Out of the Ordinary®

Investec

Investec Limited Group and Company Annual Financial Statements 2009

Corporate information

Investec Limited

Secretary and Registered Office

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

Internet address

www.investec.