corporate
Private Banking clients

Liquidity mismatch

The tables that follow show our liquidity mismatch across our core geographies. The table reflects that loans and advances to customers are largely financed by stable funding sources.

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, we maintain a liquidity buffer in the form of unencumbered cash, government, or bank paper (typically eligible for repurchase with the central bank), and near cash as a buffer against both expected and unexpected cash flows.
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by selling these securities. 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. An internal analysis model is used, based on statistical research of the historical series of products, which models the point of probable maturity. In addition, re-investment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

UK and Europe

Contractual liquidity

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Cash and short term funds – banks	1 193	532	–	–	–	14	15	1 754
Investment/trading assets	232	573	65	63	196	255	164	1 548
Securitised assets	15	4	4	1	1	5	379	409
Advances	108	689	419	447	1 514	2 002	1 636	6 815
Other assets	163	210	15	2	23	76	157	646
Assets	1 711	2 008	503	513	1 734	2 352	2 351	11 172
Deposits – banks	(182)	(702)	(218)	(362)	(631)	(348)	(181)	(2 624)
Deposits – non-banks	(696)	(882)	(1 766)	(867)	(204)	(111)	(108)	(4 634)
Negotiable paper	–	–	(207)	(2)	–	(100)	–	(309)
Securitised liabilities	–	–	–	–	–	–	(323)	(323)
Investment/trading liabilities	(268)	(994)	(212)	(15)	(19)	(43)	(6)	(1 557)
Subordinated liabilities	–	–	–	(6)	(10)	(208)	(415)	(639)
Other liabilities	(126)	(154)	(12)	(27)	(8)	(52)	(23)	(402)
Liabilities	(1 272)	(2 732)	(2 415)	(1 279)	(872)	(862)	(1 056)	(10 488)
Shareholders' funds	–	–	–	–	–	–	(684)	(684)
Contractual liquidity gap	439	(724)	(1 912)	(766)	862	1 490	611	–
Cumulative liquidity gap	439	(285)	(2 197)	(2 963)	(2 101)	(611)	–	–

Behavioural liquidity (as discussed above)

£'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	703	(724)	(1 304)	(766)	862	896	333	–
Cumulative	703	(21)	(1 325)	(2 091)	(1 229)	(333)	–	–

Australia

Contractual liquidity

AUD'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	272	2	–	–	–	–	–	274
Investment/trading assets*	1 184	69	32	56	42	99	83	1 565
Securitised assets	1	26	69	93	175	540	8	912
Advances	–	118	225	280	557	682	135	1 997
Other assets	–	–	–	–	–	–	196	196
Assets	1 457	215	326	429	774	1 321	422	4 944
Deposits – banks	(211)	–	–	–	–	–	–	(211)
Deposits – non-banks	(523)	(473)	(398)	(95)	(137)	(123)	(8)	(1 757)
Negotiable paper	-	(179)	(62)	(30)	(75)	(945)	(11)	(1 302)
Securitised liabilities	(1)	(25)	(69)	(92)	(491)	(226)	(2)	(906)
Investment/trading liabilities	(12)	(1)	(2)	(49)	(9)	(50)	(27)	(150)
Subordinated liabilities	–	–	–	–	(76)	(25)	–	(101)
Other liabilities	–	–	–	–	–	–	(28)	(28)
Liabilities	(747)	(678)	(531)	(266)	(788)	(1 369)	(76)	(4 455)
Intercompany loans	23	102	–	1	6	(3)	2	131
Shareholders' funds	–	–	–	–	–	–	(620)	(620)
Contractual liquidity gap	733	(361)	(205)	164	(8)	(51)	(272)	–
Cumulative liquidity gap	733	372	167	331	323	272	–	–

Note: contractual liquidity adjustments (as discussed on page 72)

AUD'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
*Investment/trading assets	80	403	259	59	110	591	63	1 565

Behavioural liquidity (as discussed on page 72)

AUD'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	1 200	(423)	(423)	60	(91)	(51)	(272)	–
Cumulative	1 200	777	354	414	323	272	–	–

Financial markets year in review

During the financial year ended 31 March 2009 the impacts of the global financial crisis intensified with funding conditions deteriorating in response to the collapse of Lehman Brothers in late 2008 and the uncertainty it created in the minds of individuals with respect to the safety of banks in general.

A noteworthy characteristic of the market turmoil is the adverse effects it has had on the liquidity and funding risk profile of the banking system in general. At a universal level, these may be characterised as follows:

- Banks became unwilling to lend to each other beyond the very short-term resulting in pressure being placed on funding costs
- The ability of many market participants to issue unsecured debt has been constrained
- Asset classes considered to be liquid turned out to be illiquid with no readily available repo market.

In response to the global financial crisis, many governments and central banks have taken unprecedented action to alleviate the effects of market turmoil making available guaranteed funding facilities and introducing wide-ranging fiscal stimuli.

The last financial year was characterised by volatile global interest rates as policy makers continued to respond to the global financial crisis and resultant market dislocations in different geographies.

- Pounds Sterling interest rates – The financial year began with a further modest easing in the Bank Rate, April's meeting reducing the rate by 0.25% to 5.0% in reaction to ongoing signs that the economy was continuing to slow and credit conditions were not improving. This followed a precipitous drop in equities at the start of 2008 and a savage interest rate response from the Federal Reserve. However, inflation concerns continued to balance the Monetary Policy Committee's (MPC) concerns for the economic outlook, with some members considering tightening policy over the summer as oil prices surged pushing inflation to peak at 5.2% in September 2008. However, the collapse of Lehman Brothers in September 2008 epitomised growing financial strains that spilt into the real economy in the final quarter of 2008, realising fears that many had held since the onset of the financial crisis. The MPC responded to growing signs of economic collapse, even after emergency measures were put in place to avert a financial meltdown that Bank of England (BoE) Governor admitted had been close in October 2008. The MPC reduced rates by a record

3% in the fourth quarter of 2008. Reductions continued in the first quarter of 2009 on a monthly basis (but smaller) until the Bank Rate reached 0.50% in March 2009. This is the lowest rates have been since the BoE's inception in 1694. In March, with rates effectively at zero, the BoE announced it would follow a path of quantitative easing by purchasing assets to expand the monetary base and hence, it is hoped, broad money. The BoE announced a plan to buy £75 billion of a variety of assets, but largely gilts.
- Euro interest rates – Despite signs of growing international economic turmoil and a significant weakening in survey evidence the European Central Bank (ECB) left its key refinancing rate on hold at 4.0% in the early stages of the financial year, only to raise the rate to 4.25% in July 2008. This reflected the continued surge in oil prices and its impact on Eurozone inflation, which rose to 4.0% in June. A significant rise in inflation expectations at this time probably proved the final straw. Nevertheless, the breaking of the financial tidal wave on the real economy in the wake of the Lehman Brothers collapse in September 2008 (particularly its impact on international trade, which saw German exports fall in November 2008 alone by 11.0%) prompted the ECB to reverse its policy sharply across the fourth quarter of 2008. The ECB cut the refinancing rate by 1.75% in the fourth quarter of 2008 to 2.5%, moving in each month. The final quarter of this financial year has additionally seen 0.5% rate cuts in January and March 2008, taking the refinancing rate to 1.5%, with a further cut expected at the start of the next financial year. Moreover, the ECB initiated a more technical change in October 2008, allowing unlimited liquidity in its money market operations. This depressed overnight interest rates relative to the refinancing rate, driving them closer to the ECB deposit rate in what looked like a premeditated side effect. Following the subsequent lowering of the deposit rate relative to the refinancing rate in January 2009, overnight rates have traded between 0.5% to 0.75% lower than the refinancing rate.
- Australian interest rates – The Reserve Bank of Australia (RBA) had increased its Cash Rate Target to 7.25% at the close of the previous financial year, although comments from the central bank at the time suggested this could well prove the peak. For the first half of this financial year, the RBA was torn between growing signs of deteriorating domestic economic conditions, a worsening international outlook and a surge in oil and commodity prices driving inflation higher, which peaked at 5.0% in the third quarter of 2008. The RBA cut rates by 0.25% 'pre-emptively' in early September 2008 to 7.0%, but September's financial meltdown caused a collapse in international activity and the domestic economy slowed alarmingly. The RBA began cutting its policy rate aggressively, down to 4.25% by the end of 2008. Since then it has cut rates by a further 1.0% in February to 3.25% and we suspect this is close to the bottom of its cycle.
- USD interest rates – the Federal Reserve (Fed) ended the previous financial year with a savage round of rate cuts, the Fed Funds Target started this financial year at just 2.25%. Although the Fed reduced the target further to 2.0% in April 2008, rates held at this level until September 2008 and the Lehman Brothers collapse. This prompted a further round of significant monetary policy easing. The Fed slashed the Fed Funds target to a range of 0-0.25% in December 2008, exhausting conventional policy moves. However, from September 2008 it engaged in a series of operations that significantly expanded its balance sheet, with a view to providing support for key asset markets, initially commercial paper markets which rose in the immediate wake of Lehman Brothers and money market funds. Fed Chairman Bernanke indicated that this policy differed from the more traditional quantitative easing as its focus was not pre-defined targets for central bank liabilities, but on the composition of loans and securities on the asset side of the Fed's balance sheet. The Fed Chairman referred to this as "credit easing". This process continued to evolve with the Fed committing to buying mortgage securities and agency debt, although the differences between Fed's policy and quantitative easing became less distinct towards the end of the financial year, when the central bank announced that it would commence purchasing US Treasuries as well.

Balance sheet risk year in review

Calendar year 2008 has to be one of the most torrid years for financial markets globally, causing severe dislocation in money markets and changing the funding landscape for future years to come. Longer term liquidity all but dried up even for AAA names.

In the UK, the government was forced to take action to inject liquidity back into financial markets and restore confidence through various schemes including:
- A £50 billion Credit Guarantee scheme in October 2008. This is the scheme to which Investec Bank plc is eligible to participate and to date has issued £200 million.
- A government auction buy-back of gilts of £75 billion which is ongoing to provide liquidity to the markets.
- Nationalisation of Northern Rock and Bradford & Bingley and taking direct stakes in Royal Bank of Scotland and Lloyds TSB.
- Injecting up to £500 billion of tax payer's money by way of an Asset Protection Scheme.
- The Bank of England asset purchase facility to assist in compressing spreads and improving liquidity in corporate bonds.

Investec Bank plc has benefited in these troubled times as retail investors looked to diversify their savings across different institutions. Investec Bank plc saw good inflows into its retail savings products and Structured Equity Derivative offerings over the latter half of the year.

Despite the relatively sound economic position that Australia held at the commencement of the global financial crisis and the rapid action by the RBA and the Federal Government, the Australian economy has still been negatively impacted by the severity of deterioration in the global economic conditions. In October 2008 the Australian government announced a Government Guarantee Scheme (the "Scheme") for deposit and wholesale funding. The Scheme guarantees bank deposits up to AUD1 million for a period up to 12 October 2011, while large deposits and non-deposit debt may be guaranteed for period of up to 60 months through the payment of a fee. Subsequent to the announcement of the Scheme, Investec Bank (Australia) Ltd (IBAL) experienced major inflows of private client funds resulting in record levels being achieved. IBAL's activity in increasing funding through both the Private Bank and wholesale funding bases has been utilised to further increase an already strong liquidity position and to lengthen the average maturity profile of liabilities well in excess of regulatory and internal policy requirements.

We successfully embarked on several term debt funding initiatives. This allowed us to maintain liquidity above internal and external liquidity targets. Decisions concerning timing of issuance and the tenor of liabilities are based upon relative costs, general market conditions, prospective views of organic balance sheet growth and a targeted liquidity profile.

- Investec Bank plc:
  - €280 million Club Deal completed in April 2008 for one year at Libor+45bps.
  - A total of £570 million bilateral facilities were arranged through long-standing historical relationships maintained with other banks throughout the course of the year.
- Investec Bank (Australia) Limited (IBAL):
  - During July 2008 IBAL undertook an inaugural dual currency syndicated debt facility raising USD80 million and €43 million with a one year term and with 13 European and North American financial institutions participating.
  - During December 2008 IBAL modified its Debt Issuance Programme to allow it to undertake debt issuance in compliance with the Government Guarantee Scheme, and in February 2009 IBAL undertook two domestic term debt issues in Government Guaranteed format for a total raising of AUD600 million. The first issue was for an amount of AUD400 million and a term of 3 years, the second issue, undertaken a few weeks subsequent to the first, was for an amount of AUD200 million in a fixed rate structure, with a term of 5 years.

Operational risk management

Operational risk description

Operational risk is defined as the risk of loss or earnings volatility arising from failed or inadequate internal processes, people and systems, 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.

We have adopted the Standardised Approach to calculate operational risk regulatory capital.

Operational risk governance structure

The governance structure for operational risk management is outlined below.

Board

The board of directors through the BRCC and Audit Committee approve, monitor and review the operational risk framework, policies and practices of the group. Reports are presented to these committees on a regular basis.

Group Operational Risk Management

An independent specialist Group Operational Risk Management function is responsible for establishing the framework for operational risk management, and promotes consistent and sound operational risk management practices and processes across the group. This is in line with regulatory and stakeholder expectations in managing our operational risk.

Group Operational Risk Management has a specific responsibility for the monitoring and oversight of Business Continuity Risk Management and Financial Crime Risk Management; and monitors Change Control Management, Information Security Risk and Technology Risk, which is the responsibility of the subject matter experts.

The Operational Risk Committee and/or working groups promote and monitor the effectiveness of the operational risk management framework and develop and implement practices supporting operational risk policies and practices.

Group Operational Risk Management is responsible for facilitating the interaction and relationship with the various supervisors of the group.

Business units

Business unit senior management is responsible for the management of operational risk within their business units. This is achieved by ensuring that the operational risk management framework, policies and practices, as established by Group Operational Risk Management, are embedded within the business unit.

A network of Embedded Risk Managers (ERMs) within the business units assist management with the management and monitoring of operational risk. Material operational risks are addressed at the individual business unit risk committees and, if necessary, escalated to Group Operational Risk Management and the BRCC.

Assurance

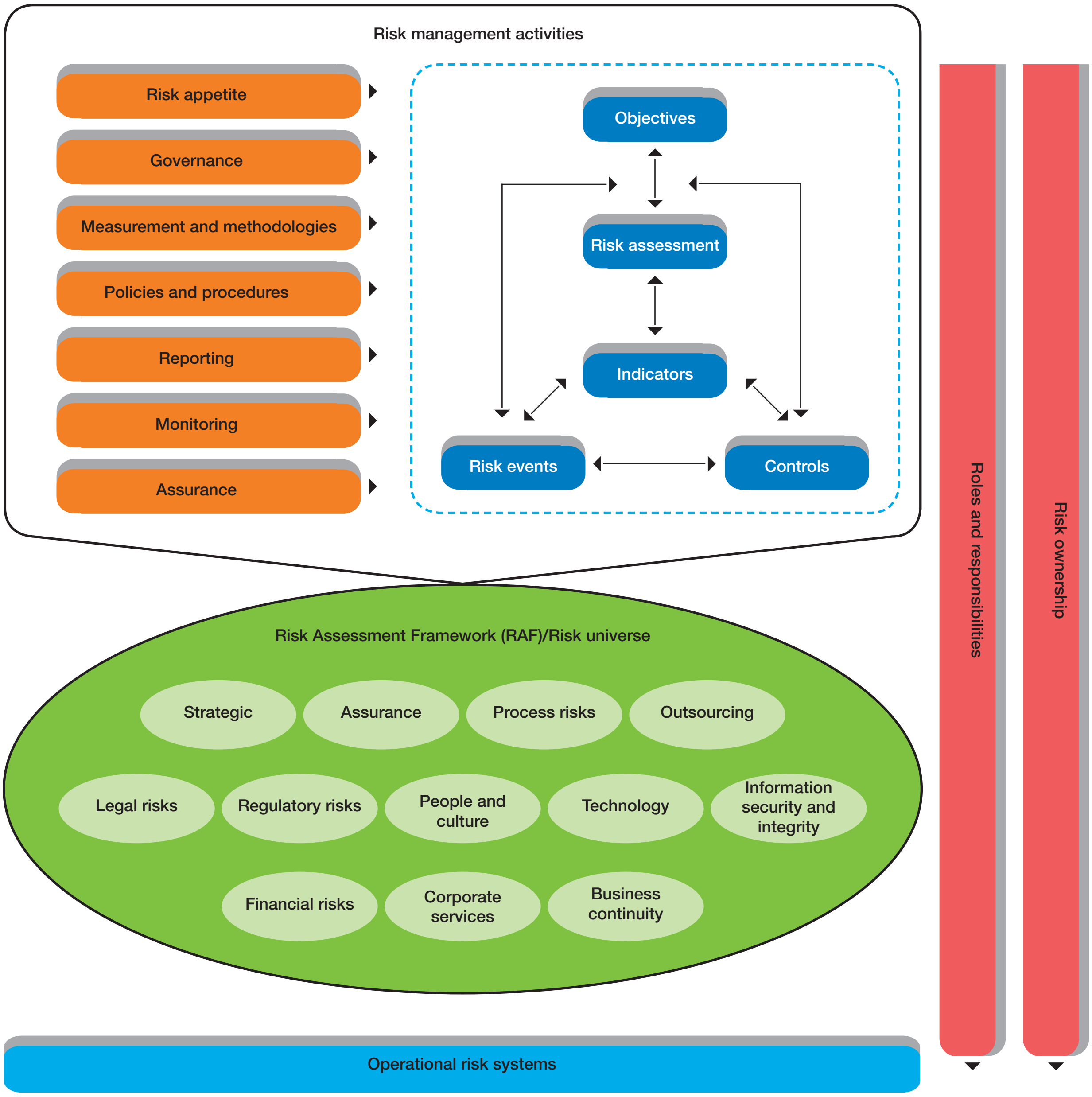
All processes are subject to reviews by Internal Audit as well as onsite reviews by the relevant supervisors. In certain instances, internal specialist subject matter experts are called on to validate the operational risk practices.

Operational risk management framework

The operational risk management framework adopted by the group sets out a structured and consistent approach for implementing a systematic, effective and efficient process to manage operational risk across the group.

A group wide operational risk system is used for the recording, identification, assessment, measurement and monitoring of operational risks facing the individual business units. This system allows for the recording and linking of risk assessments, risk events and risk indicators where appropriate, enabling a comprehensive view of the operational risk profile. Detailed analysis and reporting across the operational risk profile is also possible.

The following diagram provides an overview of the Operational Risk Management framework.



Operational risk identification and risk assessments

The risk assessment process is central to the operational risk management process. A qualitative risk assessment is conducted using an identified universe of operational risks contained in the Risk Assessment Framework (RAF).

The RAF is organised into risk areas and relevant associated detailed risks. Risks are assessed based on likelihood of occurrence and consequence, arriving at a controlled operational risk exposure.

Surveys and publications from reliable sources are monitored and compared to the RAF to confirm relevance and completeness, and to identify emerging issues.

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

Risk assessments are reviewed regularly based on the internal and external events, changes in the business environment, and new products introduced.

Risks are assessed and considered before implementation of new products in line with the relevant policies and procedures applicable to the respective operating jurisdictions.

Operational risk indicators

Key operational risk indicators are monitored. The process remains an ongoing area of development.

Operational risk measurement

Material operational risks relevant to the jurisdictions we operate in have been identified by Group Operational Risk Management in conjunction with the business units.

In the year under review each material operational risk was subjected to a scenario evaluation. Various plausible, extreme, infrequent scenarios were developed and documented for each material operational risk. Scenario information was sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

The scenario evaluations are combined through Monte Carlo simulation to determine a business unit and group proposed operational risk measure which is considered as an input into the internal operational risk capital. This is subject to review by the Capital Committee.

Reporting

Group Operational Risk reports to the Board, BRCC and Audit Committee on a regular basis. These reports are based on monitoring performed by Group Operational Risk Management and input received from the business units. This continues to be an area of focus to improve the relevance and reliability of reporting.

Other key operational risks

Business continuity risk

The ability of the group to respond to and maintain an appropriate level of operating capability in the event of a disruption is a significant area of focus.

Senior management is responsible for maintaining a crisis management as well as a business continuity capability for each of the group's geographical locations. A network of business continuity coordinators has responsibility for embedding the business continuity capability. This capability is subject to independent monitoring, review and assessment by both Group Operational Risk Management and Internal Audit.

Business continuity risk awareness and practices have continued to mature throughout the group. Continuous improvement of the operating resilience allowed the group to respond effectively to various minor incidents without significant disruption to the business. Regular and robust simulations are conducted throughout the group to assess the readiness to respond to disruptions and identify areas that require remediation.

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 the group's 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.

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

Developments

In the year under review the group was subject to regulatory onsite reviews by the FSA.

We participated in the international Loss Data Collection exercise. This assisted in confirming and refining loss data collection standards and practices.

As a result of the current financial crisis and the lessons learnt from this, we strive to continuously strengthen our operational risk environment by regularly evaluating the risk assessments and control framework and updating them in line with developments in the market and emerging exposures.

Areas of focus:

- Business continuity capability – rigorous and ongoing simulations and readiness evaluation.
- Awareness and understanding of financial crime. Developments in this area are monitored through participation in the industry fora.
- Enhancements to the IT Risk Assessment Framework which incorporates the Information Security Framework.
- The refinement of the operational risk measurement methodologies through scenario analysis.
- Key operational risk indicators that are relevant have been considered and remain an ongoing development area.
- Improvement of the quality of operational risk management data.
- Introduction of a new risk and causal analysis approach to enable us to further analyse internal and external risk events.
- Improvements to the reporting framework. Continued enhancements based on industry practice.

Our processes provide for continuous development and monitoring to ensure that the framework and practices remain relevant and are appropriate and adequate and in line with leading industry practices including regulatory requirements. Embedding operational risk management awareness and practices in our business remains an ongoing activity.

Insurance

The group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the Group Insurance Risk Manager. Regular interaction between Group Operational Risk Management and Group Insurance Risk ensures that there is an exchange of information of both areas in order to enhance the mitigation of operational risks.

Reputational risk

Reputational risk is caused by damage to our 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.

We have various policies and practices to mitigate reputational 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. Our policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

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

Legal risk management

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

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

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

The legal risk policy is implemented through:
- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no “gaps” in the risk management process
- Establishing of minimum standards for mitigating and controlling each risk, including the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing of procedures to monitor compliance, taking into account the required minimum standards
- Establishing of legal risk forums, bringing together the various legal risk managers, to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

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

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

Pension risk

Pension risk arises from defined benefit schemes, where Investec is expected to provide funds to reduce any deficit in the schemes. The schemes within Investec are closed to new business. Pension risk could arise if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary causes of any deficit include:
- A mismatch in the duration of the assets relative to the liabilities,
- Market-driven asset price volatility, and
- Increased life expectancy of individuals leading to increased liabilities.

Investec monitors the position of the funds closely, regularly assessing potential adverse movements in the schemes. Further information is provided on pages 158 to 160.

Capital management and allocation

Although Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries) are managed independently, the approach to capital management of each group is consistently applied. The DLC structure requires the two groups to be considered independent from a capital perspective and hence capital is managed on this basis. This approach is exercised through the BRCC (via the Investec DLC Capital Committee) which is a board sub-committee with ultimate responsibility for the capital sufficiency of 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 FSA in the UK and Investec Limited is regulated by the SARB. In addition, a number of subsidiaries are subject to the capital regulations of the regulators for the jurisdictions in which they operate.

Risk management

Philosophy and approach

As a consequence of the global financial markets crisis there is a strong expectation from bank stakeholders that banking groups need to and will improve their capital adequacy ratios. Investec has always held capital well in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised in a vastly changed banking world. Accordingly, the group considers it appropriate to adjust its capital adequacy targets and build its capital base, targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio of 14% to 17% on a consolidated basis for Investec plc and Investec Limited, respectively.

The determination of target capital is driven by our strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between ensuring that we are prudently capitalised to meet our risks, and optimisation of shareholder returns.

Our internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is tied to group-wide disciplines surrounding:

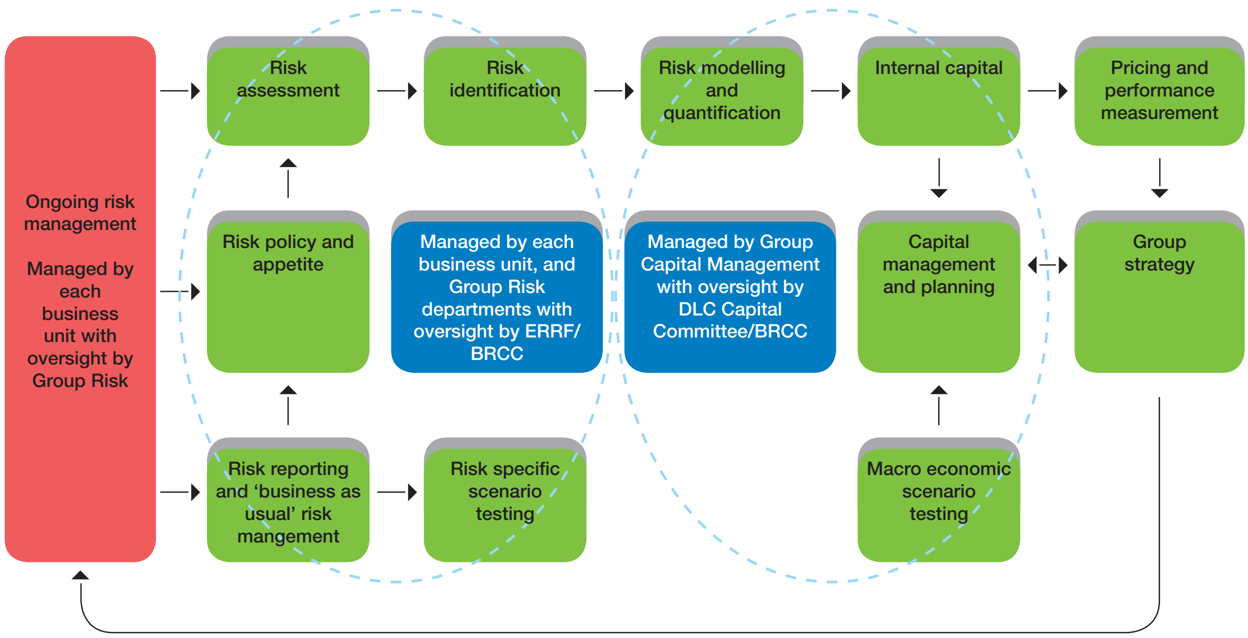
- Capital allocation and structuring
- Investment decision making and pricing
- Risk management, especially as it relates to the selection of deals, markets, and investment opportunities
- Performance measurement
- Risk-based incentive compensation.

Consequently the objectives of the internal capital framework are to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Support a target level of financial strength aligned with a long-term rating of at least A
- 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
- Maintain sufficient capital to meet regulatory requirements across each regulated entity
- Support our growth strategy
- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite
- Facilitate pricing that is commensurate with the risk being taken
- Allocate capital according to the greatest expected marginal risk based return, and track performance on this basis
- Reward performance taking into account the relative levels of risk adopted.

The framework has been approved by the Board and is managed by the DLC Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal basis.

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



Risk management

Risk assessment and identification

We review the business annually to map our universe of key risks, which are ultimately reviewed and agreed by the BRCC following an extensive process of engagement with senior management. 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. 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

As part of standard business practice, identified key risks are monitored by Group Risk Management and by Internal Audit to ensure that risks are managed to an acceptable level. Detailed performance and control metrics of these risks are reported to each ERRF and BRCC meeting, including, where appropriate the results of scenario testing. Key risk types that are considered fall within the following:

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

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed through ERRF and BRCC.

Role of regulatory capital in capital management

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

The regulatory rules within Basel II are designed to provide greater differentiation of risk between asset classes. In addition, the rules seek to account for operational risk, in addition to the traditional capital requirements for credit and market risks. We do not, however, use regulatory capital as the exclusive driver of capital allocation.

In addition, while the measurement of capital from a regulatory perspective has changed following the introduction of Basel II, the risk appetite of the board and senior management remains unchanged. Indeed, given the rapid deterioration in capital availability across the global banking industry and the increasing risk aversion of the market, senior management have determined that capital should remain at conservative levels, in line with capital targets, regardless of any potential benefit arising from a change in regulatory capital rules. This requirement has been adopted within our approach to "Pillar 2", of which the internal capital framework constitutes a central role.

Therefore, while capital requirements under "Pillar 1" form the minimum capital, our capital management framework places emphasis on the determination of internal capital requirements. However, we do manage our capital resources to ensure that all group entities exceed local capital adequacy rules in the jurisdictions in which they operate. Local management are responsible for compliance with entities' minimum regulatory requirements, although the allocation of capital supply is controlled by the DLC Capital Committee.

Internal capital

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board approved risk assessment process described above. Assessments for all risks are based on analysis of internal data, management expertise and judgment and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk; including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Traded market risk;
- Equity and property risk in the banking book;
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks;
- Business risk;
- Operational risk; and
- Pension risk (UK only).

Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to, risks relating to: fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Risk management

Capital management, planning and scenario testing

A group capital plan is prepared at least 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 over the medium term (3 years), with the impact on both earnings and asset growth 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 at least three times annually.

Stressing the capital plans is an important tool by which the board can gain insight as to the potential sources of vulnerability of the capital sufficiency of the group through market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC Capital Committee. Such plans are used by management to formulate responses to potential adverse business conditions using all available management levers.

In particular, our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy of a range of scenarios based on an expected case, upturn and downturn scenarios. 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, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

Internal capital is fully integrated into many key operational processes, including:

- Determining transactional risk based returns on capital
- Establishing break even pricing
- Optimising capital allocation
- Comparing risk based performance across business areas
- Forming 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 means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to risk adjusted return on capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

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

Responsibility for the risk and capital management process

The Investec plc and Investec Limited boards of directors are ultimately responsible for the respective silos' capital management. The group's senior management take active roles in allocating capital at a transactional level. At the highest level, the boards have delegated direct responsibility for capital management to the BRCC, and in turn the DLC Capital Committee.

In order to feed into this forum, Investec plc convenes a separate capital committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted capital management committee also exists in Australia.

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

- Business units, in particular those who 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 requirements and the projected return on this capital as part of the deal approval process. Pricing explicitly takes into account the capital usage.
  - Each business unit is responsible for translating its detailed individual strategies into a 'bottom-up" capital usage projection for incorporation into the group capital plan. These plans assist senior management with prioritising the use of our available capital.

Risk management

- Risk Management:
  - The credit approval process for each (relevant) transaction is approved only after review and approval by our central credit risk management team. Capital usage forms an explicit part of the approval process.
  - For exposures which generate market risk, the market risk management team quantify and monitor market risk capital generated by trading activities. Traded market risk is closely monitored by our various risk management fora,
  - As part of operational risk management, a process managed by centralised operational risk management and embedded risk managers within each business unit identify, assess and quantify key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used held via 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:
  - Regulatory reporting is the responsibility of a dedicated team within Group Finance, who are responsible for ensuring regulatory capital requirements are continuously met.
  - 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 group's 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.

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

This results in a capital management process driven by capital adequacy goals which are closely monitored by strategic capital plans.

These strategic capital plans, as with all elements of internal capital, are subject to a robust approval process involving senior business unit managers, Group Executive and the board.

Capital disclosures in terms of Basel II

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

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on page 161 and 162.

As at 31 March 2009	IBP* £'mn	IBAL* AUD'mn
Regulatory capital		
Tier 1		
Called up share capital	655	292
Share premium	37	–
Retained income	275	336
Other reserves	50	(7)
Minority interests in subsidiaries	(11)	–
Goodwill	(72)	(89)
Total Tier 1	934	532
Less: deductions	(18)	(94)
	916	438
Tier 2 capital		
Aggregate amount	604	134
Less: deductions	(18)	(17)
	586	117
Tier 3 capital		
Aggregate amount	10	–
Other deductions from Tier 1 and Tier 2	(105)	–
Total capital	1 407	555

As at 31 March 2008	IBP* £'mn	IBAL* AUD'mn
Regulatory capital		
Tier 1		
Called up share capital	555	292
Share premium	37	–
Retained income	275	345
Other reserves	27	(2)
Goodwill	(74)	(84)
Total Tier 1	820	551
Less: deductions	(29)	(90)
	791	461
Tier 2 capital		
Aggregate amount	602	118
Less: deductions	(29)	(26)
	573	92
Tier 3 capital		
Aggregate amount	18	–
Other deductions from Tier 1 and Tier 2	(116)	–
Total capital	1 266	553

* Where: IBP is Investec Bank plc and IBAL is Investec Bank (Australia) Limited

Capital requirements

As at 31 March 2009	IBP* £'mn	IBAL* AUD'mn
Capital requirements	709	394
Credit risk – prescribed standardised exposure classes	578	340
Corporates	216	245
Secured on real estate property	197	6
Counterparty risk on trading positions	25	18
Short-term claims on institutions and corporates	25	23
Retail	41	16
Institutions	14	11
Other exposure classes	60	21
Securitisation exposures	16	–
Equity risk – standardised approach	16	11
Listed equities	2	1
Unlisted equities	14	10
Market risk – portfolios subject to internal models approach	29	1
Interest rate	14	1
Foreign Exchange	1	–
Equities	14	–
Operational risk – standardised approach	70	42

As at 31 March 2008	IBP* £'mn	IBAL* AUD'mn
Capital requirements	695	442
Credit risk – prescribed standardised exposure classes	584	378
Corporates	236	296
Secured on real estate property	196	11
Counterparty risk on trading positions	40	13
Short-term claims on institutions and corporates	20	24
Retail	28	25
Institutions	22	3
Other exposure classes	42	6
Securitisation exposures	5	–
Equity risk – standardised approach	11	15
Listed equities	3	4
Unlisted equities	8	11
Market risk – portfolios subject to internal models approach	30	3
Interest rate	20	3
Foreign Exchange	1	–
Commodities	3	–
Equities	6	–
Operational risk – standardised approach	65	46

* Where: IBP is Investec Bank plc and IBAL is Investec Bank (Australia) Limited

Capital adequacy

As at 31 March 2009	IBP* £'mn	IBAL* AUD'mn
Tier 1 capital	934	621
Less: deductions	(18)	(183)
	916	438
Tier 2 capital	604	134
Less: deductions	(18)	(17)
	586	117
Tier 3 capital		
Aggregate amount	10	–
Other deductions from Tier 1 and Tier 2	(105)	–
Total capital	1 407	555
Risk-weighted assets (banking and trading)	8 855	3 028
Credit risk – prescribed standardised exposure classes	7 220	2 612
Corporates	2 701	1 882
Secured on real estate property	2 459	44
Counterparty risk on trading positions	308	136
Short-term claims on institutions and corporates	312	176
Retail	514	126
Institutions	175	83
Other exposure classes	751	165
Securitisation exposures	206	–
Equity risk – standardised approach	197	83
Listed equities	27	7
Unlisted equities	170	76
Market risk – portfolios subject to internal models approach	359	11
Interest rate	171	10
Foreign Exchange	12	1
Commodities	2	–
Equities	174	–
Operational risk – standardised approach	873	322
Capital adequacy ratio	15.9%	18.3%
Tier 1 ratio	10.3%	14.4%
Capital adequacy ratio - pre operational risk	17.6%	20.5%
Tier 1 ratio – pre operational risk	11.5%	16.2%

* Where: IBP is Investec Bank plc and IBAL is Investec Bank (Australia) Limited

Capital adequacy (continued)

As at 31 March 2008	IBP* £'mn	IBAL* AUD'mn
Tier 1 capital	820	635
Less: deductions	(29)	(174)
	791	461
Tier 2 capital	602	118
Less: deductions	(29)	(26)
	573	92
Tier 3 capital		
Aggregate amount	18	–
Other deductions from Tier 1 and Tier 2	(116)	–
Total capital	1 266	553
Risk-weighted assets (banking and trading)	8 688	2 944
Credit risk – prescribed standardised exposure classes	7 301	2 521
Corporates	2 953	1 973
Secured on real estate property	2 441	73
Counterparty risk on trading positions	504	87
Short-term claims on institutions and corporates	247	163
Retail	355	164
Institutions	279	22
Other exposure classes	522	39
Securitisation exposures	63	–
Equity risk – standardised approach	138	100
Listed equities	34	24
Unlisted equities	104	76
Market risk – portfolios subject to internal models approach	372	19
Interest rate	255	17
Foreign Exchange	13	2
Commodities	33	–
Equities	71	–
Operational risk – standardised approach	814	304
Capital adequacy ratio	14.6%	18.8%
Tier 1 ratio	9.1%	15.7%
Capital adequacy ratio – pre operational risk	16.1%	21.0%
Tier 1 ratio – pre operational risk	10.0%	17.5%

* Where: IBP is Investec Bank plc and IBAL is Investec Bank (Australia) Limited

Credit ratings

In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc.

Rating agency		Investec plc	Investec Bank plc – a subsidiary of Investec plc	Investec Bank (Australia) Limited – a subsidiary of Investec Bank plc
Fitch	Individual rating		C	C
	Support rating		5	2
	Foreign currency			
	Short-term		F3	F2
	Long-term		BBB	BBB
Moody's	Bank financial strength rating		D+	C-
	Foreign currency			
	Short-term deposit rating	Non prime	Prime-3	Prime-2
	Long-term deposit rating	Ba1	Baa3	Baa1
Global Credit Ratings	Local currency			
	Short-term		A2	
	Long-term		BBB+	

Internal Audit

Internal Audit provides objective and independent assurance to management and the board that group processes are adequate to identify 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 to address any weaknesses 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.

As a result of the silo specific regulatory responsibilities arising from our DLC structure, there are two group Internal Audit departments. One of them is located in London, responsible for Investec plc. An Internal Audit function reporting into Investec plc also exists in Sydney. The combined functions cover all of the geographies in which we operate. These departments use similar risk based methodologies and co-operate technically and operationally. The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the Chairman of the Audit Committee. They operate independently of executive management but have access to their local Chief Executive Officer and the Chairman of the Audit Committee. For administrative and co-ordination purposes, they also report to the Global Head of Corporate Governance and Compliance. Our Internal Audit departments have adopted and comply with the International Standards for the Professional Practice of Internal Auditing.

Annually, Internal Audit conducts a formal risk assessment of all businesses, from which a comprehensive risk based annual audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible Audit Committee. High risk businesses and processes are audited annually, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given our dependence on IT systems. As a result of the continuing instability in the macro economic environment there has been a focus in the past year on the provision of assurance over liquidity, credit and capital management controls. We also liaise with the external auditors to enhance efficiencies. The annual plan is reviewed regularly to ensure that it remains relevant and responsive, given changes in our operating environment. The Audit Committee approves any changes to the plan.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment. Audit teams comprising well-qualified, experienced staff ensure that the function has the competence to match our diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The Internal Audit resources are subject to review by the respective Audit Committees at least once a year.

Significant control weaknesses are reported, in terms of an escalation protocol, to the Audit and Compliance Implementation Forums, where rectification procedures and progress are considered and monitored at a detailed level by management. The Audit Committee receives a report on significant issues and actions taken by management to enhance related controls.

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.

We are subject to extensive supervisory and regulatory governance in the countries in which we operate.

Under the DLC structure, both Investec plc and Investec Limited maintain separate Compliance structures. Each Compliance structure operates under terms of reference which are approved by its listed company board and Audit Committee. Each Compliance structure is headed by a Group Compliance Officer, who operates independently from operational management and is responsible for ensuring adequate management of compliance risk within their silo. Each Group Compliance Officer reports to the Chief Executive Officer of their listed company as well as to the Global Head of Compliance, who is ultimately responsible for management of the Compliance function of both listed groups. The Group Compliance Officers have unrestricted access to the Chairman of their Audit Committee.

The Compliance divisions operate under matrix management reporting structures and are decentralised throughout the businesses. Under these arrangements, Compliance Officers are appointed to all significant business units and report to the business heads, but remain under the general supervision of Group Compliance. Where appropriate, certain cross-enterprise compliance functions, such as Compliance Monitoring, are centralised and report directly to the Group Compliance Officer.

Compliance risk is managed through internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The Compliance Officers provide regular training to ensure that all employees are familiar with regulatory obligations. They also provide advice on regulatory issues. Compliance staff independently monitor the business units to ensure adherence to policies and procedures and other technical requirements.

Compliance staff work closely with business and operational units to ensure consistent management of compliance risk. The group's Compliance Officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all our geographies.

UK and Europe – year in review

The UK and European financial systems have experienced significant turmoil particularly over the last six months. As a result of this we expect fundamental reforms to take place to the international regulatory and supervisory framework. Significant work is already underway with the Financial Stability Board and the global standard setters including the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. In the UK a significant contribution to the debate was provided by the Chairman of the UK's FSA in the form of the Turner Review. This report had a wide scope which included a review of the causes of the current crisis, and recommendations on the changes in regulation and supervisory approach needed to create a more robust banking system for the future. The European Commission's High Level Group on European Financial Supervision published its report in December 2008.

During the period under review regulatory activity in the UK has focused on:

- Liquidity and stress testing
- Banking Conduct of Business
- Payment Services
- Treating Customers Fairly
- Various market conduct measures (including civil and criminal prosecutions)

Liquidity and stress testing

The FSA is conducting a comprehensive review and restructuring of its liquidity regime and is taking part in various liquidity work streams both in Europe and globally. The FSA published a consultation paper in this regard in December 2008. Whilst it remains the responsibility of firms' senior management to adopt a sound approach to liquidity risk management, the FSA is proposing the following:

- A new, quantitative framework for liquidity risk management which places greater emphasis on firms' ability to assess liquidity risks and develop policies to tackle them;
- A strengthened qualitative framework for liquidity risk management, with an increased focus on firms' stress testing and contingency funding plans; new liquidity reporting requirements; and
- A new approach to firms operating in the UK which are part of a wider UK or international group.

The FSA believe that the proposed measures will enhance firms' liquidity risk management practices significantly and will, in some cases, reshape their business models over the coming years. Furthermore, the measures are intended to improve the FSA's ability to monitor and supervise firms' liquidity risk exposures.

In relation to stress testing, the FSA are proposing to introduce a 'reverse-stress test' requirement, which would apply to banks, building societies, investment firms and insurers, and would require firms to consider the scenarios most likely to cause their current business model to become unviable. The FSA is also proposing to make some drafting changes to the existing requirements on Pillar 2 capital stress and scenario testing, or where firms use internal models to assess their Pillar 1 capital requirements. The proposed changes are intended to better reflect the importance that the FSA attaches to robust stress and scenario testing and clarify the FSA's expectations of firms.

Compliance

Banking Conduct of Business/Payment Services

The FSA has proposed a new framework to regulate the way that banks treat their customers. Currently, the Banking Code Standards Board monitors and enforces the voluntary Banking Codes governing current accounts, personal loans and overdrafts, savings accounts, card services and ATMs.

This year the FSA will become responsible for regulating banks and building societies payment transactions under the Payment Services Directive. The FSA is proposing an extension of its regulation to include all aspects of banks' relationships with their retail customers and is looking to introduce the following framework:

- Full application of the FSA's Principles for Businesses to the regulated activities of accepting deposits and issuing electronic-money;
- New high-level rules applying to retail banking services outside PSD scope in a Banking Conduct of Business Sourcebook (BCOBS);
- Transfer of existing COBS rules and guidance applying to deposit taking to BCOBS; and
- Monitoring and enforcement by the FSA, integrated into the wider risk-based approach to the supervision of the relevant firms and groups.

Treating Customers Fairly (TCF)

TCF remains central to the FSA's retail strategy. Firms were expected to meet the FSA's December 2008 deadline where they were required to prove that TCF management information demonstrated that they were consistently treating customers fairly. The FSA has confirmed that as from January 2009, delivery of TCF will be tested as part of firms' usual supervision and to achieve this, the FSA has said that it will accelerate the full integration of TCF into core supervisory work.

Market abuse measures

The combating of market abuse continues to be a significant objective for the FSA. Their agenda has included a move to pursue insider dealing cases in the criminal courts. During 2008 we also saw various other initiatives from the FSA including:

- Short selling – On 18 September 2008 the FSA introduced temporary short selling measures in relation to stocks in UK financial sector companies on an emergency basis. The measures were introduced because of concerns about the potential for market abuse resulting from short selling and the consequent destabilising effects in the extreme circumstances prevailing at the time. The FSA effectively banned the active creation or increase of net short positions in the stocks of UK financial sector companies and required disclosure to the market of significant short positions in those stocks. The FSA has now lifted the ban but have extended the disclosure obligation until 30 June 2009 and continue to keep the position under review. The FSA has said that it will reintroduce the ban should this be warranted, and without consultation if necessary.
- Unauthorised trading controls – In response to the Société Générale 'rogue trader' incident the FSA published its expectations for the systems and controls necessary to deter unauthorised trading, to detect it promptly if it is occurring and to take appropriate corrective action. The measures expected by the FSA include mandatory 10 consecutive day holidays for all traders.
- Rumours – The FSA has published guidelines with respect to the dissemination of false or misleading information and market rumours about companies. The FSA expressed concern about the impact these forms of market abuse have on general market confidence, particularly in volatile or fragile market conditions.

Australia – year in review

The main areas of regulatory focus were:

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

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

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

This year has seen the final stage roll out of the anti-money laundering/counter terrorism financing procedures with the last of these obligations coming into effect on 12 December 2008. These obligations relate to reporting requirements and ongoing customer due diligence, which require reporting entities, such as Investec Australia and its subsidiaries, to monitor customers and their transactions on an ongoing basis.

Licensing

During the period under review, we applied for a number of Australian Financial Services Licenses to cover the activities of the Investec Global Aircraft Fund (part of our Capital Markets business) and the Asset Management business in Australia.

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 2009 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 and maintain trust.

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our 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.

We operate under a Dual Listed Companies (DLC) structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the stricter rule for the group.

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

Board statement

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

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

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

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of Investec Bank plc's 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 for the foreseeable future.

Board of directors

The composition of the board of Investec Bank plc is set out on page 95.

The board is accountable for the performance and affairs of Investec. It provides entrepreneurial leadership for the group within a framework of prudent and effective controls which allows risks 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 group's values and standards, promoting the highest standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks we face, determining our risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of key supporting board committees.

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

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

Board committees

The board is supported by key Investec plc committees, as follows:

- Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Board Risk and Capital Committee
  - DLC Capital Committee
  - Executive Risk Review Forum
  - Various specialist risk committees and forums as described in the risk management section of the Investec group's 2009 Annual Report.
- Nominations and Directors' Affairs Committee
- Remuneration Committee

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

Management and succession planning

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

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

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

Internal control

We have adopted the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed these principles throughout the group during the year under review. Cognisance has also been taken of the King ll 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 regularly by the Executive Risk Review Forum and 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, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the Audit Committees and are independently assessed by Internal Audit and Compliance.

External audit

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

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

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

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

Regulation and supervision

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

Communication, public disclosure obligations and stakeholder relations

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

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We 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.

Directorate

Hugh S Herman (68)
BA LLB LLD (hc)
Non-Executive Chairman

Bradley Fried (43)
BCom CA(SA) MBA
Chief Executive Officer of the bank

George F O Alford (60)
BSc (Econ) FCIS FIPD MSI

Bernard Kantor (59)
CTA

Ian R Kantor (62)
BSc (Eng) MBA

Sir Chips Keswick (69)

Stephen Koseff (57)
BCom CA(SA) H Dip BDP MBA

Alan Tapnack (62)
BCom CA(SA)

David M van der Walt (44)
BCom (Hons) CA(SA)

Ian R Wohlman (54)
ACIB

Remuneration Report 5

Remuneration Report

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

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

Policy on executive directors' and employees' remuneration

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

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

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

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

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

- Reward programmes are designed and administered to align directors' and employees' interests with those of other stakeholders, thus ensuring that these programmes promote effective risk management.
- Reward programmes incorporate a pool mechanism that incorporates risk factors as discussed on page 99.
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, our short and long-term success.
- Total rewards comprise a fixed and variable component.
- Total compensation (base salary, pension, benefits and incentives) is targeted in normal market conditions to the relevant competitive market (see below) at upper quartile levels for superior performance.
- A significant proportion of rewards, including annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. We recognise the performance of the business and the individual. As indicated above, qualitative and quantitative issues form an integral part of the determination of reward levels.
- We do not apply an upper limit on performance bonuses given our risk based Economic Value Added approach (discussed further on page 99) and prefer to contain the fixed cost component of remuneration at modest levels.
- Reward levels are targeted to be commercially competitive, on the following basis:
  - The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made.
  - Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly.
    - Firms from the FTSE 350 General Finance sector offer the most appropriate benchmark.
    - The committee also reviews on an individual basis data on other international banks with whom we compete.
    - The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets.
    - In order to avoid disproportionate packages across areas of the bank and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

Policies on the components of remuneration and employment

The reward package for executive directors and employees comprises:

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

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

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

As a consequence of the global financial markets crisis and the resultant debate and review surrounding remuneration policies and procedures the committee has made a few changes to the components of our reward programmes.

Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the company's policy to seek to set base salaries (including benefits) at median market levels.

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

Annual bonus

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by realised Economic Value Added (EVA) profit performance against pre-determined targets above a risk and capital weighted return. These targets have been in force, and unchanged, for the past few years and are subject to annual review.

Our business strategy and associated risk appetite, together with effective capital utilisation form the key cornerstones which underpin the EVA annual bonus allocation model. This model has been consistently applied for in excess of ten years. Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk adjusted capital base in excess of their target ROE. Targeted returns reflect the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to competitive benchmarks for each product line. Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy. The bank has always held capital in excess of minimum regulatory requirements, and this philosophy is perpetuated in our internal capital allocation process. Growth in profitability over time will result in an increasing incentive pool, as long as it is not achieved at the expense of capital efficiency. Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes.

In essence varying levels of return required for each business unit reflect the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee based businesses).

Individual annual incentive levels are allocated from the EVA pool, based on individual performance, as determined by the committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

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

Remuneration Report

Developments over the past year

During the financial year the bank implemented two changes with respect to annual bonus payments, which are highlighted here and explained in more detail below:

- The introduction of a deferred bonus plan; and
- The introduction of non-cash bonuses.

Investec Limited Deferred Bonus Plan 2008 and Investec plc Deferred Bonus Plan 2008

In April 2008, the bank introduced a deferred bonus scheme whereby a portion of an employee's variable remuneration can be awarded in the form of deferred bonus shares. The first awards were made as part of the June 2008 bonus payments. These share awards provided for a two-year deferral but the Bonus Plan allows for deferral of between one to five years. It is the condition of the plan that the employee is still employed by the bank on vesting date in order to benefit under this plan. Participants have no rights in respect of these shares, including the right to dividends, until the vesting date occurs.

EVA share awards (non-cash bonuses)

During the current year the bank further refined its performance bonus policies by introducing a non-cash element (in the form of forfeitable share awards) for all employees whose bonuses exceed a pre-determined hurdle rate (the amount of which will be reviewed each year) and by introducing a more formal deferral requirement, initially over an eleven-month period. These awards will be made in terms of our existing long term incentive plans.

These changes are in addition to the introduction in 2008 of a deferred bonus plan and further align directors' and employees' interests with those of stakeholders, and ensure that reward programmes are appropriately risk-adjusted.

Share option and long-term share incentive plans

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

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

Leveraged equity plans

A group of senior and executive managers, including certain Investec plc/Investec Limited directors, who have or can have a significant impact on the business, were granted participation (prior to the implementation of the DLC structure) in a leveraged equity plan known as Fintique II, which was established in 1996. This plan reached its final maturity in July 2008.

Policy on non-executive directors' remuneration

Non-executive directors receive fees for being a member of the Investec Bank plc board and fees are also payable for any additional time committed to the bank including attendance at certain meetings. Furthermore, non-executive directors may not participate in our share option plans or our long-term share incentive and pension plans.

Directors' interest

According to the register of directors' interests, no director holding office at 31 March 2009 had any debentures or beneficial interest in the shares of Investec Bank plc during the year.

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

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2009

Name	Beneficial and non-beneficial interest Investec plc[2] 1 April 2008	Beneficial and non-beneficial interest Investec plc[2] 31 March 2009	% of shares in issue[1] Investec plc 31 March 2009	Beneficial and non-beneficial interest Investec Limited[3] 1 April 2008	Beneficial and non-beneficial interest Investec Limited[3] 31 March 2009	% of shares in issue[1] Investec Limited 31 March 2009
Executive directors						
S Koseff[4]	4 886 633	4 986 633	1.1%	441 515	1 899 330	0.7%
B Kantor[5]	1 500	48 525	–	5 001 000	5 301 000	1.9%
B Fried	–	100 000	–	500 000	400 000	0.1%
A Tapnack	88 900	–	–	185 105	340 607	0.1%
DM van der Walt[6]	–	–	–	690 140	690 140	0.2%
IR Wohlman	–	–	–	164 045	164 045	0.1%
Total number	4 977 033	5 135 158	1.1%	6 981 805	8 795 122	3.1%
Non-executive directors						
HS Herman[7]	1 369 915	1 369 915	0.3%	44 525	760 470	0.3%
GFO Alford	3 100	3 100	–	–	–	–
IR Kantor	1 512 570	1 509 545	0.3%	2 002 100	2 000 325	0.7%
Sir C Keswick	15 750	15 750	–	9 250	9 250	–
Total number	2 901 335	2 898 310	0.6%	2 055 875	2 770 045	1.0%
Total number	7 878 368	8 033 468	1.7%	9 037 680	11 565 167	4.1%

Notes:

[1] The total number of Investec plc and Investec Limited shares in issue as at 31 March 2009 was 444.9 million and 268.3 million, respectively.

[2] The market price of an Investec plc share as at 31 March 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year.

[3] The market price of an Investec Limited share as at 31 March 2009 was R38.86 (2008: R57.43), ranging from a low of R27.20 to a high of R63.19 during the financial year.

In addition to their shareholdings reflected in the table above, some of the directors have an interest in options over Investec Limited shares, the details of which are as follows:

[4] S Koseff – purchased European call options on 11 June 2008 over 155 825 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

[5] B Kantor –

- Purchased European call options on 22 July 2008 over 500 000 Investec Limited shares at a strike of R52.03 per share and an expiry date of 22 July 2010.
- Purchased European call options on 11 June 2008 over 500 000 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.
- Purchased put options on 27 November 2008 over 1 000 000 Investec Limited shares at a strike of R40.00 per share and an expiry date of 27 May 2009.
- Sold call options on 27 November 2008 over 2 000 000 Investec Limited shares at a strike of R50.00 per share and an expiry date of 27 May 2009.

[6] DM Van Der Walt – purchased European call options on 11 June 2008 over 100 000 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

[7] HS Herman – purchased European call options on 11 June 2008 over 30 875 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

Directors' interest in preference shares as at 31 March 2009

Name	Investec plc 1 April 2008	Investec plc 31 March 2009	Investec Limited 1 April 2008	Investec Limited 31 March 2009	Investec Bank Limited 1 April 2008	Investec Bank Limited 31 March 2009
Executive directors						
S Koseff[1]	4 000	4 000	3 000	3 000	21 198	101 198
Non-executive directors						
HS Herman	1 135	1 135	–	–	–	–

Notes:
- The market price of an Investec plc preference share as at 31 March 2009 was R34.00 (2008: R98.00).
- The market price of an Investec Limited preference share as at 31 March 2009 was R75.80 (2008: R84.40).
- The market price of an Investec Bank Limited preference share as at 31 March 2009 was R82.00 (2008: R91.00).
- [1] S Koseff bought the following preference shares during the year under review:
  - 10 757 shares on 19 December 2008 at R31.46 per share.
  - 5 143 shares on 22 December 2008 at R33.37 per share.
  - 14 100 shares on 23 December 2008 at R36.61 per share.
  - 50 000 shares on 9 February 2009 at R29.19 per share.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2009

Name	Entitlement to Investec plc shares 1 April 2008	Entitlement to Investec plc shares 31 March 2009	Entitlement to Investec Limited shares 1 April 2008	Entitlement to Investec Limited shares 31 March 2009
Executive directors				
S Koseff	918 420	–	539 395	–
A Tapnack	–	–	168 340	–
Non-executive directors				
HS Herman	451 045	–	264 900	–
Total number	1 369 465	–	972 635	–

Notes:
- Fintique II was constituted on 31 July 1996 via a special purpose vehicle (SPV), initially available to 235 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments were compulsory convertible debentures, which convert into 4 430 Investec shares for every 1 000 units in Fintique II. The scheme was funded through cash contributions from participants and the upfront sale of the income stream on the debentures and the right to the redemption proceeds. A total of 4.0 million units were issued in terms of the scheme, converting into approximately 17.8 million shares.
- The Fintique II scheme matured on 31 July 2008 and all of the unitholders in the scheme disposed of their respective units and settled their obligations in terms of the scheme. All the shares to which the directors were entitled in terms of the scheme were taken up at a price of R2.32 per share, based on the valuation of the scheme as at 30 June 2008.
- Following the disposal of their respective Fintique II units on 30 June 2008, S Koseff received 1 457 815 Investec Limited shares, A Tapnack received 155 502 Investec Limited shares and HS Herman received 715 945 Investec Limited shares. These share holdings are now disclosed as part of the directors' aggregate beneficial and non-beneficial share holdings in Investec Limited as reflected on page 101.
- The Fintique II scheme has been terminated as at 31 March 2009.

Directors' interest in options as at 31 March 2009

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2008	Exercised during the year[1]	Options granted/ lapsed during the year	Balance at 31 March 2009	Market price at date of exercise[1]	Gross gains made on date of exercise[1]	Period exercisable
Executive directors									
B Kantor	20 Dec 2002	£1.59	15 130	5 675	–	9 455	£2.69	£6 243	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012
B Fried	20 Dec 2002	£1.59	15 130	5 675	–	9 455	£2.84	£7 094	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012
A Tapnack	20 Dec 2002	£1.59	15 130	5 675	–	9 455	£2.30	£4 029	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012
DM van der Walt	20 Dec 2002	£1.59	15 130	5 675	–	9 455	£2.35	£4 313	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012
IR Wohlman	20 Dec 2002	£1.59	15 130	5 675	–	9 455	£2.90	£7 434	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012
	1 Dec 1999	£3.15	3 780	–	–	3 780	–	–	
	3 Dec 2003	£2.12	6 250	6 250	–	–	£2.55	£2 688	

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2008	Exercised during the year[1]	Options granted/ lapsed during the year	Balance at 31 March 2009	Market price at date of exercise[1]	Gross gains made on date of exercise[1]	Period exercisable
Executive director									
IR Wohlman	1 Dec 1999	R49.20	2 220	–	–	2 220	–	–	Vesting scale in terms of the scheme rules. Vesting ends 1 Dec 2009

Notes:
No new grants were made to executive directors during the financial year. The total number of Investec plc and Investec Limited shares in issue as at 31 March 2009 was 444.9 million and 268.3 million, respectively. The market price of an Investec plc share as at 31 March 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year. The market price of an Investec Limited share as at 31 March 2009 was R38.86 (2008: R57.43), ranging from a low of R27.20 to a high of R63.19 during the financial year.

[1] Details with respect to options exercised:

- B Kantor exercised his options and bought 5 675 Investec plc shares on 22 December 2008, when the share price was £2.69 per share. The performance conditions with respect to these options were met.
- B Fried exercised his options and sold 5 675 Investec plc shares on 30 December 2008, when the share price was £2.84 per share. The performance conditions with respect to these options were met.
- A Tapnack exercised his options and sold 5 675 Investec plc shares on 3 February 2009, when the share price was £2.30 per share. The performance conditions with respect to these options were met.
- DM Van Der Walt exercised his options and sold 5 675 Investec plc shares on 19 March 2009, when the share price was £2.35 per share. The performance conditions with respect to these options were met.
- IR Wohlman exercised his options and sold 6 250 Investec plc shares on 10 December 2008, when the share price was £2.55 per share. IR Wohlman exercised his options and sold 5 675 Investec plc shares on 22 December 2008, when the share price was £2.90 per Investec plc share. The performance conditions with respect to these options were met.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2009

Name	Date of grant	Exercise price	Number of Investec plc shares 1 April 2008	Number of Investec plc shares 31 March 2009	Period exercisable
Executive directors					
S Koseff	21 Nov 2005	Nil	750 000	750 000	75% of the matching award will vest on 30 Jun 2009 and 25% on 30 Jun 2010
B Kantor	21 Nov 2005	Nil	750 000	750 000	75% of the matching award will vest on 30 Jun 2009 and 25% on 30 Jun 2010
A Tapnack	21 Nov 2005	Nil	200 000	200 000	75% of the matching award will vest on 30 Jun 2009 and 25% on 30 Jun 2010

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

The performance conditions in terms of this plan have been met in respect of the November 2005 awards and the directors will be entitled to 75% of the matching award on 30 June 2009.

Directors' interest in long-term incentive plans as at 31 March 2009

Name	Date of grant	Exercise price	Number of Investec plc shares 1 April 2008	Number of Investec plc shares 31 March 2009	Period exercisable
Executive directors					
B Fried	16 Mar 2005	Nil	500 000	500 000	75% on 30 Jun 2009 and 25% on 30 Jun 2010
	25 Jun 2007	Nil	200 000	200 000	75% on 25 Jun 2011 and 25% on 25 Jun 2012
DM van der Walt	16 Mar 2005	Nil	425 000	425 000	75% on 30 Jun 2009 and 25% on 30 Jun 2010
	25 Jun 2007	Nil	200 000	200 000	75% on 25 Jun 2011 and 25% on 25 Jun 2012
IR Wohlman	16 Mar 2005	Nil	150 000	150 000	75% on 30 Jun 2009 and 25% on 30 Jun 2010
	25 Jun 2007	Nil	50 000	50 000	75% on 25 Jun 2011 and 25% on 25 Jun 2012

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

Financial statements 6

Contents

Group

Company

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2009.

Business and principal activities

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

Review of the business and future developments

A review of the bank's business for the year and future proposed activities can be found in the financial review on pages 13 to 25.

On 23 January 2009 the bank changed its status to that of a public limited company and accordingly changed its name from Investec Bank (UK) Limited to Investec Bank plc.

Accounting policies and disclosures

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom law. To align with the accounting policies applied in the consolidated financial statements of the bank's listed parent, Investec plc, the consolidated financial statements of the bank are prepared under International Financial Reporting Standards as adopted by the EU. These policies are set out on pages 118 to 127.

The accounts of the bank itself continue to be drawn up under UK Generally Accepted Accounting Practice. The accounting policies for the bank's own accounts are set out on pages 174 to 180.

Authorised and issued share capital

Details of the share capital as at 31 March 2009 are set out in note 36 of the bank's consolidated financial statements.

The bank has issued the following ordinary shares of £1 each at par:

Date of issue	Number of ordinary shares
12 August 2008	20 million
23 September 2008	25 million
27 January 2009	10 million
31 March 2009	45 million

Results and dividends

The results for the year are shown on page 114. Movements in reserves are shown in the reconciliation of equity on pages 128 and 129 of the financial statements.

A final dividend of £10 000 000 in respect of the prior year was paid on 30 May 2008.

An interim dividend of £8 000 000 was paid on 14 November 2008.

Directors and their interests

The directors and company secretary of the bank for the year ended 31 March 2009 are shown on page 95 and at the beginning of this report. There have been no changes during the year.

The interests of the directors are set out in the Remuneration Report on pages 97 to 105.

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

Creditor payment policy

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

Directors' Report

Employees

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

Environment

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

Further information can be found in the Investec group's 2009 Our Business Responsibility Report.

Donations

During the year, the group made donations for charitable purposes in the UK totalling £244 789.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors. A resolution proposing their reappointment as auditors will be submitted to the Annual General Meeting.

By order of the board

David Miller
Company Secretary

25 June 2009

Group financial statements

Directors' Responsibility Statement

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

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

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

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

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

Signed on behalf of the board

Bradley Fried
Chief Executive Officer

25 June 2009

Independent Auditors' Report to the members of Investec Bank plc

We have audited the group financial statements of Investec Bank plc for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense, the information in the Risk Management Report contained in the group Annual Report that has been described as audited and the related notes 1 to 45. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent banking company financial statements of Investec Bank plc for the year ended 31 March 2009.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report, the Financial Review, the unaudited part of the Risk Management Report, the Corporate Governance Statement and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Independent Auditors' Report to the members of Investec Bank plc

Opinion

In our opinion:
- The group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its loss for the year then ended;
- The group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the group financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

26 June 2009

Notes:
1. The maintenance and integrity of the Investec Bank plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year to 31 March £'000	Notes	2009	2008
Interest income		754 420	710 052
Interest expense		(519 450)	(501 301)
Net interest income		**234 970**	**208 751**
Fee and commission income		207 478	182 686
Fee and commission expense		(14 744)	(10 010)
Principal transactions	4	46 308	67 205
Operating income from associates	24	190	698
Other operating (loss)/income	5	(22 999)	45 932
Other income		**216 233**	**286 511**
Total operating income		**451 203**	**495 262**
Impairment losses on loans and advances		(110 236)	(27 945)
Operating income		**340 967**	**467 317**
Administrative expenses	6	(323 640)	(336 693)
Depreciation, amortisation and impairment of property, equipment and intangible assets	27/29	(17 877)	(15 472)
Operating (loss)/profit before goodwill		**(550)**	**115 152**
Goodwill	24/28	(30 265)	–
(Loss)/profit before taxation		**(30 815)**	**115 152**
Taxation	9	(4 962)	(17 350)
(Loss)/profit after taxation		**(35 777)**	**97 802**
(Losses)/earnings attributable to minority shareholders		(47 287)	4 724
Earnings attributable to shareholders		**11 510**	**93 078**

Group financial statements

Consolidated balance sheet

At 31 March £'000	Notes	2009	2008
Assets			
Cash and balances at central banks		872 422	614 619
Loans and advances to banks		1 015 952	1 010 776
Cash equivalent advances to customers		–	7 183
Reverse repurchase agreements and cash collateral on securities borrowed	18	253 247	350 616
Trading securities	19	360 025	433 465
Derivative financial instruments	20	661 873	486 153
Investment securities	21	1 015 873	1 116 475
Loans and advances to customers	22	7 781 494	6 710 495
Securitised assets	23	849 597	774 803
Interests in associated undertakings	24	15 197	14 440
Deferred taxation assets	25	88 873	49 876
Other assets	26	402 710	391 558
Property and equipment	27	155 572	125 927
Goodwill	28	69 591	88 282
Intangible assets	29	25 517	22 639
		13 567 943	12 197 307
Liabilities			
Deposits by banks		2 662 473	2 860 627
Derivative financial instruments	20	388 855	244 440
Other trading liabilities	31	191 897	192 987
Repurchase agreements and cash collateral on securities lent	18	1 048 550	287 585
Customer accounts		5 486 068	5 264 487
Debt securities in issue	32	939 346	594 180
Liabilities arising on securitisation	23	761 477	686 486
Current taxation liabilities		63 248	62 329
Deferred taxation liabilities	25	21 301	27 985
Other liabilities	33	330 262	413 482
		11 893 477	10 634 588
Subordinated liabilities	35	688 297	645 929
		12 581 774	11 280 517
Equity			
Called up share capital	2/36	655 000	555 000
Share premium	2	37 365	37 365
Other reserves	2	22 200	13 840
Profit and loss account	2	252 623	261 962
Shareholders' equity excluding minority interests		967 188	868 167
Minority interests	2/37	18 981	48 623
Total shareholders' equity		986 169	916 790
Total liabilities and shareholders' equity		13 567 943	12 197 307

Approved and authorised for issue by the Board of Directors on 25 June 2009 and signed on its behalf by:

Bradley Fried
Chief Executive Officer

Group financial statements

Consolidated statement of total recognised income and expenses

For the year to 31 March £'000	Notes	2009	2008
(Loss)/profit after taxation		(35 777)	97 802
Total gains and losses recognised directly in equity		18 157	(2 068)
Fair value movements on available for sale assets		3 463	(23 777)
Fair value movements on cash flow hedges		(15 716)	–
Foreign currency movements		30 410	21 709
Total recognised income and expenses	2	(17 620)	95 734
Total recognised income and expenses attributable to minority shareholders		(33 179)	4 055
Total recognised income and expenses attributable to ordinary shareholders		15 559	91 679
	2	(17 620)	95 734

Group financial statements

Cash flow statement

For the year to 31 March £'000	Notes	2009	2008
Operating profit adjusted for non cash items	39	128 919	158 082
Taxation paid		(13 454)	(19 104)
Increase in operating assets		(1 081 308)	(25 961)
Increase in operating liabilities		1 281 679	646 822
Net cash inflow from operating activities		315 836	759 839
Cash flow on acquisition of group operations		–	(13 763)
Cash flow on acquisition and disposal of property, equipment and intangible assets		(7 772)	(26 922)
Investment in associated undertakings		(1 224)	–
Net cash outflow from investing activities		(8 996)	(40 685)
Dividends paid to ordinary shareholders		(18 000)	(80 000)
Dividends paid to other equity holders		–	(2 912)
Proceeds on issue of other equity instruments*		103 537	56 777
(Reduction)/increase in subordinated debt		(6 592)	4 094
Net cash inflow/(outflow) from financing activities		78 945	(22 041)
Effects of exchange rates on cash and cash equivalents		(18 970)	1 290
Net increase in cash and cash equivalents		366 815	698 403
Cash and cash equivalents at the beginning of the year		980 850	282 447
Cash and cash equivalents at the end of the year		1 347 665	980 850
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		872 422	614 619
On demand loans and advances to banks		475 243	359 048
Cash equivalent advances to customers		–	7 183
Cash and cash equivalents at the end of the year		1 347 665	980 850

* Includes equity instruments issued by subsidiaries

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

Accounting policies

Basis of preparation

The group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU") which comply with the IFRSs as issued by the International Accounting Standards Board. At 31 March 2009, IFRS standards as endorsed by the EU are identical to current IFRSs applicable to the group.

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

Accounting policies applied are consistent with those of the prior year, except as noted below.

The group has elected to early adopt IFRS 8, Operating Segments as of 1 April 2008. This standard requires disclosure of information about the group's operating segments on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Adoption of this standard did not have any impact on the financial position or performance of the group. The group determined that operating segments were the same as the business segments previously identified under IAS 14, Segment Reporting.

IAS 39, Financial Instruments: Recognition and Measurement was amended in October 2008, effective immediately. Following the amendment, a non-derivative financial asset held for trading may be transferred out of the fair value through profit and loss category in the following circumstances:
- In rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term; or
- It is no longer held for the purpose of selling or repurchasing in the near term, it would have met the definition of a loan and receivable at initial recognition and the group has the intention and ability to hold it for the foreseeable future or until maturity.

The initial value of the financial asset that has been reclassified, per the above, is the fair value at the date of reclassification. The group has not applied the initial transitional rules. This change in accounting policy has had no impact on the prior year financial statements.

Basis of consolidation

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

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

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

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

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

Segmental reporting

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

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

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

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

Goodwill

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

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

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

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

Share based payments to employees

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

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

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

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

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec Bank plc.

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

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expense items are translated at exchange rates ruling at the date of the transaction;
- All resulting exchange differences are recognised in equity (foreign currency translation reserve), which is recognised in profit and loss on disposal of the foreign operation; 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 profit and loss;
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment; 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. Fee and commission income is only recognised when it can be estimated reliably.

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

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

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

Financial instruments

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

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

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

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

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

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

Held-to-maturity assets

Held-to-maturity 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 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 receivables. They include strategically held equity instruments that are not associates, joint ventures or subsidiaries of the group. Further, certain loans and receivables that are held at fair value due to being quoted on an active market, which are neither actively traded nor held to maturity instruments, are classified as available for sale financial assets.

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

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

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

Financial liabilities

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

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

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

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, homogeneous assets. Assets specifically identified as impaired are excluded from the collective 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.

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 are 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 included in the initial cost of any asset/liability recognised or in all other cases released 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 the income statement.

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.

Equity instruments issued by subsidiaries of Investec Bank plc are recorded as minority interests on balance sheet.

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

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

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

Sale and repurchase agreements (including securities borrowing and lending)

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

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

Accounting policies

Financial guarantees

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

Instalment credit, leases and rental agreements

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where Investec is the lessor and included in liabilities where 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.

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

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

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

Taxation and deferred taxation

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

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

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

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

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

Employee benefits

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

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

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

The group has no liabilities for other post retirement benefits.

Intangible assets

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

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

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

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Accounting policies

Standards and interpretations not yet effective

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

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

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

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

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

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

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)

These amendments will have no impact on the group.

IFRS 7 – Improving disclosures about financial instruments (applicable for reporting periods beginning on or after 1 January 2009)

Whilst the group has adopted several of the improvements in this set of financial statements, a complete transition to the revised standard will be achieved in 2010 Annual Report. Changes to the standard has no impact on accounting policies and recognition and measurement.

IFRIC 13 – Customer Loyalty Programmes (applicable for reporting periods beginning on or after 1 July 2008)

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 impact of this standard is currently being determined by the group.

Improvements to International Financial Reporting Standards 2008 and Improvements to International Financial Reporting Standards 2009

There were numerous updates issued, which are considered by the IASB to be non urgent but important. None of these updates will result in a change to the accounting policies of the group

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

- IFRS 1 – First-time adoption of International Financial Reporting Standards
- IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IAS 23 – Borrowing Costs
- IAS 39 – Eligible Hedged Items
- IAS 39 and IFRIC 9 – Embedded Derivatives
- IFRIC 15 – Arrangements for the Construction of Real Estate
- IFRIC 16 – Hedges on a Net Investment in a Foreign Operation
- IFRIC 17 – Distribution of Non-cash Assets
- IFRIC 18 – Transfers of Assets from Customers

Key management assumptions

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

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 19, trading securities and note 21, 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 judgemental in nature.
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

£'000	Ordinary share capital	Share premium account
2. Reconciliation of equity		
At 1 April 2007	505 000	37 365
Movement in reserves 1 April 2007 – 31 March 2008		
Foreign currency adjustments	–	–
Profit after taxation	–	–
Fair value movements on available for sale assets	–	–
Profit on realisation of available for sale assets recycled through income	–	–
Total recognised gains and losses for the year	–	–
Share based payments adjustments	–	–
Dividends paid to ordinary shareholders	–	–
Dividends paid to minority shareholders	–	–
Issue of equity by subsidiaries	–	–
Issue of equity shares	50 000	–
Transfer to regulatory general risk reserve	–	–
At 31 March 2008	555 000	37 365
Movement in reserves 1 April 2008 – 31 March 2009		
Foreign currency adjustments	–	–
Profit after taxation	–	–
Fair value movements on cash flow hedges	–	–
Fair value movements on available for sale assets	–	–
Losses on realisation or impairment of available for sale assets recycled through income	–	–
Total recognised gains and losses for the year	–	–
Share based payments adjustments	–	–
Dividends paid to ordinary shareholders	–	–
Dividends paid to minority shareholders	–	–
Issue of equity by subsidiaries	–	–
Issue of equity shares	100 000	–
Transfer to regulatory general risk reserve	–	–
At 31 March 2009	655 000	37 365

Other reserves							
Available for sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserve	Profit and loss account	Shareholders' equity excluding minority interests	Minority interests	Total equity
11 033	6 991	–	(3 102)	252 734	810 021	40 703	850 724
–	831	–	21 547	–	22 378	(669)	21 709
–	–	–	–	93 078	93 078	4 724	97 802
(10 073)	–	–	–	–	(10 073)	–	(10 073)
(13 704)	–	–	–	–	(13 704)	–	(13 704)
(23 777)	831	–	21 547	93 078	91 679	4 055	95 734
–	–	–	–	(3 533)	(3 533)	–	(3 533)
–	–	–	–	(80 000)	(80 000)	–	(80 000)
–	–	–	–	–	–	(2 912)	(2 912)
–	–	–	–	–	–	6 777	6 777
–	–	–	–	–	50 000	–	50 000
–	317	–	–	(317)	–	–	–
(12 744)	8 139	–	18 445	261 962	868 167	48 623	916 790
–	468	–	12 336	3 498	16 302	14 108	30 410
–	–	–	–	11 510	11 510	(47 287)	(35 777)
–	–	(15 716)	–	–	(15 716)	–	(15 716)
(925)	–	–	–	–	(925)	–	(925)
4 388	–	–	–	–	4 388	–	4 388
3 463	468	(15 716)	12 336	15 008	15 559	(33 179)	(17 620)
–	–	–	–	1 462	1 462	–	1 462
–	–	–	–	(18 000)	(18 000)	–	(18 000)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	3 537	3 537
–	–	–	–	–	100 000	–	100 000
–	7 809	–	–	(7 809)	–	–	–
(9 281)	16 416	(15 716)	30 781	252 623	967 188	18 981	986 169

Notes to the financial statements

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total
3. Segmental analysis						
Business analysis 2009						
Net interest income	155 013	73 945	(1 249)	(472)	7 733	234 970
Fee and commission income	68 538	84 584	48 310	5 783	263	207 478
Fee and commission expense	(4 674)	(5 213)	(4 164)	(692)	(1)	(14 744)
Principal transactions	4 518	26 294	10 104	848	4 544	46 308
Operating (loss)/income from associates	(58)	–	248	–	–	190
Other operating income/(losses)	330	–	(24 774)	–	1 445	(22 999)
Other income	68 654	105 665	29 724	5 939	6 251	216 233
Total operating income	223 667	179 610	28 475	5 467	13 984	451 203
Impairment losses on loans and advances	(71 156)	(39 080)	–	–	–	(110 236)
Operating income	152 511	140 530	28 475	5 467	13 984	340 967
Administrative expenses	(106 577)	(109 570)	(77 681)	(2 554)	(27 258)	(323 640)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 589)	(2 469)	(10 919)	–	(2 900)	(17 877)
Operating profit/(loss) before goodwill	44 345	28 491	(60 125)	2 913	(16 174)	(550)
(Profit)/loss attributable to minority interests	–	(23)	22 212	–	9 844	32 033
Operating profit/(loss) before goodwill and after minorities	44 345	28 468	(37 913)	2 913	(6 330)	31 483
Goodwill	–	(2 365)	(27 900)	–	–	(30 265)
Goodwill attributable to minority interests	–	–	15 254	–	–	15 254
Operating profit/(loss) after minorities	44 345	26 103	(50 559)	2 913	(6 330)	16 472
Reconciliation to loss before taxation:						
Operating profit after minorities						16 472
Operating loss before goodwill attributable to minorities						(32 033)
Goodwill attributable to minority interests						(15 254)
Loss before taxation						(30 815)
Net intersegment revenue	(32 990)	(7 766)	(6 163)	(454)	47 373	–
Cost to income ratio	48.4%	62.4%	>100.0%	46.7%	>100.0%	75.7%
Number of permanent employees	657	480	185	13	308	1 643
Total assets (£'million)	5 548	6 629	446	17	928	13 568

Group financial statements

Notes to the financial statements

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total
3. Segmental analysis (continued)						
Business analysis 2008						
Net interest income	148 952	56 297	(11 184)	(485)	15 171	208 751
Fee and commission income	80 974	39 965	59 691	1 206	850	182 686
Fee and commission expense	(5 883)	(1 340)	(2 690)	–	(97)	(10 010)
Principal transactions	22 459	30 083	12 717	1 238	708	67 205
Operating income from associates	558	(75)	215	–	–	698
Other operating income	–	–	44 801	–	1 131	45 932
Other income	98 108	68 633	114 734	2 444	2 592	286 511
Total operating income	247 060	124 930	103 550	1 959	17 763	495 262
Impairment losses on loans and advances	(22 940)	(5 005)	–	–	–	(27 945)
Operating income	224 120	119 925	103 550	1 959	17 763	467 317
Administrative expenses	(115 882)	(99 279)	(83 111)	(1 716)	(36 705)	(336 693)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 089)	(4 119)	(7 903)	–	(2 361)	(15 472)
Operating profit/(loss) before goodwill	107 149	16 527	12 536	243	(21 303)	115 152
Profit attributable to minority interests	–	–	(4 724)	–	–	(4 724)
Operating profit/(loss) before goodwill and after minorities	107 149	16 527	7 812	243	(21 303)	110 428
Goodwill	–	–	–	–	–	–
Operating profit/(loss) after minorities	107 149	16 527	7 812	243	(21 303)	110 428
Reconciliation to profit before taxation:						
Operating profit after minorities						110 428
Operating profit attributable to minority						4 724
Profit before taxation						115 152
Net intersegment revenue	(15 774)	(34 829)	(6 506)	(62)	57 855	684
Cost to income ratio	47.3%	82.8%	87.9%	87.6%	>100.0%	71.1%
Number of permanent employees	747	438	192	11	376	1 764
Total assets (£'million)	4 922	6 252	507	6	510	12 197

Group financial statements

Notes to the financial statements

For the year to 31 March £'000	UK and Europe	Australia	Total
3. Segmental analysis (continued)			
Geographical analysis 2009			
Net interest income	180 802	54 168	234 970
Fee and commission income	183 587	23 891	207 478
Fee and commission expense	(13 395)	(1 349)	(14 744)
Principal transactions	45 028	1 280	46 308
Operating income from associates	371	(181)	190
Other operating losses	(18 013)	(4 986)	(22 999)
Other income	197 578	18 655	216 233
Total operating income	378 380	72 823	451 203
Impairment losses on loans and advances	(87 551)	(22 685)	(110 236)
Operating income	290 829	50 138	340 967
Administrative expenses	(274 572)	(49 068)	(323 640)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(16 810)	(1 067)	(17 877)
Operating (loss)/profit before goodwill	(553)	3	(550)
Loss attributable to minority interests	29 588	2 445	32 033
Operating profit before goodwill and after minorities	29 035	2 448	31 483
Goodwill	(24 825)	(5 440)	(30 265)
Goodwill attributable to minority interests	12 127	3 127	15 254
Profit before taxation	16 337	135	16 472
Taxation	(9 292)	4 330	(4 962)
Profit after taxation	7 045	4 465	11 510
Net intersegment revenue	(193)	193	–
Cost to income ratio	77.0%	68.8%	75.7%
Number of permanent employees	1 291	352	1 643

At 31 March £'000	UK and Europe	Australia	Total
Assets			
Cash and balances at central banks	872 088	334	872 422
Loans and advances to banks	883 281	132 671	1 015 952
Cash equivalent advances to customers	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	253 247	–	253 247
Trading securities	354 289	5 736	360 025
Derivative financial instruments	562 543	99 330	661 873
Investment securities	366 566	649 307	1 015 873
Loans and advances to customers	6 814 909	966 585	7 781 494
Securitised assets	408 013	441 584	849 597
Interests in associated undertakings	11 356	3 841	15 197
Deferred taxation assets	63 899	24 974	88 873
Other assets	383 982	18 728	402 710
Property and equipment	151 516	4 056	155 572
Goodwill	32 873	36 718	69 591
Intangible assets	21 658	3 859	25 517
Total assets	11 180 220	2 387 723	13 567 943
Liabilities			
Deposits by banks	2 560 361	102 112	2 662 473
Derivative financial instruments	315 798	73 057	388 855
Other trading liabilities	191 897	–	191 897
Repurchase agreements and cash collateral on securities lent	1 048 550	–	1 048 550
Customer accounts	4 635 348	850 720	5 486 068
Debt securities in issue	309 156	630 190	939 346
Liabilities arising on securitisation	322 531	438 946	761 477
Current taxation liabilities	70 622	(7 374)	63 248
Deferred taxation liabilities	21 301	–	21 301
Other liabilities	309 135	21 127	330 262
	9 784 699	2 108 778	11 893 477
Subordinated liabilities	649 774	38 523	688 297
Total liabilities	10 434 473	2 147 301	12 581 774

Group financial statements

Notes to the financial statements

For the year to 31 March £'000	UK and Europe	Australia	Total
3. Segmental analysis (continued)			
Geographical analysis 2008			
Net interest income	152 273	56 478	208 751
Fee and commission income	157 887	24 799	182 686
Fee and commission expense	(8 949)	(1 061)	(10 010)
Principal transactions	52 537	14 668	67 205
Operating income from associates	749	(51)	698
Other operating income	44 432	1 500	45 932
Other income	246 656	39 855	286 511
Total operating income	398 929	96 333	495 262
Impairment losses on loans and advances	(21 592)	(6 353)	(27 945)
Operating income	377 337	89 980	467 317
Administrative expenses	(280 500)	(56 193)	(336 693)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(14 758)	(714)	(15 472)
Operating profit before goodwill	82 079	33 073	115 152
Profit attributable to minority interests	(3 532)	(1 192)	(4 724)
Operating profit before goodwill after minorities	78 547	31 881	110 428
Goodwill	–	–	–
Profit before taxation	78 547	31 881	110 428
Taxation	(11 354)	(5 996)	(17 350)
Profit after taxation	67 193	25 885	93 078
Net intersegment revenue	(2 689)	3 373	684
Cost to income ratio	74.0%	59.1%	71.1%
Number of permanent employees	1 357	407	1 764

At 31 March £'000	UK and Europe	Australia	Total
Assets			
Cash and balances at central banks	608 430	6 189	614 619
Loans and advances to banks	873 026	137 750	1 010 776
Cash equivalent advances to customers	7 183	–	7 183
Reverse repurchase agreements and cash collateral on securities borrowed	350 616	–	350 616
Trading securities	417 124	16 341	433 465
Derivative financial instruments	417 940	68 213	486 153
Investment securities	808 427	308 048	1 116 475
Loans and advances to customers	5 883 197	827 298	6 710 495
Securitised assets	429 257	345 546	774 803
Interests in associated undertakings	11 667	2 773	14 440
Deferred taxation assets	33 690	16 186	49 876
Other assets	383 504	8 054	391 558
Property and equipment	122 387	3 540	125 927
Goodwill	53 559	34 723	88 282
Intangible assets	20 795	1 844	22 639
Total assets	10 420 802	1 776 505	12 197 307
Liabilities			
Deposits by banks	2 811 009	49 618	2 860 627
Derivative financial instruments	188 368	56 072	244 440
Other trading liabilities	192 987	–	192 987
Repurchase agreements and cash collateral on securities lent	287 585	–	287 585
Customer accounts	4 716 577	547 910	5 264 487
Debt securities in issue	195 471	398 709	594 180
Liabilities arising on securitisation	337 416	349 070	686 486
Current taxation liabilities	60 832	1 497	62 329
Deferred taxation liabilities	22 627	5 358	27 985
Other liabilities	381 741	31 741	413 482
	9 194 613	1 439 975	10 634 588
Subordinated liabilities	609 982	35 947	645 929
Total liabilities	9 804 595	1 475 922	11 280 517

Group financial statements

Notes to the financial statements

For the year to 31 March £'000	UK and Europe	Australia	Total
3. Segmental analysis (continued)			
A geographical breakdown of business line operating profit before goodwill, non-operating items, taxation and after minorities is shown below:			
2009			
Private Client Activities	41 870	2 475	44 345
Capital Markets	26 259	2 209	28 468
Investment Banking	(30 824)	(7 089)	(37 913)
Property Activities	775	2 138	2 913
Group Services and Other Activities	(9 045)	2 715	(6 330)
	29 035	2 448	31 483
Minority interests – equity			(32 033)
Operating loss before goodwill			(550)
2008			
Private Client Activities	89 134	18 015	107 149
Capital Markets	8 201	8 326	16 527
Investment Banking	4 056	3 756	7 812
Property Activities	144	99	243
Group Services and Other Activities	(22 988)	1 685	(21 303)
	78 547	31 881	110 428
Minority interests – equity			4 724
Operating profit before goodwill			115 152

Further details of business line operating profit before goodwill, non-operating items, taxation and after minorities are shown below:

For the year to 31 March £'000	2009	2008
Private Client Activities		
Private Banking	44 223	106 615
Private Client Portfolio Management and Stockbroking	122	534
	44 345	107 149
Capital Markets	28 468	16 527
Investment Banking		
Corporate Finance	109	6 470
Institutional Research, Sales and Trading	4 719	4 460
Direct Investments	(5 237)	(1 310)
Private Equity	(37 504)	(1 808)
	(37 913)	7 812
Property Activities	2 913	243
Group Services and Other Activities		
Central Funding	21 082	14 524
Central Costs	(27 412)	(35 827)
	(6 330)	(21 303)
Total group	31 483	110 428

Notes to the financial statements

For the year to 31 March £'000	2009	2008
4. Principal transactions		
Principal transaction income includes:		
Gross trading income	77 425	39 683
Funding cost against trading income	(4 908)	(3 430)
Net trading income	72 517	36 253
Fair value movement from financial instruments designated as held at fair value	(23 576)	15 928
(Losses)/gains on disposal of available for sale instruments	(869)	13 704
Impairments of available for sale instruments	(3 519)	–
Dividend income	1 791	1 883
Other expense	(36)	(563)
	46 308	67 205
Net income from financial instruments designated as held at fair value includes:		
Fair value movement of designated equity positions	(31 162)	15 838
Fair value movement of designated loans and receivables	36 965	27 687
Fair value movement of designated securities	(29 379)	(27 597)
	(23 576)	15 928
5. Other operating income		
Rental income from properties	1 445	1 131
Gains on realisation of property	330	–
Operating profit of non core businesses*	(24 774)	44 801
	(22 999)	45 932

* Includes net operating income of certain private equity investments that have been consolidated. Operating profit represents gross income of £192.7 million (2008: £147.1 million) net of all direct costs of sale. Their other indirect costs are included in administrative expenses

For the year to 31 March £'000	2009	2008
6. Administrative expenses		
Staff costs	222 638	234 710
– Salaries and wages (including directors' remuneration)	198 607	207 834
– Social security costs	14 170	18 370
– Pensions and provident fund contributions	9 861	8 506
Premises expenses (excluding depreciation)	17 106	19 878
Equipment expenses (excluding depreciation)	14 256	9 756
Business expenses*	54 755	59 006
Marketing expenses	14 885	13 343
	323 640	336 693
The following amounts were paid to the auditors:		
Group audit	1 400	1 277
Subsidiary statutory audit	1 020	714
Other audit services	–	83
Total audit fees	2 420	2 074
Taxation services	121	178
Other non-audit fees	507	257
Total non-audit fees	628	435
Total fees	3 048	2 509

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

Notes to the financial statements

For the year to 31 March £'000	2009	2008
7. Directors' emoluments		
Aggregate emoluments (excluding pension contributions)	4 831	8 077
Contributions to defined contributions scheme	454	887
	5 285	8 964
Number of directors in defined contributions scheme	4	4

Emoluments of the highest paid director were £1 568 631 (2008: £3 246 024) excluding £230 352 (2008: £223 583) of pension contributions to the defined contributions scheme.

The highest paid director was a member of the defined benefits scheme or the defined contributions scheme.

The directors' emoluments of Messrs. Herman, Koseff, B Kantor and I Kantor have been borne by Investec plc. These directors were employed and remunerated as directors, or executives, of Investec plc and its subsidiaries in respect of their services to that group as a whole. It is considered that there is no appropriate basis on which they can apportion part of their remuneration for services to the company.

8. Share based payments

The group operates share option and share purchase schemes for employees, the majority of which 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 Investec group's 2009 Remuneration Report.

Expense charged to the income statement (included in administrative expenses) For the year to 31 March £'000	PC*	CM*	IB*	PA*	GSO*	Total
2009						
Equity settled^	4 184	3 280	4 660	35	7 164	19 323
Cash settled	(4)	(23)	9	–	–	(18)
Total income statement charge	4 180	3 257	4 669	35	7 164	19 305
2008						
Equity settled^	3 129	2 772	4 112	19	7 101	17 133
Cash settled	64	60	100	–	81	305
Total income statement charge	3 193	2 832	4 212	19	7 182	17 438

Included in the above income statement charge is an accelerated share based payment charge as a result of modifications to certain options granted. The accelerated expense for the year was £928 483 (2008: £nil).

* PC = Private Client Activities, CM = Capital Markets, IB = Investment Banking, PA = Property Activities, GSO = Group Services and Other Activities

^ The expense charged to the income statement in respect of equity settled options includes £1 496 627 (2008: £1 363 774) expensed by IdaTech plc, a private equity direct investment. Full details of IdaTech plc's share based payments are given in their annual report

At 31 March £'000	2009	2008
Liabilities on cash settled options		
– Total liability included in other liabilities	–	6
– Total intrinsic value for vested appreciation rights	–	11
Weighted average fair value of options granted in the year	7 409	19 614

Group financial statements

Details of options outstanding during the year	UK schemes			
	2009		2008	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
8. Share based payments (continued)				
Outstanding at the beginning of the year	21 382 215	0.46	22 145 324	0.73
Granted during the year	5 217 403	0.15	5 820 666	0.26
Exercised during the year*	(2 226 515)	0.66	(4 566 513)	1.38
Expired during the year	(852 290)	1.88	(2 017 262)	0.92
Outstanding at the end of the year	23 520 813	0.28	21 382 215	0.46
Exercisable at the end of the year	502 068	3.22	542 993	3.30

* Weighted average share price during the year was £3.01 (2008: £5.45)

	2009	2008
The exercise price range and weighted average remaining contractual life for the options are as follows:		
Options with strike prices		
Exercise price range	£1.55 – £6.52	£1.55 – £6.52
Weighted average remaining contractual life	2.47 years	3.12 years
Long-term incentive grants with no strike prices		
Exercise price range	£0	£0
Weighted average remaining contractual life	2.79 years	3.21 years
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year the inputs into the model were as follows:		
– Share price at date of grant	£2.60 – £3.02	£4.89 – £6.52
– Exercise price	£0, £2.60 – £3.02	£0, £4.89 – £6.52
– Expected volatility	34% – 45%	30%
– Option life	5 – 5.25 years	5 – 5.25 years
– Expected dividend yields	11.55% – 11.95%	4.63% – 6.90%
– Risk-free rate	2.85% – 6.12%	5.18% – 6.14%

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

Notes to the financial statements

For the year to 31 March £'000	2009	2008
9. Taxation		
Current taxation		
UK		
Current taxation on income for the year	38 047	23 320
Adjustments in respect of prior years	–	(1 325)
Corporation taxation before double taxation relief	38 047	21 995
– Double taxation relief	(23 461)	(10 161)
	14 586	11 834
Europe	6 760	4 774
Australia	(6 062)	4 986
Other	19 248	10 123
	19 946	19 883
Total current taxation	34 532	31 717
Deferred taxation		
UK	(24 871)	(15 370)
Australia	1 733	1 003
Other	(6 432)	–
Total deferred taxation	(29 570)	(14 367)
Total taxation charge for the year	4 962	17 350
Deferred taxation comprises:		
Origination and reversal of temporary differences	(27 887)	(15 589)
Change in tax rates	–	1 872
Adjustment in respect of prior years	(1 683)	(650)
	(29 570)	(14 367)
The rates of corporation taxation for the relevant years are:		
– UK	28%	30%
– Europe (average)	10%	20%
– Australia	30%	30%
(Loss)/profit on ordinary activities before taxation	(30 815)	115 152
Taxation on ordinary activities	4 962	17 350
Effective tax rate	(16%)	15%
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on ordinary activities before taxation, at UK rate of 28% (2008: 30%)	(8 628)	34 546
Tax adjustments relating to foreign earnings	1 703	(4 470)
Taxation relating to prior years	(1 683)	(1 975)
Share options accounting expense	3 718	3 933
Share options exercised during the year	(1 189)	(4 505)
Unexpired share options future tax deduction	(1 238)	2 183
Non-taxable income	(263)	(488)
Utilisation of brought forward capital losses/SSE	–	(2 719)
Utilisation of brought forward trading losses	–	(2 090)
Net other permanent differences	6 794	10 563
Unrealised capital losses	5 748	–
Tax losses surrendered by fellow group companies for no charge	–	(19 500)
Change in rate	–	1 872
Total taxation charge	4 962	17 350

Overseas taxation includes prior year current taxation credit of £3.5 million.

Notes to the financial statements

For the year to 31 March £'000	2009	2008
10. Dividends		
Final dividend for prior year	10 000	50 000
Interim dividend for current year	8 000	30 000
Total dividend attributable to ordinary shareholder recognised in current financial year	18 000	80 000
11. Miscellaneous		
Total foreign currency gains/(losses) recognised in income except for trading activities	11 279	(124)
Operating lease expenses recognised in administrative expenses:		
Minimum lease payments	16 644	6 043
	16 644	6 043
Operating lease income recognised in income split as follows:		
Minimum lease payments	15 282	8 199
Sublease payments	184	116
	15 466	8 315

For the year to 31 March £'000	At fair value through profit and loss Trading	At fair value through profit and loss Designated at inception	Held-to-maturity	Loans and receivables
12. Analysis of income and expenses by category of financial instrument				
2009				
Net interest income	(5 588)	48 173	43 245	616 826
Fee and commission income	48 651	10 427	451	47 710
Fee and commission expense	–	(3 394)	(168)	(1 290)
Principal transactions	77 426	(23 576)	–	–
Operating income from associates	–	–	–	–
Other operating income/(losses)	–	–	–	–
Total operating income	120 489	31 630	43 528	663 246
Impairment losses on loans and advances	–	–	(19 332)	(90 904)
Operating income	120 489	31 630	24 196	572 342
2008				
Net interest income	469	5 605	23 721	591 842
Fee and commission income	1 848	15 049	182	63 863
Fee and commission expense	–	(1 538)	(56)	(4 079)
Principal transactions	40 798	16 003	–	–
Operating income from associates	–	–	–	–
Other operating income	–	–	–	–
Total operating income	43 115	35 119	23 847	651 626
Impairment losses on loans and advances	–	–	–	(27 945)
Operating income	43 115	35 119	23 847	623 681

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Other activities	Total
45 154	(512 840)	–	–	234 970
–	238	20 442	79 559	207 478
–	(82)	(782)	(9 028)	(14 744)
(4 388)	(4 909)	(36)	1 791	46 308
–	–	190	–	190
–	–	330	(23 329)	(22 999)
40 766	(517 593)	20 144	48 993	451 203
–	–	–	–	(110 236)
40 766	**(517 593)**	**20 144**	**48 993**	**340 967**
98 475	(512 139)	778	–	208 751
–	(232)	1 003	100 973	182 686
(820)	(404)	–	(3 113)	(10 010)
13 594	(3 430)	–	240	67 205
–	–	698	–	698
–	–	1 132	44 800	45 932
111 249	(516 205)	3 611	142 900	495 262
–	–	–	–	(27 945)
111 249	**(516 205)**	**3 611**	**142 900**	**467 317**

At 31 March 2009 £'000	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
13. Classification of financial assets and financial liabilities				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	11 521	–	–	11 521
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	170 835	–	–	170 835
Trading securities	279 681	80 344	–	360 025
Derivative financial instruments*	661 873	–	–	661 873
Investment securities	–	–	1 015 873	1 015 873
Loans and advances to customers	–	221 302	7 797	229 099
Securitised assets	–	77 435	–	77 435
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	174 196	–	–	174 196
Property and equipment	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	1 298 106	379 081	1 023 670	2 700 857
Liabilities				
Deposits by banks	5 546	–	–	5 546
Derivative financial instruments	388 855	–	–	388 855
Other trading liabilities	191 897	–	–	191 897
Repurchase agreements and cash collateral on securities lent	213 365	–	–	213 365
Customer accounts	17 683	–	–	17 683
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	–	–	–
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	142 109	–	–	142 109
	959 455	–	–	959 455
Subordinated liabilities	–	–	–	–
	959 455	–	–	959 455

* Derivative financial instruments have been classified as held for trading and include derivatives held as hedges. For more information on hedges, refer to note 42

Group financial statements

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	872 422	–	872 422	–	872 422
–	1 004 431	–	1 004 431	–	1 015 952
–	–	–	–	–	–
–	82 412	–	82 412	–	253 247
–	–	–	–	–	360 025
–	–	–	–	–	661 873
–	–	–	–	–	1 015 873
641 289	6 911 106	–	7 552 395	–	7 781 494
–	772 162	–	772 162	–	849 597
–	–	–	–	15 197	15 197
–	–	–	–	88 873	88 873
–	109 175	–	109 175	119 339	402 710
–	–	–	–	155 572	155 572
–	–	–	–	69 591	69 591
–	–	–	–	25 517	25 517
641 289	9 751 708	–	10 392 997	474 089	13 567 943
–	–	2 656 927	2 656 927	–	2 662 473
–	–	–	–	–	388 855
–	–	–	–	–	191 897
–	–	835 185	835 185	–	1 048 550
–	–	5 468 385	5 468 385	–	5 486 068
–	–	939 346	939 346	–	939 346
–	–	761 477	761 477	–	761 477
–	–	–	–	63 248	63 248
–	–	–	–	21 301	21 301
–	–	66 366	66 366	121 787	330 262
–	–	10 727 686	10 727 686	206 336	11 893 477
–	–	688 297	688 297	–	688 297
–	–	11 415 983	11 415 983	206 336	12 581 774

13. Classification of financial assets and financial liabilities (continued)

At 31 March 2008 £'000	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	4 633	–	–	4 633
Cash equivalent advances to customers	7 183	–	–	7 183
Reverse repurchase agreements and cash collateral on securities borrowed	133 594	–	–	133 594
Trading securities	374 065	59 400	–	433 465
Derivative financial instruments*	486 153	–	–	486 153
Investment securities	–	–	1 038 726	1 038 726
Loans and advances to customers	–	212 883	–	212 883
Securitised assets	50 328	27 928	–	78 256
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	–	–	–	–
Property and equipment	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	1 055 956	300 211	1 038 726	2 394 893
Liabilities				
Deposits by banks	5 095	–	–	5 095
Derivative financial instruments	244 440	–	–	244 440
Other trading liabilities	192 987	–	–	192 987
Repurchase agreements and cash collateral on securities lent	156 382	–	–	156 382
Customer accounts	125 518	–	–	125 518
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	–	–	–
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	–	–	–	–
	724 422	–	–	724 422
Subordinated liabilities	–	–	–	–
	724 422	–	–	724 422

* Derivative financial instruments have been classified as held for trading and include derivatives held as hedges. For more information on hedges, refer to note 42

Group financial statements

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	614 619	–	614 619	–	614 619
–	1 006 143	–	1 006 143	–	1 010 776
–	–	–	–	–	7 183
–	217 022	–	217 022	–	350 616
–	–	–	–	–	433 465
–	–	–	–	–	486 153
77 749	–	–	77 749	–	1 116 475
580 436	5 917 176	–	6 497 612	–	6 710 495
–	696 547	–	696 547	–	774 803
–	–	–	–	14 440	14 440
–	–	–	–	49 876	49 876
–	338 177	–	338 177	53 381	391 558
–	–	–	–	125 927	125 927
–	–	–	–	88 282	88 282
–	–	–	–	22 639	22 639
658 185	8 789 684	–	9 447 869	354 545	12 197 307
–	–	2 855 532	2 855 532	–	2 860 627
–	–	–	–	–	244 440
–	–	–	–	–	192 987
–	–	131 203	131 203	–	287 585
–	–	5 138 969	5 138 969	–	5 264 487
–	–	594 180	594 180	–	594 180
–	–	686 486	686 486	–	686 486
–	–	–	–	62 329	62 329
–	–	–	–	27 985	27 985
–	–	305 037	305 037	108 445	413 482
–	–	9 711 407	9 711 407	198 759	10 634 588
–	–	645 929	645 929	–	645 929
–	–	10 357 336	10 357 336	198 759	11 280 517

Notes to the financial statements

14. Reclassifications of financial instruments

2009

During the year the group reclassified certain financial instruments out of fair value through profit and loss. These assets were originally classified as held for trading but the group's intentions in regard to these assets changed and the group now intends to hold these assets for the foreseeable future or until maturity rather than to trade in the short-term.

- On 30 January 2009 a portfolio of asset backed securities was reclassified to loans and receivables.
- On 31 March 2009 a portfolio of asset backed securities was reclassified to loans and receivables and a residual position was reclassified to available for sale.

At the time of the transfers, the group identified rare circumstances permitting such reclassification, being severe illiquidity in the relevant markets.

The following table shows carrying values and fair values of the assets reclassified:

£'000	Carrying value as at date of transfer
Trading assets reclassified to loans and receivables	112 250
Trading assets reclassified to available for sale	7 797
Total financial assets reclassified	120 047

The reclassified financial instruments have expected recoverable cash flows of £134.2 million. After reclassification, the assets contributed a loss of £262 000 to the 2009 income before taxation. Prior to reclassification £656 000 of net interest expense and £17 275 000 of unrealised fair value losses on the reclassified trading assets was recognised in the consolidated income statement for the year. As at the date of reclassification, the effective interest rates on reclassified trading assets ranged from 4.61% to 18.29%.

2008

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

15. Fair value hierarchy

For financial assets and financial liabilities carried at fair value, the table that follows provides details of the bases used for determining the fair value according to the following hierarchy:
Level 1 – The use of quoted market prices for identical instruments in an active market;
Level 2 – The use of a valuation technique using observable inputs. This may include:
– using quoted prices in active markets for similar instruments;
– using quoted prices in inactive markets for identical or similar instruments; or
– using models where all significant inputs are observable.
Level 3 – Using models where one or more significant inputs are not observable.

At 31 March £'000	Assets and liabilities carried at fair value	Valuation technique applied Level 1	Level 2	Level 3
15. Fair value hierarchy (continued)				
2009				
Assets				
Loans and advances to banks	11 521	11 521	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	170 835	–	170 835	–
Trading securities	360 025	273 296	76 914	9 815
Derivative financial instruments	661 873	60 451	513 465	87 957
Investment securities	1 015 873	834 447	155 328	26 098
Loans and advances to customers	229 099	–	4 214	224 885
Securitised assets	77 435	15 240	17 896	44 299
Other assets	174 196	174 196	–	–
	2 700 857	1 369 151	938 652	393 054
Liabilities				
Deposits by banks	5 546	5 546	–	–
Derivative financial instruments	388 855	75 085	313 770	–
Other trading liabilities	191 897	191 897	–	–
Repurchase agreements and cash collateral on securities lent	213 365	–	213 365	–
Customer accounts	17 683	–	17 683	–
Other liabilities	142 109	132 252	9 857	–
	959 455	404 780	554 675	–
2008				
Assets				
Loans and advances to banks	4 633	4 633	–	–
Cash equivalent advances to customers	7 183	7 183	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	133 594	68 594	65 000	–
Trading securities	433 465	239 160	178 134	16 171
Derivative financial instruments	486 153	–	444 864	41 289
Investment securities	1 038 726	15 801	1 022 925	–
Loans and advances to customers	212 883	–	–	212 883
Securitised assets	78 256	–	–	78 256
	2 394 893	335 371	1 710 923	348 599
Liabilities				
Deposits by banks	5 095	5 095	–	–
Derivative financial instruments	244 440	–	244 440	–
Other trading liabilities	192 987	192 987	–	–
Repurchase agreements and cash collateral on securities lent	156 382	53 382	103 000	–
Customer accounts	125 518	–	125 518	–
	724 422	251 464	472 958	–

16. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the group's financial instruments that are recognised on the balance sheet. The table does not include the fair values of non-financial assets and non-financial liabilities.

At 31 March £'000	2009 Carrying value	2009 Fair value	2008 Carrying value	2008 Fair value
Financial assets				
Cash and balances at central banks	872 422	872 422	614 619	614 619
Loans and advances to banks	1 015 952	1 015 952	1 010 776	1 010 776
Cash equivalent advances to customers	–	–	7 183	7 183
Reverse repurchase agreements and cash collateral on securities borrowed	253 247	253 247	350 616	350 616
Trading securities	360 025	360 025	433 465	433 465
Derivative financial instruments	661 873	661 873	486 153	486 153
Investment securities	1 015 873	1 015 873	1 116 475	1 116 475
Loans and advances to customers	7 781 494	7 740 982	6 710 495	6 630 074
Securitised assets	849 599	865 747	774 803	769 797
Other assets	109 175	109 175	338 177	338 177
Financial liabilities				
Deposits by banks	2 662 473	2 652 116	2 860 627	2 870 914
Derivative financial instruments	388 855	388 855	244 440	244 440
Other trading liabilities	191 897	191 897	192 987	192 987
Repurchase agreements and cash collateral on securities lent	1 048 550	1 048 550	287 585	287 585
Customer accounts	5 486 068	5 484 490	5 264 487	5 272 957
Debt securities in issue	939 346	936 088	594 180	595 144
Liabilities arising on securitisation	761 477	761 477	686 486	686 486
Other liabilities	66 366	66 366	305 037	305 037
Subordinated liabilities	688 297	378 486	645 929	515 026

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 values 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 proces 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.

Notes to the financial statements

17. Designated at fair value: loans and receivables

At 31 March Loans and receivables £'000	Carrying value	Fair value adjustment Year to date	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Year to date	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit	Carrying value of related credit risk derivatives or similar instrument	Change in fair value of credit derivative since designation of loan or receivable Year to date	Change in fair value of credit derivative since designation of loan or receivable Cumulative
2009									
Loans and advances to customers	221 302	13 270	11 056	–	–	221 302	–	–	–
Securitised assets	77 435	(2 854)	7 188	(5 927)	(8 629)	77 435	18 267	15 725	18 267
	298 737	10 416	18 244	(5 927)	(8 629)	298 737	18 267	15 725	18 267
2008									
Loans and advances to customers	212 883	4 767	4 767	–	–	212 883	–	–	–
Securitised assets	27 928	15 063	15 063	–	–	27 928	–	–	–
	240 811	19 830	19 830	–	–	240 811	–	–	–

At 31 March £'000	2009	2008
18. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	169 392	133 594
Cash collateral on securities borrowed	83 855	217 022
	253 247	350 616
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or pledge. £266 million (2008: £250 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	1 041 807	267 976
Cash collateral on securities lent	6 743	19 609
	1 048 550	287 585

At 31 March £'000	2009 Fair value	2009 Cumulative unrealised gains/ (losses)	2008 Fair value	2008 Cumulative unrealised gains/ (losses)
19. Trading securities				
Listed equities	24 952	(2 225)	96 558	12 105
Unlisted equities	69 138	(11 816)	9 144	–
Bonds	265 935	(16 366)	327 763	(20 570)
	360 025	(30 407)	433 465	(8 465)

Group financial statements

Notes to the financial statements

20. Derivative financial instruments

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

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

At 31 March £'000	2009 Notional principal amounts	2009 Positive fair value	2009 Negative fair value	2008 Notional principal amounts	2008 Positive fair value	2008 Negative fair value
Foreign exchange derivatives						
Forward foreign exchange	2 680 940	112 834	(59 344)	3 479 995	78 026	(56 861)
Currency swaps	1 410 910	73 374	(33 133)	682 219	6 949	(26 571)
OTC options bought and sold	73 139	2 016	(1 856)	63 474	516	(69)
Other foreign exchange contracts	618 038	18 807	(17 826)	–	–	–
	4 783 027	207 031	(112 159)	4 225 688	85 491	(83 501)
Interest rate derivatives						
Caps and floors	243 239	87	(524)	525 588	98	(67)
Swaps	13 338 238	199 510	(142 933)	12 038 309	88 904	(41 741)
Forward rate agreements	200 000	37	(58)	–	–	–
OTC options bought and sold	1 702	27	(27)	5 623	4	
Other interest rate contracts	12 153	2 224	–	–	–	–
OTC derivatives	13 795 332	201 885	(143 542)	12 569 520	89 006	(41 808)
Exchange traded futures	28 817 996	844	–	22 359 770	494	(1 027)
Exchange traded options	720 391 308	2 107	(3 384)	594 783 497	13 669	(14 731)
	763 004 636	204 836	(146 926)	629 712 787	103 169	(57 566)
Equity and stock index derivatives						
OTC options bought and sold	369 267	15 881	(39 097)	15 931	3 122	(1 125)
Equity swaps and forwards	1	165	(135)	76 770	717	(1 071)
OTC derivatives	369 268	16 046	(39 232)	92 701	3 839	(2 196)
Exchange traded futures	13	–	–	35 463	–	(535)
Exchange traded options	141 767	11 060	(22 402)	97 923	6 917	(6 758)
Warrants	–	819	–	35 227	8 912	–
	511 048	27 925	(61 634)	261 314	19 668	(9 489)
Commodity derivatives						
OTC options bought and sold	229 602	4 955	(18 274)	423 191	29 650	(13 036)
Commodity swaps and forwards	3 028 662	398 236	(447 439)	2 347 049	278 474	(175 145)
OTC derivatives	3 258 264	403 191	(465 713)	2 770 240	308 124	(188 181)
Exchange traded futures	2 071 590	294 340	(170 617)	1 519 836	172 769	(146 229)
Exchange traded options	35 544	9 110	(1 138)	271 205	21 285	(27 552)
	5 365 398	706 641	(637 468)	4 561 281	502 178	(361 962)
Credit derivatives						
Credit swaps bought and sold	78 615	26 232	(4 107)	79 835	8 645	(6 209)
	78 615	26 232	(4 107)	79 835	8 645	(6 209)
Embedded derivatives*		54 759	–		35 212	–
Gross fair values		1 235 310	(962 292)		760 440	(518 727)
Effect of on balance sheet netting		(573 437)	573 437		(274 287)	274 287
Derivatives per balance sheet		661 873	(388 855)		486 153	(244 440)

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

The notional principal amounts represent the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

* Mainly includes profit shares received as part of lending transactions

Group financial statements

Notes to the financial statements

At 31 March £'000	2009	2008
21. Investment securities		
Listed equities	6 364	15 801
Unlisted equities	43 269	43 724
Certificates of deposit, bank bills and other commercial paper	344 853	649 801
Floating rate notes	488 618	405 387
Bonds	132 627	1 610
Other investments	142	152
	1 015 873	1 116 475
22. Loans and advances to customers		
Loans and advances to customers	7 781 494	6 710 495
Specific and portfolio impairments included above	91 516	30 289
Gross loans and advances to customers	7 873 010	6 740 784
Less: warehouse facilities and warehouse assets arising from securitisation and principal finance activities*	(232 575)	(252 026)
Less: intergroup loans	(657 289)	(260 389)
Own originated securitised assets (refer to note 23)	442 597	346 084
Gross core loans and advances to customers	7 425 743	6 574 453

* Whilst the group manages all risks (including credit risk) from a day to day operational perspective, these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle.

For further analysis on gross core loans and advances refer to pages 46 to 60 in the risk management section.

Specific and portfolio impairments

Reconciliation of movements in group specific and portfolio impairments:

	2009	2008
Specific impairment		
Balance at beginning of year	28 053	16 229
Charge to the income statement	108 397	27 157
Utilised	(49 943)	(17 023)
Exchange adjustment	1 977	1 690
Balance at end of year	88 484	28 053
Portfolio impairment		
Balance at beginning of year	2 236	1 540
Charge to the income statement	700	679
Exchange adjustment	96	17
Balance at end of year	3 032	2 236
Interest income recognised on loans that have been impaired	12 386	1 356
Amounts charged to income statement:		
Loans and advances	109 097	27 836
Specific impairment charged to income statement	108 397	27 157
Portfolio impairment charged to income statement	700	679
Securitised assets (refer to note 23)	1 139	109
Specific impairment charged to income statement	1 139	109
Portfolio impairment charged to income statement	–	–
Total income statement charge	110 236	27 945

Notes to the financial statements

At 31 March £'000	2009	2008
23. Securitised assets		
Securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	15 239	16 083
Loans and advances to customers	757 935	680 705
Other financial instruments at fair value	77 435	78 256
	850 609	775 044
Total impairment of securitised assets	(1 012)	(241)
Total securitised assets	849 597	774 803
Analysis of securitised assets by risk exposure		
Own originated securitised assets forming part of gross core loans and advances to customers	442 597	346 084
Securitisation exposures arising from securitisation/principal finance activities	72 701	78 811
Total credit and counterparty exposure	515 297	424 895
Loans and advances to customers with no credit exposure	334 299	349 908
Gross loans and advances deemed to have no credit exposure	335 311	350 149
Impairment of loans and advances to customers	(1 012)	(241)
Total securitised assets	849 597	774 803
Analysis of impairments		
Reconciliation of movements in impairments of loans and advances that have been securitised:		
Specific impairment		
Balance at beginning of year	241	–
Charge to the income statement	1 139	109
Utilised	(308)	–
Exchange adjustments	(60)	132
Balance at end of year	1 012	241
The associated liabilities are recorded on balance sheet in "liabilities arising on securitisation".		
Carrying value at year end	761 477	686 486
24. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	8 125	6 837
Goodwill	7 072	7 603
Investment in associated undertakings	15 197	14 440
Analysis of the movement in our share of net assets:		
At beginning of year	6 837	4 830
Exchange adjustments	(42)	148
Acquisitions	1 224	1 676
Disposal of shareholding in associated undertakings	–	(304)
Operating income from associates	190	698
Dividends received	(84)	(211)
At end of year	8 125	6 837
Analysis of the movement in goodwill:		
At beginning of year	7 603	7 603
Exchange adjustments	832	–
Goodwill impairment	(1 363)	–
At end of year	7 072	7 603
Associated undertakings:		
Unlisted	15 197	14 440
	15 197	14 440
Summarised financial information of the bank's principal associate, Hargreave Hale, is as follows:		
Total assets	35 768	51 249
Total liabilities	27 571	43 150
Total revenue	14 480	15 604
Profit before tax	604	1 294

At 31 March £'000	2009	2008
25. Deferred taxation		
Deferred taxation asset		
Accelerated capital allowances	48 621	27 364
Income and expenditure accruals	4 175	8 790
Arising from unexpired share options	8 067	3 971
Unrealised fair value adjustments on financial instruments	9 473	117
Losses carried forward	13 741	2 560
Other temporary differences	4 796	7 074
	88 873	49 876
Deferred taxation liability		
Deferred capital allowances	(4)	(6 917)
Income and expenditure accruals	(3 562)	(4 540)
Unrealised fair value adjustments on financial instruments	–	(2 374)
Arising on anticipated foreign dividends	(6 766)	(6 766)
Other temporary differences	(10 969)	(7 388)
	(21 301)	(27 985)
Net deferred taxation asset	67 572	21 891
Reconciliation of net deferred taxation asset:		
At beginning of year	21 891	16 596
Credit to profit and loss	29 570	14 367
Credit/(charge) directly in equity	17 183	(10 451)
Arising on acquisition of subsidiary undertaking	–	589
Exchange adjustments	(444)	279
Transfer to corporation tax	(683)	511
Other	55	–
At end of year	67 572	21 891
Deferred tax on available for sale instruments recognised directly in equity	(1 141)	(2 591)
Deferred tax on unexpired share options recognised directly in equity	–	(5 109)
Current tax recognised in equity	–	6 202
26. Other assets		
Settlement debtors	247 417	201 232
Trading initial margin	18 532	49 792
Operating leased assets in stock	–	10 672
Dealing properties	7 499	4 131
Accruals and prepayments	24 108	18 379
Other debtors	105 154	107 352
	402 710	391 558

Group financial statements

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Total
27. Property and equipment					
2009					
Cost					
At beginning of year	8 641	27 232	8 466	112 737	157 076
Exchange adjustments	3 078	352	497	43 902	47 829
Reclassifications	–	–	(684)	1 808	1 124
Additions	460	3 952	2 248	3 815	10 475
Disposals	(955)	–	(95)	(5 436)	(6 486)
At end of year	11 224	31 536	10 432	156 826	210 018
Accumulated depreciation					
At beginning of year	(26)	(9 378)	(5 720)	(16 025)	(31 149)
Exchange adjustments	–	(21)	(577)	(8 624)	(9 222)
Reclassifications	–	–	675	(1 851)	(1 176)
Disposals	26	–	66	593	685
Depreciation	–	(2 325)	(839)	(10 420)	(13 584)
At end of year	–	(11 724)	(6 395)	(36 327)	(54 446)
Net book value	11 224	19 812	4 037	120 499	155 572
2008					
Cost					
At beginning of year	5 552	19 945	6 175	111 894	143 566
Exchange adjustments	27	330	245	(1 901)	(1 299)
Acquisition of subsidiary undertaking	–	–	–	232	232
Reclassifications	–	(200)	–	(973)	(1 173)
Additions	3 062	7 172	2 080	3 795	16 109
Disposals	–	(15)	(34)	(310)	(359)
At end of year	8 641	27 232	8 466	112 737	157 076
Accumulated depreciation					
At beginning of year	(13)	(7 797)	(5 308)	(9 538)	(22 656)
Exchange adjustments	–	(161)	(181)	137	(205)
Reclassifications	–	–	–	1 173	1 173
Disposals	–	10	23	240	273
Depreciation	(13)	(1 430)	(254)	(8 037)	(9 734)
At end of year	(26)	(9 378)	(5 720)	(16 025)	(31 149)
Net book value	8 615	17 854	2 746	96 712	125 927

At 31 March £'000	2009	2008
28. Goodwill		
Cost		
At beginning of year	91 308	70 684
Additions	–	17 484
Reclassifications	(1 459)	(1 148)
Exchange adjustments	12 296	4 288
At end of year	102 145	91 308
Accumulated impairments		
At beginning of year	(3 026)	(2 491)
Impairments	(28 902)	–
Exchange adjustments	(626)	(535)
At end of year	(32 554)	(3 026)
Net book value	69 591	88 282
Analysis of goodwill by line of business and geography		
UK and Europe	32 873	53 559
Private Banking	14 121	13 529
Capital Markets	6 187	8 552
Investment Banking	12 565	31 478
Australia	36 718	34 723
Private Banking	19 483	18 536
Investment Banking	17 235	16 187
Total group	69 591	88 282

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, adjusted for expected future events.

Movement in goodwill

2009

There were no movements in goodwill arising from acquisitions or disposals of group operations.

2008

Goodwill arising on acquisition includes £17.5 million in respect of the acquisition of Experien Pty Limited on 1 October 2007 (see note 30). Experien Pty Limited forms part of the Private Banking segment in Australia.

Income statement movement

2009

- Following adverse movements in commodity prices which have squeezed margins, Global Ethanol Holdings Limited, in which the group has a 44.4% interest, impaired all of the £26.5 million of goodwill mainly relating to its 60% owned subsidiary Global Ethanol LLC.
- Other goodwill impairments of £2.4 million.

2008

There were no impairments of goodwill in the prior year.

At 31 March £'000	Intellectual property	Core technology	Acquired software	Total
29. Intangible fixed assets				
2009				
Cost				
At beginning of year	2 073	11 463	19 704	33 240
Exchange adjustments	1 163	4 483	417	6 063
Reclassifications	507	–	(455)	52
Additions	14 688	–	1 708	16 396
Disposals	(2 518)	(9 067)	(3 355)	(14 940)
At end of year	15 913	6 879	18 019	40 811
Accumulated amortisation and impairments				
At beginning of year	20	(426)	(10 195)	(10 601)
Exchange adjustments	515	(167)	(505)	(157)
Reclassifications	(2 824)	–	939	(1 885)
Disposals	–	–	1 642	1 642
Amortisation	(722)	(161)	(3 410)	(4 293)
At end of year	(3 011)	(754)	(11 529)	(15 294)
Net book value	12 902	6 125	6 490	25 517
2008				
Cost				
At beginning of year	5 688	5 109	12 315	23 112
Exchange adjustments	(105)	(94)	222	23
Reclassifications	(3 709)	4 256	–	547
Acquisition of a subsidiary undertaking	199	–	–	199
Additions	–	2 192	7 337	9 529
Disposals	–	–	(170)	(170)
At end of year	2 073	11 463	19 704	33 240
Accumulated amortisation and impairments				
At beginning of year	(238)	(222)	(4 911)	(5 371)
Exchange adjustments	5	5	(271)	(261)
Reclassification	380	221	–	601
Disposal	–	–	168	168
Amortisation	(127)	(430)	(5 181)	(5 738)
At end of year	20	(426)	(10 195)	(10 601)
Net book value	2 093	11 037	9 509	22 639

30. Acquisitions

2009

There were no acquisitions of group companies in the current period.

2008

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

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

  The loss for the period 1 October 2007 to 31 March 2008 included in the group's consolidated results was AUD0.7 million. For the year ended 31 March 2008 the Experien Group's loss was AUD1.1million. The total cost of the combination was AUD31.7 million and comprised of the payment of cash of AUD3.2 million, future earn-out payments of AUD8.1 million and the reclassification of an option already held.

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

  Goodwill represents the difference between the net fair value of assets and liabilities acquired and the present value of the estimated purchase consideration.

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

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

Notes to the financial statements

At 31 March £'000	2009	2008
31. Other trading liabilities		
Short positions		
– Equities	6 399	59 635
– Gilts	185 498	133 352
	191 897	192 987
32. Debt securities in issue		
Bonds and medium term notes repayable:		
Up to one year	–	54 182
Over one year but not more than five years	17 472	12 576
Greater than five years	–	–
	17 472	66 758
Other unlisted debt securities in issue repayable:		
Not more than three months	322 958	224 663
Over three months but not more than one year	52 820	151 293
Over one year but not more than five years	540 699	151 466
Greater than five years	5 397	–
	921 874	527 422
	939 346	594 180
33. Other liabilities		
Settlement liabilities	184 530	237 465
Other creditors and accruals	95 806	130 655
Other non interest bearing liabilities	49 926	45 362
	330 262	413 482
34. Pension commitments		
Cost of defined contribution schemes	9 861	8 506

Pension costs relate to defined contribution schemes. The group has adopted IAS 19 in respect of defined benefit schemes.

Employees of the bank participate in the Guinness Mahon Pension scheme ("the scheme") which is a non-contributory defined benefit scheme and its assets are held in separate trustee administered funds. Employees from other Investec plc undertakings also participate in this scheme and the bank is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the bank has accounted for this scheme on a defined contribution basis. The scheme is closed to new entrants and accrual of service ceased on 31 March 2002. The bank made no contributions to the scheme in the year ended 31 March 2009 (31 March 2008: £nil).

The accounts of Investec plc, the bank's ultimate parent company, disclose the actuarial valuation of the scheme under IAS 19 at 31 March 2009.

This was performed by a qualified, independent actuary. The valuation showed a surplus in the scheme of £10 326 000 (31 March 2008: surplus of £17 631 000). This surplus has been recognised in the financial statements of Investec plc.

Notes to the financial statements

At 31 March £'000	2009	2008
34. Pension commitments (continued)		
The major assumptions used were:		
– Discount rate	6.80%	6.70%
– Rate of increase in salaries	3.30%	3.50%
– Rate of increase in pensions in payment	3.20%	3.30%
– Inflation	3.30%	3.50%
Demographic assumptions		
One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables with allowance for future improvements in line with the medium cohort projection, subject to a 1% underpin. The life expectancies underlying the valuation are as follows:		
– Male aged 65	87.6	87.5
– Female aged 65	90.9	90.8
– Male aged 45	89.6	89.5
– Female aged 45	93.0	92.9

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

At 31 March	Value at 2009 £'000	Long-term rate of return expected	Value at 2008 £'000	Long-term rate of return expected
Equities	26 660	8.00%	34 720	7.50%
Gilts	60 696	4.20%	60 121	4.50%
Cash	2 556	4.20%	3 109	5.25%
Total market value of assets	89 912		97 950	

At 31 March £'000	2009	2008
The following amounts have been recognised in the financial statements of the bank's ultimate parent company, Investec plc, in accordance with IAS 19:		
Recognised in the balance sheet:		
Fair value of fund assets	89 912	97 950
Present value of obligations	(79 586)	(80 319)
Net asset	**10 326**	**17 631**
Amounts in balance sheet:		
Asset	10 326	17 631
Net asset	**10 326**	**17 631**
Recognised in the income statement:		
Expected return on pension scheme assets	5 455	5 582
Interest on pension obligations	(5 244)	(4 814)
Net return	**211**	**768**
Recognised in the statement of recognised income and expense:		
Actuarial losses on plan assets	(12 838)	(2 410)
Actuarial gains	1 770	11 543
Actuarial (loss)/gain	(11 068)	9 133
Deferred taxation	3 099	(2 557)
Actuarial (loss)/gain in statement of recognised income and expense	**(7 969)**	**6 576**

The cumulative amount of net actuarial losses recognised in the consolidated statement of recognised income and expense of Investec plc in respect of the scheme is £13.6 million (£9.6 million net of deferred taxation) [2008: £2.6 million (£1.6 milion net of deferred taxation)].

£'000

34. Pension commitments (continued)

Changes in the fair value of defined benefit obligations	
Defined benefit obligation at 31 March 2007	91 178
Interest cost	4 814
Actuarial gains	(11 543)
Benefits paid	(4 130)
Defined benefit obligation at 31 March 2008	80 319
Interest cost	5 244
Actuarial gains	(1 770)
Benefits paid	(4 207)
Defined benefit obligation at 31 March 2009	79 586
Changes in the fair value of plan assets	
Assets at 31 March 2007	95 356
Expected return	5 582
Actuarial losses	(2 410)
Contributions by the employer	3 552
Benefits paid	(4 130)
Assets at 31 March 2008	97 950
Expected return	5 455
Actuarial losses	(12 838)
Contributions by the employer	3 552
Benefits paid	(4 207)
Assets at 31 March 2009	89 912

The group expects to make £3.55 million of contributions to the scheme in 2010.

At 31 March	2009	2008	2007	2006	2005
History of experience gains and losses					
GM Scheme					
Defined benefit obligation	(79 586)	(80 319)	(91 178)	(89 927)	(82 871)
Plan assets	89 912	97 950	95 356	93 175	74 447
Surplus/(deficit)	10 326	17 631	4 178	3 248	(8 424)
Experience adjustments on plan liabilities	1 770	11 543	(165)	(5 765)	1 731
Experience adjustments on plan assets	(12 838)	(2 410)	(3 315)	8 125	1 905

At 31 March £'000	2009	2008
35. Subordinated liabilities		
Issued by Investec Bank plc		
Zero coupon bonds	10 242	18 087
Issued by subsidiaries of Investec Bank plc:		
Issued by Investec Finance plc		
Guaranteed subordinated step-up notes	212 063	200 865
Guaranteed undated subordinated callable step-up notes	391 195	356 728
Issued by Investec Bank (Australia) Limited		
Guaranteed subordinated medium term notes	48 887	45 748
Issued by Global Ethanol Holdings Limited		
Subordinated loan notes	25 910	24 501
	688 297	645 929
Remaining maturity:		
In one year or less, or on demand	10 242	8 501
In more than one year, but not more than two years	–	9 586
In more than two years, but not more than five years	237 973	271 114
In more than five years	440 082	356 728
	688 297	645 929

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

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

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

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

Guaranteed subordinated medium term notes
AUD53 500 000 of floating rate medium term notes (MTN) issued on 3 December 2004 at 3 month Bank Bills Swap Rate (BBSW) plus 1.05%. The maturity date is 3 December 2014. Interest is payable quarterly up to and excluding the early redemption date 3 December 2009. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears.

AUD21 500 000 of fixed rate MTN at 6.75% issued on 3 December 2004. The maturity date is 3 December 2014. Interest is payable semi-annually up to and excluding the early redemption date 3 December 2009. After this date, if the issuers call is not exercised, the MTN will convert to floating rate and the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears.

AUD25 000 000 of floating rate MTN issued on 10 August 2005 at 3 month BBSW plus 0.90 per cent. The maturity date is 10 August 2015. Interest is payable quarterly up to and excluding the early redemption date 10 August 2010. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.40% payable quarterly in arrears.

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

The shareholders may agree with the company the interest (if any) which will accrue on the loan notes. They are currently non interest bearing.

Notes to the financial statements

At 31 March	2009	2008
36. Called up share capital		
Authorised		
The authorised share capital is £1 000 million (2008: £1 000 million) comprising:		
1 000 million ordinary shares of £1 each (2008: 1 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	555 000 000	505 000 000
Issued during the year	100 000 000	50 000 000
At end of year	655 000 000	555 000 000
Nominal value of ordinary shares	£'000	£'000
At beginning of year	555 000	505 000
Issued during the year	100 000	50 000
At end of year	655 000	555 000

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

At 31 March £'000	2009	2008
37. Minority interests		
Minority interests attributable to holders of ordinary shares in subsidiaries	18 981	48 623

At 31 March Finance lease receivables included in loans and advances to customers £'000	2009 Total future minimum payments	2009 Present value	2008 Total future minimum payments	2008 Present value
38. Miscellaneous balance sheet items				
Lease receivables due in:				
Less than 1 year	101 063	82 861	121 367	95 772
1-5 years	276 116	238 206	232 941	197 406
Later than 5 years	16 505	12 900	6 977	6 136
	393 684	333 967	361 285	299 314
Unearned finance income	59 717		61 971	

At 31 March 2009, unguaranteed residual values of £920 000 (2008: £773 000) have been accrued.

At 31 March £'000	2009	2008
39. Cash flow reconciliations		
Reconciliation of operating profit to net operating cash flows:		
Operating (loss)/profit	(30 815)	115 152
Adjustment for non cash items included in operating profit:		
Impairment of goodwill	30 265	–
Depreciation and impairment of property, equipment and intangibles	17 877	15 472
Impairment of loans and advances	110 236	27 945
Operating income from associates	(190)	(698)
Dividends received from associates	84	211
Share based payment adjustments	1 462	–
Reconciliation of operating profit to net operating cash flows	128 919	158 082

Group financial statements

At 31 March £'000	2009	2008
40. Commitments		
Undrawn facilities	528 980	1 012 448
Other commitments	34 131	–
	563 111	1 012 448

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.

	2009	2008
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	15 975	15 213
1-5 years	43 258	53 533
Later than 5 years	25 402	35 272
	84 635	104 018
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	8 373	2 044
1-5 years	16 684	3 129
Later than 5 years	958	92
	26 015	5 265

Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The term of the leases range between 3 and 5 years with no annual escalation clauses. The majority of the leases have renewal options.

At 31 March	Carrying amount		Related liability	
£'000	2009	2008	2009	2008
Pledged assets				
Loans and advances to customers	857 733	571 221	517 812	474 011
Investment securities	268 824	109 002	178 674	103 464
Trading securities	233 955	155 603	213 365	156 382
	1 360 512	835 826	909 851	733 857

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty.

In addition, the group has borrowed securities from market counterparties and pledged cash or other securities as collateral. To the extent that the collateral is in cash then this is classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed. Refer to note 18.

At 31 March £'000	2009	2008
41. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	246 529	93 458
– Assets pledged as collateral security	–	364
	246 529	93 822

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

Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (FSCS) provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it. During the 2008/09 financial year, a number of institutions, including Bradford & Bingley plc, Heritable Bank plc, Kaupthing Singer & Friedlander Limited, Landsbanki Islands hf (Icesave) and London Scottish Bank plc, were declared in default (or were deemed in default by virtue of a statutory instrument). In order to meet its obligations to the depositors of these institutions, the FSCS has (as of 4 February 2009) borrowed £19.7 billion from HM Treasury, on an interest only basis for the first three years of the loan.

Furthermore, HM Treasury intends to require the FSCS to make a contribution to the transfer costs of certain assets of Dunfermline Building Society to Nationwide Building Society in accordance with Section 214B of the Financial Services and Markets Act 2000. The extent of such contribution, its timing and any possible impact on Investec are, at this stage, impossible to estimate.

The FSCS raises annual levies from participating members to meet its management expenses and compensation costs. Individual participating members make payments based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) at 31 December each year. If an institution is a participating member on this date it is obligated to pay a levy imposed in the immediately following levy period.

Investec Bank plc was a participating member of the FSCS at 31 December 2007 and 2008. The bank has accrued £2 million for its share of levies that will be raised by the FSCS including the interest on the loan from HM Treasury in respect of the two levy years to 31 March 2010. The accrual includes estimates for the interest FSCS will pay on the loan and estimates of Investec's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

If the remaining available assets of the defaulting institutions are insufficient to allow the FSCS to repay the HM Treasury loan when due, the FSCS will agree a schedule of repayments of any remaining principal outstanding with HM Treasury, which will be recouped from the industry in the form of additional levies.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

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.

42. Hedges

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

The accounting treatment of accounting hedges is dependent on the classification between fair value hedges, cash flow hedges and in particular, accounting hedges which require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

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

At 31 March £'000	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged items	Current year gains or (losses) on hedged items
2009						
Assets	Interest rate swap	(23 695)	(23 718)	(19 204)	22 408	19 389
	Cross currency swap	(9 095)	(9 095)	(9 095)	9 095	9 095
Liabilities	Cross currency swap	9 681	13 980	11 423	(13 033)	(10 429)
	Interest rate swap	6 080	6 080	4 056	(5 372)	(3 310)
		(17 029)	(12 753)	(12 820)	13 098	14 745
2008						
Assets	Interest rate swap	(3 504)	(21 211)	(24 861)	20 362	23 962
Liabilities	Interest rate swap	1 914	(2 502)	1 026	2 622	(1 306)
	Cross currency swap	24 540	24 696	24 348	(24 696)	(24 348)
		22 950	983	513	(1 712)	(1 692)

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in equity and transferred to the income statement when the cash flow occurs. The nominal expected future cash flows that are subject to cash flow hedges are:

At 31 March 2009 £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur	Ineffective portion recognised in principal transactions
Assets	Interest rate swap	297	1 to 5 years	–
	Var. interest on notes	22 795	3 months	–
Liabilities	Interest rate swap	(21 192)	1 to 5 years	–
		1 900		–

Hedges of net investments in foreign operations

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

At 31 March £'000	Negative fair value of hedging instrument	Ineffective portion recognised in principal transactions
2009	7 033	–
2008	18 014	–

At 31 March £'000	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
43. Liquidity analysis of financial liabilities based on undiscounted cash flows								
2009								
Liabilities								
Deposits by banks	445 232	601 562	181 446	268 157	852 859	316 123	14 904	2 680 283
Derivative financial instruments – held for trading	147 391	–	–	–	–	–	–	147 391
Derivative financial instruments – held as hedges	197 374	–	61	21 216	213	10 959	11 816	241 639
Repurchase agreements and cash collateral on securities lent	747 177	100 957	202 225	–	–	–	–	1 050 359
Customer accounts	1 179 501	948 306	1 899 841	904 614	313 927	180 493	118 584	5 545 266
Debt securities in issue	–	89 028	241 939	24 419	47 480	624 315	7 031	1 034 212
Liabilities arising on securitisation	441	15 661	50 185	66 155	310 152	327 269	135 585	905 448
Other liabilities including other trading liabilities	398 250	50 968	46 675	67 666	9 419	7 110	550	580 638
	3 115 366	1 806 482	2 622 372	1 352 227	1 534 050	1 466 269	288 470	12 185 236
Subordinated liabilities	–	–	753	11 308	73 996	315 355	461 620	863 032
Total on balance sheet liabilities	3 115 366	1 806 482	2 623 125	1 363 535	1 608 046	1 781 624	750 090	13 048 268
Off-balance sheet	281 903	4 149	24 962	27 839	88 154	347 234	44 600	818 841
Total liabilities	3 397 269	1 810 631	2 648 087	1 391 374	1 696 200	2 128 858	794 690	13 867 109
2008								
Liabilities								
Deposits by banks	467 418	302 132	94 468	600 453	643 613	820 869	13 099	2 942 052
Derivative financial instruments	149 591	29 094	6 451	10 308	4 749	9 041	6 328	215 562
Repurchase agreements and cash collateral on securities lent	175 991	32	111 626	–	–	–	–	287 649
Customer accounts	1 230 676	805 884	2 361 170	218 025	206 489	429 172	50 486	5 301 902
Debt securities in issue	–	107 939	158 746	94 500	74 008	215 090	–	650 283
Liabilities arising on securitisation	2 081	47 976	22 089	26 263	109 758	198 782	338 295	745 244
Other liabilities including other trading liabilities	296 089	205 120	51 501	43 039	47 761	12 728	552	656 790
	2 321 846	1 498 177	2 806 051	992 588	1 086 378	1 685 682	408 760	10 799 482
Subordinated liabilities	–	–	850	11 733	38 456	343 802	528 029	922 870
Total on balance sheet liabilities	2 321 846	1 498 177	2 806 901	1 004 321	1 124 834	2 029 484	936 789	11 722 352
Off-balance sheet	101 043	357	7 440	1 070	2 140	11 758	1 746	125 554
Total liabilities	2 422 889	1 498 534	2 814 341	1 005 391	1 126 974	2 041 242	938 535	11 847 906

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 cash flows, please refer to pages 72 and 73.

For the year ended 31 March £'000	2009 Highest balance during the year	2009 Balance at end of year	2008 Highest balance during the year	2008 Balance at end of year
44. Related party transactions				
Transactions, arrangements and agreements involving directors, key management and connected persons and companies controlled by them				
Loans and guarantees	17 241	16 242	16 810	13 343
Deposits		18 362		17 356

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment.

For the year ended 31 March £'000	Investec plc subsidiaries and associates	Investec Limited and subsidiaries	Associates of the bank	Total
Transactions with other related parties				
2009				
Assets				
Loans and advances to banks	–	47 317	–	47 317
Loans and advances to customers	696 101	1 265	12 720	710 086
Derivative financial instruments	852	14 737	–	15 589
Liabilities				
Deposits from banks	–	(85 521)	–	(85 521)
Repurchase agreements and cash collateral on securities lent	–	(301 373)	–	(301 373)
Customer accounts	(251 336)	(8 322)	–	(259 658)
Derivative financial instruments	(4 925)	(12 527)	–	(17 452)
Subordinated liabilities	–	(12 091)	–	(12 091)
2008				
Assets				
Loans and advances to banks	–	36 904	–	36 904
Loans and advances to customers	308 481	2 414	7 585	318 480
Derivative financial instruments	3 813	12 178	–	15 991
Liabilities				
Deposits from banks	–	(188 670)	–	(188 670)
Customer accounts	(265 421)	(8 614)	–	(274 035)
Derivative financial instruments	(4 546)	(7 582)	–	(12 128)
Subordinated liabilities	–	(11 434)	–	(11 434)

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.

In the normal course of business, services are provided by Investec Bank plc to other companies in the group. In the year to 31 March 2009, Investec Bank plc received £21.1 million for these services. Specific transactions between group entities have resulted in a net fee payment to Investec Bank plc of £11.8 million.

During the year to March 2009, interest of £8.3 million was paid to entities in the Investec Limited group and £2.4 million was paid to Investec plc and fellow subsidiaries. Interest of £1.5 million was received from the Investec Limited group and interest of £36.7 million was received from Investec plc and fellow subsidiaries, and £2.9 million was received from Rensburg Sheppards plc ("RS"), an associate of the bank's parent, Investec plc.

Rent of £1.4 million (2008: £1.1 million) and a contribution of £0.2 million (2008: £0.2 million) was received from RS in respect of their occupation of 2 Gresham Street. A further £0.5 million (2008: £0.7 million) was received in relation to other services provided to RS including IT and Internal Audit.

During the year, the bank issued a guarantee on behalf of Start Funding No. 2 ("SF2"), an ultimate subsidiary of Investec plc. The terms of the guarantee are with regard to performance by SF2 of its obligations to Barclays Bank plc under a €200 million Revolving Credit Facility Agreement (the "Facility"). The guarantee expires in January 2012. Drawings under the Facility were €189.9 million as at 31 March 2009. SF2 pays a fee of 0.21% per annum to the bank on the drawn amount of the Facility.

Employees of the bank participate, along with the employees from other Investec plc undertakings, in a non-contributory defined benefit scheme. Full details of the scheme are included in note 34.

	Principal activity	Country of incorporation	Interest % 2009	Interest % 2008
45. Principal subsidiary and associated companies				
Direct subsidiaries of Investec Bank plc				
Investec Asset Finance PLC	Leasing company	England and Wales	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec Bank plc				
Experien Pty Limited	Financial services	Australia	100	100
Investec Bank (Australia) Limited	Banking institution	Australia	100	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100	100
Investec Trust (Guernsey) Limited	Trust company	Guernsey	100	100
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100	100
Investec Trust (Jersey) Limited	Trust company	Jersey	100	100
Global Ethanol Holdings Limited	Holding company	Australia	44.4	44.4
Global Ethanol LLC	Production and marketing of Ethanol	USA	26.6	26.6
IdaTech LLC	Development of fuel cell technology	USA	73.1	73.1
All of the above subsidiary undertakings are included in the consolidated accounts.				
Principal associated company				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35	35

Directors' Responsibility Statement

In respect of the parent company financial statements.

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

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Signed on behalf of the board

Bradley Fried
Chief Executive Officer

25 June 2009

Company financial statements

Independent Auditors' Report to the members of Investec Bank plc

We have audited the banking company's financial statements for the year ended 31 March 2009 which comprise the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Investec Bank plc for the year ended 31 March 2009.

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

Respective responsibilities of directors and auditors

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

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

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Financial Review, the Risk Management Report, the Corporate Governance Statement and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Independent Auditors' Report to the members of Investec Bank plc

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the banking company's affairs as at 31 March 2009 and of its loss for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

26 June 2009

Notes:

1. The maintenance and integrity of the Investec Bank plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Balance sheet

At 31 March £'000	Notes	2009	2008
Assets			
Cash and balances at central banks		871 518	608 004
Treasury bills and other eligible bills	7	16 051	8 118
Loans and advances to banks	6	564 043	650 080
Loans and advances to customers	6/8	6 506 848	5 776 737
Debt securities	9	571 811	1 043 912
Equity shares	11	38 781	91 963
Interests in associated undertakings	12	9 309	10 134
Shares in group undertakings	13	502 677	457 289
Intangible fixed assets	14	–	1 186
Tangible fixed assets	15	21 695	21 398
Derivative assets	23	552 815	397 120
Other assets	16	359 110	332 845
Prepayments and accrued income		12 879	6 435
		10 027 537	9 405 221
Liabilities			
Deposits by banks	6	4 455 199	3 687 475
Customer accounts	6	2 815 010	3 341 861
Debt securities in issue	6	614 214	421 059
Derivative liabilities	23	321 695	174 888
Trading liabilities – short positions		191 897	192 987
Other liabilities	17	245 308	294 774
Accruals and deferred Income		71 372	93 857
		8 714 695	8 206 901
Subordinated liabilities	6/19	609 782	573 060
		9 324 477	8 779 961
Equity			
Called up share capital	20	655 000	555 000
Share premium account		37 365	37 365
Other reserves		(6 498)	(6 983)
Profit and loss account		17 193	39 878
Total shareholders' equity	2	703 060	625 260
Total liabilities and shareholders' equity		10 027 537	9 405 221
Memorandum items			
Commitments	21	357 713	686 367
Contingent liabilities	22	218 303	83 173
		576 016	769 540

Approved and authorised for issue by the Board of Directors on 25 June 2009 and signed on its behalf by:

Bradley Fried
Chief Executive Officer

Statement of total recognised gains and losses

For the year to 31 March £'000	2009	2008
(Loss)/profit for the year attributable to shareholders	(7 517)	42 117
Fair value movements on available for sale assets	4 514	(23 034)
Currency translation movements	(1 197)	9 547
Total recognised (losses)/gains relating to the year	(4 200)	28 630

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

Accounting policies

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

Basis of preparation

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

In October 2008 the Accounting Standards Board issued an amendment to FRS 26, Financial Instruments: Recognition and Measurement. Following the amendment, a non-derivative financial asset held for trading may be transferred out of the fair value through profit and loss category in the following circumstances:

- In rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term; or
- It is no longer held for the purpose of selling or repurchasing in the near term, it would have met the definition of a loan and receivable at initial recognition and the bank has the intention and ability to hold it for the foreseeable future or until maturity.

The initial value of the financial asset that has been reclassified, per the above, is the fair value at the date of reclassification. This change in accounting policy has had no impact on the prior year financial statements.

Goodwill

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

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

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

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

Share based payments to employees

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

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

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

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

Foreign currency transactions and foreign operations

The presentation currency of the bank is Pounds Sterling, being the functional currency of Investec Bank plc.

The bank has a foreign branch whose functional currency is other than that of the bank. The functional currency of the bank is determined based on the primary economic environment in which the bank operates.

The results and financial positions of the foreign branch are translated into the presentation currency of the bank as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expense items are translated at exchange rates ruling at the date of the transaction;
- All resulting exchange differences are recognised in equity (foreign currency translation reserve) which is recognised in profit and loss on disposal of the foreign operation; 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 profit and loss;
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates are recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment; 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. Fee and commission income is only recognised when it can be estimated reliably.

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

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

Financial instruments

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

Regular way purchase and 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.

Assets and liabilities held at fair value through profit and loss

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

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

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

- It eliminates or significantly reduces an inconsistent measurement or recognition that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the bank'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 bank has designated the entire hybrid contract as a financial instrument at fair value through profit and loss.

Accounting policies

Held-to-maturity assets

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

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

Loans and receivables

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

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

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

Available for sale assets

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

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

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

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

Financial liabilities

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

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

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

Valuation of financial instruments

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

Subsequent to initial recognition the following financial instruments are measured at fair value:

- Fixed maturity securities classified as trading, held at fair value through profit or loss and available for sale,
- Equity securities,
- Private equity investments,
- Derivative positions,

- Loans and advances designated as held at fair value through profit and loss,
- Loans and advances designated as available for sale, and
- Financial liabilities classified as trading or designated as held at fair value through profit and loss.

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

Impairments of financial assets held at amortised cost

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

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

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

Derecognition of financial assets and liabilities

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

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

Derivative instruments

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

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

Hedge accounting

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

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

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that are 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 bank are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the bank are classified as equity where they confer on the holder a residual interest in the bank. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

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

Dividends on ordinary shares are recognised as a deduction from equity in the period in which they are declared.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet. 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.

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

Instalment credit, leases and rental agreements

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

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

Property and equipment

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

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

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

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

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

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

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

Dealing properties

Dealing properties are included in the balance sheet under other assets and are considered to be inventories which are stated at the lower of cost and net realisable value.

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

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

Taxation and deferred taxation

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

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

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

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

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

Employee benefits

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

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

The bank has no liabilities for other post retirement benefits.

Intangible assets

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

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

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

Provisions, contingent liabilities and contingent assets

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

Bank’s own profit and loss account

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

Cash flow statement

The bank has taken advantage of the exemption in Financial Reporting Standard 1 to not present its own cash flow statement. A cash flow statement, prepared under International Accounting Standards, is included in the consolidated financial statements of the bank.

Financial instruments: Disclosures

The bank has taken advantage of the exemption in Financial Reporting Standard 29 to not present its own disclosures in respect of financial instruments as disclosures, prepared in accordance with International Financial Reporting Standard 7, are included in the consolidated financial statements of the bank.

Notes to the financial statements

At 31 March £'000	Share capital	Share premium account	Other reserves Available for sale reserves	Other reserves Foreign currency reserves	Profit and loss account	Total
2. Reconciliation of shareholder's funds and movements in reserves						
At 31 March 2007	505 000	37 365	6 036	468	77 761	626 630
Retained profit for the year	–	–	–	–	42 117	42 117
Fair value movements on available for sale assets	–	–	(23 034)	–	–	(23 034)
Foreign currency adjustments	–	–	–	9 547	–	9 547
Total recognised gains/(losses) for the year	–	–	(23 034)	9 547	42 117	28 630
Issue of ordinary shares	50 000	–	–	–	–	50 000
Dividends paid to ordinary shareholders	–	–	–	–	(80 000)	(80 000)
At 31 March 2008	555 000	37 365	(16 998)	10 015	39 878	625 260
Retained loss for the year	–	–	–	–	(7 517)	(7 517)
Fair value movements on available for sale assets	–	–	4 514	–	–	4 514
Foreign currency adjustments	–	–	–	(4 029)	2 832	(1 197)
Total recognised gains/(losses) for the year	–	–	4 514	(4 029)	(4 685)	(4 200)
Issue of ordinary shares	100 000	–	–	–	–	100 000
Dividends paid to ordinary shareholders	–	–	–	–	(18 000)	(18 000)
At 31 March 2009	655 000	37 365	(12 484)	5 986	17 193	703 060

For the year to 31 March £'000	2009	2008
3. Dividends		
Final dividend in previous year	10 000	50 000
Interim dividend for current year	8 000	30 000
Total dividend attributable to ordinary shareholder recognised in current financial year	18 000	80 000
4. Directors' emoluments		
Aggregate emoluments (excluding pension contributions)	4 831	8 077
Contributions to defined contributions scheme	454	887
	5 285	8 964
Number of directors in defined contributions scheme	4	4

Emoluments of the highest paid director were £1 568 631 (2008: £3 246 024) excluding £230 352 (2008: £223 583) of pension contributions to the defined contributions scheme.

The directors' emoluments of Messrs. Herman, Koseff, B Kantor and I Kantor have been borne by Investec plc. These directors were employed and remunerated as directors, or executives, of Investec plc and its subsidiaries in respect of their services to that group as a whole. It is considered that there is no appropriate basis on which they can apportion part of their remuneration for services to the company.

At 31 March £'000	At fair value through profit and loss Trading	 Designated at inception	Loans and receivables	Available for sale
5. Classification of financial assets and financial liabilities				
2009				
Assets				
Cash and balances at central banks	–	–	871 518	–
Treasury bills and other eligible bills	–	–	–	16 051
Loans and advances to banks	180 913	15 239	367 891	–
Loans and advances to customers	1 443	283 498	5 572 821	7 797
Debt securities	234 108	18 559	–	319 144
Equity shares	15 631	5 192	–	17 958
Interests in associated undertakings	–	–	–	–
Shares in group undertakings	–	–	–	–
Intangible fixed assets	–	–	–	–
Tangible fixed assets	–	–	–	–
Derivative assets	552 815	–	–	–
Other assets	174 191	–	92 971	–
Prepayments and accrued income	–	–	–	–
	1 159 101	322 488	6 905 201	360 950
Liabilities				
Deposits by banks	218 911	–	–	–
Customer accounts	5 614	–	–	–
Debt securities in issue	–	–	–	–
Derivative liabilities	321 695	–	–	–
Trading liabilities – short positions	191 897	–	–	–
Other liabilities	142 104	–	–	–
Accruals and deferred Income	–	–	–	–
Subordinated liabilities	–	–	–	–
	880 221	–	–	–
2008				
Assets				
Cash and balances at central banks	–	–	608 004	–
Treasury bills and other eligible bills	–	–	–	8 118
Loans and advances to banks	138 227	–	511 853	–
Loans and advances to customers	7 183	291 139	4 430 419	467 408
Debt securities	326 082	35 962	–	681 868
Equity shares	57 472	16 362	–	18 129
Interests in associated undertakings	–	–	–	–
Shares in group undertakings	–	–	–	–
Intangible fixed assets	–	–	–	–
Tangible fixed assets	–	–	–	–
Derivative assets	397 120	–	–	–
Other assets	–	–	286 821	–
Prepayments and accrued income	–	–	–	–
	926 084	343 463	5 837 097	1 175 523
Liabilities				
Deposits by banks	161 477	–	–	–
Customer accounts	19 609	–	–	–
Debt securities in issue	–	–	–	–
Derivative liabilities	174 888	–	–	–
Trading liabilities – short positions	192 987	–	–	–
Other liabilities	–	–	–	–
Accruals and deferred Income	–	–	–	–
Subordinated liabilities	–	–	–	–
	548 961	–	–	–

Held-to-maturity	Financial assets and liabilities at amortised cost	Non-financial instruments	Total
–	–	–	871 518
–	–	–	16 051
–	–	–	564 043
641 289	–	–	6 506 848
–	–	–	571 811
–	–	–	38 781
–	–	9 309	9 309
–	–	502 677	502 677
–	–	–	–
–	–	21 695	21 695
–	–	–	552 815
–	–	91 948	359 110
–	12 879	–	12 879
641 289	12 879	625 629	10 027 537
–	4 236 288	–	4 455 199
–	2 809 396	–	2 815 010
–	614 214	–	614 214
–	–	–	321 695
–	–	–	191 897
–	66 102	37 102	245 308
–	71 372	–	71 372
–	609 782	–	609 782
–	8 407 154	37 102	9 324 477
–	–	–	608 004
–	–	–	8 118
–	–	–	650 080
580 588	–	–	5 776 737
–	–	–	1 043 912
–	–	–	91 963
–	–	10 134	10 134
–	–	457 289	457 289
–	–	1 186	1 186
–	–	21 398	21 398
–	–	–	397 120
–	–	46 024	332 845
–	6 435	–	6 435
580 588	6 435	536 031	9 405 221
–	3 525 998	–	3 687 475
–	3 322 252	–	3 341 861
–	421 059	–	421 059
–	–	–	174 888
–	–	–	192 987
–	247 998	46 776	294 774
–	93 857	–	93 857
–	573 060	–	573 060
–	8 184 224	46 776	8 779 961

At 31 March £'000	Demand	Up to 1 month	1 to 3 months	3 to 6 months
6. Maturity of loans and deposits				
2009				
Assets				
Loans and advances to banks	524 471	782	–	10 470
Loans and advances to customers	352 435	506 377	372 442	322 575
Liabilities				
Deposits by banks	653 813	1 171 370	1 118 810	391 967
Customer accounts	594 124	126 753	918 959	800 326
Debt securities in issue	–	–	206 776	1 998
Subordinated liabilities	–	–	–	5 753
2008				
Assets				
Loans and advances to banks	603 451	11 911	–	–
Loans and advances to customers	573 772	356 457	354 749	581 255
Liabilities				
Deposits by banks	665 355	453 650	640 620	612 707
Customer accounts	1 000 416	300 283	1 519 658	114 563
Debt securities in issue	–	12 690	30 346	25 379
Subordinated liabilities	–	–	–	–

6 months to 1 year	1 to 5 years	>5 years	Total	Balances with group companies
–	14 160	14 160	564 043	46 972
645 471	2 339 038	1 968 510	6 506 848	951 051
685 422	331 863	101 954	4 455 199	1 364 785
134 610	80 366	159 872	2 815 010	334 819
–	82 910	322 530	614 214	–
10 241	207 926	385 862	609 782	599 540
2 875	15 220	16 623	650 080	39 524
412 250	2 179 452	1 318 802	5 776 737	565 691
571 330	727 190	16 623	3 687 475	962 828
158 132	210 619	38 190	3 341 861	497 053
15 228	–	337 416	421 059	–
8 507	208 294	356 259	573 060	554 973

Company financial statements

At 31 March £'000	2009	2008
7. Treasury bills and other eligible bills		
Securities designated as available for sale:		
Treasury bills	6 591	–
Other eligible bills	9 460	8 118
	16 051	8 118
At beginning of year	8 118	6 851
Purchases	37 785	28 315
Maturities	(31 266)	(28 315)
Movement in fair value during the year	123	99
Exchange adjustments	1 291	1 168
Fair value at end of year	16 051	8 118

Treasury bills and other eligible bills are unlisted, mainly short-term in maturity and have a book value not materially different from market value.

At 31 March £'000	2009	2008
8. Customer accounts		
Total loans and advances to customers	6 506 848	5 776 737
Less: Trading book loans and cash equivalent debtors	(61 319)	(182 315)
	6 445 529	5 594 422
Category analysis		
Private Banking	3 025 192	2 830 640
Corporate and public sector	2 499 275	2 211 758
Other	988 332	571 093
	6 512 799	5 613 491
Specific impairment	(64 238)	(16 834)
Portfolio impairment	(3 032)	(2 235)
	6 445 529	5 594 422

Specific and portfolio impairments

Reconciliation of movements in specific and portfolio impairments for bad and doubtful debts:

At 31 March £'000	2009	2008
Specific impairment		
At beginning of year	16 834	5 970
Charge to the income statement	79 940	18 596
Utilised	(34 361)	(7 773)
Exchange adjustments	1 825	41
At end of year	64 238	16 834
Portfolio impairment		
At beginning of year	2 235	1 539
Charge to the income statement	707	679
Exchange adjustments	90	17
At end of year	3 032	2 235

At 31 March £'000	2009	2008
9. Debt securities		
Trading securities and securities designated as at fair value through profit and loss		
Unlisted debt securities	252 667	362 044
	252 667	362 044
Securities designated as available-for-sale		
Unlisted bank and building society certificates of deposit	–	278 907
Other unlisted debt securities	319 144	402 961
	319 144	681 868
Total debt securities	571 811	1 043 912
Amounts include:		
Unamortised net premiums on investment securities	–	–

The cost of trading securities has not been disclosed as it cannot be determined without unreasonable expense.

	2009	2008
Available for sale securities		
At beginning of year	681 868	1 210 008
Additions	468 827	419 139
Sold/matured	(851 701)	(940 888)
Exchange adjustments	21 063	(6 356)
Movement in fair value during the year	(913)	(35)
At end of year	319 144	681 868

10. Securitisation

Investec Bank plc enters into transactions, in the normal course of its business, in which it transfers portfolios of financial assets directly to special purpose entities.

Where this has transferred the majority of the risks to third parties, but the bank has retained a portion of the risks of the assets by way of investments in notes issued by the SPVs, the financial assets retained are held at fair value through profit and loss and shown within other debt securities in note 9 above.

	2009	2008
Transactions during the year:		
Carrying amount of transferred assets	–	43 855
Carrying amount of associated liabilities	–	(37 319)
	–	6 536

Where the financial assets transferred do not qualify for derecognition the assets continue to be disclosed on the face of the balance sheet.

	2009	2008
The financial assets that have been transferred during the year but which continue to be disclosed are:		
Loans and advances to banks	35 520	2 732
Loans and advances to customers	1 783 689	884 853
	1 819 209	887 585

Notes to the financial statements

At 31 March £'000	2009	2008
11. Equity shares		
Trading securities and securities designated as at fair value through profit and loss		
Listed	15 631	73 104
Unlisted	5 192	730
	20 823	73 834
Securities designated as available for sale		
Listed	12 765	12 382
Unlisted	5 193	5 747
	17 958	18 129
Total equity shares	38 781	91 963
The cost of trading securities has not been disclosed as it cannot be determined without unreasonable expense.		
Available for sale securities		
At beginning of year net of provisions	18 129	22 456
Additions	7 126	3 401
Disposals	(4 564)	(19 499)
Exchange adjustments	630	706
Movement in fair value during the year	(3 363)	11 065
Fair value at end of year	17 958	18 129
12. Interests in associated undertakings		
Analysis of the movement in investment:		
At beginning of year	11 205	2 413
Addition	–	42
Reclassification	–	8 750
Exchange adjustments	538	–
At end of year	11 743	11 205
Provision for impairment in value		
At beginning of year	(1 071)	(1 071)
Provision made	(1 363)	–
At end of the year	(2 434)	(1 071)
Net book value at the end of the year	9 309	10 134

The associated undertakings are unlisted.

At 31 March £'000	2009	2008
13. Shares in group undertakings		
Cost		
At beginning of year	457 660	433 558
Additions	34 982	–
Liquidation of subsidiary	–	(1 349)
Dividend received out of pre-acquisition reserves	(113)	–
Recapitalisation of subsidiaries	–	2 606
Exchange adjustments	12 167	22 845
At end of the year	504 696	457 660
Provision for impairment in value		
At beginning of year	(371)	(371)
New impairments	(1 648)	–
At end of the year	(2 019)	(371)
Net book value at the end of the year	502 677	457 289

All subsidiary undertakings are unlisted.

On 29 September 2008 the bank acquired 100% of Investec Bank (Switzerland) AG as part of a group re-organisation. It was previously an indirect subsidiary of the bank. The net asset value of Investec Bank (Switzerland) AG as at the date of transfer was £57.9 million.

At 31 March £'000	Total
14. Intangible fixed assets	
Goodwill	
At beginning and end of year	19 533
Accumulated amortisation	
At beginning of year	(18 347)
Charge to the profit and loss account	(1 186)
At end of year	(19 533)
Net book value at 31 March 2009	–
Net book value at 31 March 2008	1 186

Notes to the financial statements

At 31 March £'000	Leasehold improve-ments	Furniture and vehicles	Computer equipment	Total
15. Tangible fixed assets				
Cost or valuation				
At beginning of year	21 040	4 374	18 143	43 557
Additions	3 230	98	2 816	6 144
Disposals	–	–	(3 187)	(3 187)
At end of year	24 270	4 472	17 772	46 514
Accumulated depreciation and amortisation				
At beginning of year	(7 451)	(3 914)	(10 794)	(22 159)
Disposals	–	–	1 498	1 498
Charge for the year	(1 451)	(77)	(2 630)	(4 158)
At end of year	(8 902)	(3 991)	(11 926)	(24 819)
Net book value at 31 March 2009	15 368	481	5 846	21 695
Net book value at 31 March 2008	13 589	460	7 349	21 398

At 31 March £'000	2009	2008
16. Other assets		
Settlement debtors	247 412	201 225
Trading initial margin	18 531	49 792
Deferred tax asset (note 18)	36 031	27 769
Dealing properties	5 611	2 413
Other debtors	51 525	51 646
	359 110	332 845

Dealing properties are recorded at the lower of cost or selling price less cost to sell.

	2009	2008
17. Other liabilities		
Settlement creditors	180 588	237 174
Corporation and other taxes	41 833	41 561
Deferred tax liabilities (note 18)	–	1 008
Other creditors and accruals	22 887	15 031
	245 308	294 774
18. Deferred taxation		
Deferred taxation asset		
Deferred capital allowances	29 114	23 204
Arising from unexpired share options	6 801	4 448
Other timing differences	116	117
	36 031	27 769
Deferred taxation liability		
Other timing differences	–	(1 008)
	–	(1 008)
Net deferred taxation asset	36 031	26 761
Reconciliation of net deferred taxation asset:		
At beginning of year	26 761	8 707
Movement directly in equity	231	(2 353)
Credit to profit and loss	9 039	20 407
At end of year	36 031	26 761

Deferred taxation assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation 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 £'000	2009	2008
19. Subordinated liabilities		
Dated subordinated debt		
Zero coupon bonds	10 241	18 087
Subordinated loans	599 541	554 973
	609 782	573 060
Remaining maturity:		
In one year or less, or on demand	15 994	8 507
In more than one year, but not more than two years	–	9 580
In more than two years, but not more than five years	207 926	198 714
In more than five years	385 862	356 259
	609 782	573 060

Zero coupon bonds

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

Subordinated loans

The net proceeds of two issues of step-up notes by a subsidiary of the bank, Investec Finance plc, have been onlent to the bank on a subordinated basis.

1. The term of the first loan is 2016 but it may be redeemed at any time after 1 March 2011. The interest rate on the loan is fixed at 8.1618% until 1 March 2011 and interest is paid annually. After 1 March 2011 the interest rate will be reset in line with the interest rate on the step-up notes.
2. The second loan is undated but it may be redeemed at any time after 23 January 2017. The interest rate on the loan is fixed at 6.4578% until 23 January 2017 and the interest is paid semi-annually. After 23 January 2017 the interest rate will be reset in line with the interest rate on the step-up notes.

The terms of the step-up notes, which are guaranteed by the bank, are detailed in note 35 of the consolidated financial statements of the bank.

20. Called up share capital

Authorised

The authorised share capital is £1 000 million (2008: £1 000 million) comprising 1 000 million ordinary shares of £1 each (2008: 1 000 million shares of £1 each)

Issued, allotted and fully paid

	2009	2008
Number of ordinary shares	Number	Number
At beginning of year	555 000 000	505 000 000
Issued during the year	100 000 000	50 000 000
At end of year	655 000 000	555 000 000
Nominal value of ordinary shares	£'000	£'000
At beginning of year	555 000 000	505 000 000
Issued during the year	100 000 000	50 000 000
At end of year	655 000 000	555 000 000

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

At 31 March £'000	2009	2008
21. Commitments		
Undrawn facilities	357 713	686 367
The bank has entered into loan commitments in the normal course of its banking business.		
22. Contingent liabilities		
Guarantees and irrevocable letters of credit	218 303	83 173

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

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

A subsidiary of the bank, Investec Finance plc, has issued both medium term notes and other debt securities. The proceeds of these issues have been placed on deposit with the bank.

The bank has issued a guarantee to the holders of these notes. The amount of these guarantees is supported by, and limited to, the amount of the cash deposits.

Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (FSCS) provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it. During the 2008/09 financial year, a number of institutions, including Bradford & Bingley plc, Heritable Bank plc, Kaupthing Singer & Friedlander Limited, Landsbanki Islands hf (Icesave) and London Scottish Bank plc, were declared in default (or were deemed in default by virtue of a statutory instrument). In order to meet its obligations to the depositors of these institutions, the FSCS has (as of 4 February 2009) borrowed £19.7 billion from HM Treasury, on an interest only basis for the first three years of the loan.

Furthermore, HM Treasury intends to require the FSCS to make a contribution to the transfer costs of certain assets of Dunfermline Building Society to Nationwide Building Society in accordance with Section 214B of the Financial Services and Markets Act 2000. The extent of such contribution, its timing and any possible impact on Investec are, at this stage, impossible to estimate.

The FSCS raises annual levies from participating members to meet its management expenses and compensation costs. Individual participating members make payments based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) at 31 December each year. If an institution is a participating member on this date it is obligated to pay a levy imposed in the immediately following levy period.

Investec Bank plc was a participating member of the FSCS at 31 December 2007 and 2008. The bank has accrued £2 million for its share of levies that will be raised by the FSCS including the interest on the loan from HM Treasury in respect of the two levy years to 31 March 2010. The accrual includes estimates for the interest FSCS will pay on the loan and estimates of Investec's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

If the remaining available assets of the defaulting institutions are insufficient to allow the FSCS to repay the HM Treasury loan when due, the FSCS will agree a schedule of repayments of any remaining principal outstanding with HM Treasury, which will be recouped from the industry in the form of additional levies.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

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

Notes to the financial statements

23. Derivatives

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

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

At 31 March £'000	Notional principal amounts 2009	Positive fair value 2009	Negative fair value 2009	Notional principal amounts 2008	Positive fair value 2008	Negative fair value 2008
Foreign exchange derivatives						
Forward foreign exchange	2 744 765	67 052	(63 766)	2 826 707	36 143	(35 130)
Currency swaps	938 419	68 794	(27 703)	637 180	6 912	(25 907)
OTC options bought and sold	41 060	433	(265)	63 474	515	(69)
Other foreign exchange contracts	15 325	15 325	–	–	–	–
	3 739 569	151 604	(91 734)	3 527 361	43 570	(61 106)
Interest rate derivatives						
Caps and floors	236 325	87	(518)	525 588	98	(66)
Swaps	10 586 172	158 092	(101 942)	9 486 793	79 094	(34 927)
Forward rate agreements	200 000	37	(58)	–	–	–
OTC options bought and sold	1 702	27	(27)	–	–	–
Other interest rate contracts	12 153	2 224	–	–	–	–
OTC derivatives	11 036 352	160 467	(102 545)	10 012 381	79 192	(34 993)
Exchange traded futures	28 719 755	–	–	21 960 641	202	(92)
Exchange traded options	720 391 308	2 107	(3 384)	594 783 497	13 669	(14 730)
	760 147 415	162 574	(105 929)	626 756 519	93 063	(49 815)
Equity and stock index derivatives						
OTC options bought and sold	372 817	15 881	(39 097)	15 931	3 122	(1 125)
Equity swaps and forwards	1	165	(135)	76 770	717	(1 071)
OTC derivatives	372 818	16 046	(39 232)	92 701	3 839	(2 196)
Exchange traded futures	13	–	–	35 463	–	(535)
Exchange traded options	141 767	11 060	(22 402)	97 924	6 917	(6 758)
Warrants	–	201	–	35 224	8 821	–
	514 598	27 307	(61 634)	261 312	19 577	(9 489)
Commodity derivatives						
OTC options bought and sold	85 105	4 721	(18 037)	235 317	22 670	(5 804)
Commodity swaps and forwards	3 025 852	398 739	(443 638)	2 350 551	272 798	(157 554)
OTC derivatives	3 110 957	403 460	(461 675)	2 585 868	295 468	(163 358)
Exchange traded futures	2 079 213	291 199	(170 053)	1 521 634	158 796	(144 711)
Exchange traded options	37 200	9 110	–	280 957	21 285	(18 696)
	5 227 370	703 769	(631 728)	4 388 459	475 549	(326 765)
Credit derivatives						
Credit swaps bought and sold	83 456	26 237	(4 107)	79 835	8 645	(6 209)
	83 456	26 237	(4 107)	79 835	8 645	(6 209)
Embedded derivatives		54 759	–		35 212	–
Gross fair values		1 126 252	(895 132)		675 616	(453 384)
Effect of on balance sheet netting		(573 437)	573 437		(278 496)	278 496
Derivatives per balance sheet		552 815	(321 695)		397 120	(174 888)

At 31 March £'000	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged items	Current year gains or (losses) on hedged items
24. Hedges						
2009						
Assets	Interest rate swap	(23 695)	(23 718)	(19 204)	22 408	19 389
	Cross currency swap	(9 095)	(9 095)	(9 095)	9 095	9 095
Liabilities	Cross currency swap	9 878	14 177	11 620	(13 218)	(10 614)
	Interest rate swap	11 639	11 639	9 891	(11 832)	(10 026)
		(11 273)	(6 997)	(6 788)	6 453	7 844
2008						
Assets	Interest rate swap	(4 197)	(21 904)	(23 838)	21 571	22 819
Liabilities	Interest rate swap	2 300	(2 117)	1 231	2 052	(1 463)
	Cross currency swap	24 541	24 696	24 348	(24 696)	(24 348)
		22 644	675	1 741	(1 073)	(2 992)

Hedges of net investments in foreign operations

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

At 31 March £'000	Negative fair value of hedging instrument	Ineffective portion recognised in principal transaction
2009	7 033	–
2008	18 014	–

At 31 March £'000	2009 Highest balance during the year	2009 Balance at year end	2008 Highest balance during the year	2008 Balance at year end
25. Related party transactions				
Transactions, arrangements and agreements involving directors, key management and connected persons and companies controlled by them				
Loans	9 667	823	2 690	905

As at 31 March 2009 there were no amounts (2008: £nil) owing or owed between the bank and its associates.

Transactions with other related parties of the bank

As the bank is a 100% subsidiary undertaking, and consolidated financial statements for its ultimate parent, Investec plc, are publicly available, group transactions have not been disclosed pursuant to exemptions permitted in Financial Reporting Standard No 8.

26. Reclassifications

2009

During the year the bank reclassified certain financial instruments out of fair value through profit and loss. These assets were originally classified as held for trading but the bank's intentions in regard to these assets changed and the bank now intends to hold these assets for the foreseeable future or until maturity rather than to trade in the short term.

- On 30 January 2009 a portfolio of asset backed securities (£85.9 million) was reclassified to loans and receivables.
- On 31 March 2009 a portfolio of asset backed securities (£26.3 million) was reclassified to loans and receivables and a secured obligation (£7.8 million) held by the bank was reclassified to available for sale.

At the time of the transfers, the bank identified rare circumstances permitting such reclassification, being severe illiquidity in the relevant markets.

2008

During the prior year a portfolio of loans, that were previously carried at fair value, have been reclassified to be carried at amortised cost. The value of the loans at the date of reclassification was £598.4 million. The loans, which formed part of loans and advances, were previously classified as available for sale.

Management intention remains to hold these loans to maturity and therefore these have been reclassified to held to maturity financial instruments.

At 31 March £'000	2009	2008
27. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	169 392	133 594
Cash collateral on securities borrowed	83 855	217 022
	253 247	350 616
As part of the reverse repurchase and securities borrowing agreements, the bank has received securities that it is allowed to sell or pledge. £266 million (2008: £250 million) of securities has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	740 434	267 976
Cash collateral on securities lent	6 743	19 609
	747 177	287 585

28. Ultimate parent undertaking

The bank's immediate parent undertaking is Investec 1 Limited.

The bank's ultimate parent undertaking and controlling party is Investec plc, a company incorporated in the UK and registered in England and Wales, which is the smallest and largest company into which the bank is consolidated.

The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2V 7QP.

	Principal activity	Country of incorporation	Interest % 2009	Interest % 2008
29. Principal subsidiary and associated companies				
Direct subsidiaries undertakings of Investec Bank plc				
Guinness Mahon & Co Limited	Investment holding company	England and Wales	100	100
Investec Asset Finance PLC	Leasing	England and Wales	100	100
Investec Bank (Switzerland) AG	Banking Institution	Switzerland	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Limited	Investment holding company	England and Wales	100	100
Indirect subsidiaries of Investec Bank plc				
Experien Pty Limited	Financial services	Australia	100	100
Investec Bank (Australia) Limited	Banking institution	Australia	100	100
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust company	Guernsey	100	100
Investec Trust (Jersey) Limited	Trust company	Jersey	100	100
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100	100
Global Ethanol Holdings Limited	Holding company	Australia	44.4	44.4
Global Ethanol LLC	Production and marketing of Ethanol	USA	26.6	26.6
IdaTech LLC	Development of fuel cell technology	USA	73.1	73.1
All of the above subsidiary undertakings are included in the consolidated accounts.				
Principal associated undertaking of Investec Bank plc				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35	35

Company financial statements

Contact details

Australia, Brisbane

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

Australia, Melbourne

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

Australia, Sydney

Level 31 The Chifley Tower
2 Chifley Square
Phillip Street Sydney
NSW 2000 Australia
Telephone (61) 2 9293 2000
Facsimile (61) 2 9293 2002
e-mail australia@investec.com.au

Canada, Toronto

T66 Wellington Street West Suite 2701
PO Box 307 Toronto-Dominion Centre
Toronto Ontario M5K 1K2
PO Box 307 Toronto Ontario M5K 1K2
Telephone (1 416) 687 2400
Facsimile (1 416) 364 3434

Channel Islands, St Helier

5 Castle Street St Helier
Jersey
JE4 8UW Channel Islands
Telephone (44) 1534 512 512
Facsimile (44) 1534 512 513
e-mail enquiries@investectrust.com

Channel Islands, St Peter Port

La Vieille Cour St Peter Port
Guernsey
GY1 3LP Channel Islands
Telephone (44) 1481 711 500
Facsimile (44) 1481 741 147
e-mail enquiries@investec-ci.com

Hong Kong

Unit 4209 42/F The Gloucester Tower
The Landmark Central Hong Kong
Telephone (852) 3187 5000
Facsimile (852) 2524 3360
e-mail investec.asia@investecmail.com

Suites 2604-06 Tower 2 The Gateway
Harbour City Tsimshatsui Kowloon
Hong Kong
Telephone (852) 2861 6888
Facsimile (852) 2861 6861

Ireland, Dublin

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

Switzerland, Geneva

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

Switzerland, Zurich

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

Taiwan

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

United Kingdom, London

2 Gresham Street London
EC2V 7QP UK
Telephone (44 207) 597 4000
Facsimile (44 207) 597 4070

25 Basinghalll Street London
EC2V 5HA UK
Telephone (44 207) 597 2000
Facsimile (44 207) 597 1818

United Kingdom, Manchester

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

United Kingdom, Abingdon

Windrush Court Blacklands Way
Abingdon Oxon
OX14 1SY UK
Telephone (44 1235) 555 577
Facsimile (44 1235) 555 577
e-mail iaf@investec.co.uk

United States, New York

666 Fifth Avenue 15th Floor New York
NY 10103 USA
Telephone (212) 786 7589
Facsimile (917) 206 5102

Notes

Notes

Company financial statements

Notes

Company financial statements

Printed on

triple green

sixty percent sugar cane fibre. chlorine free. sustainable afforestation.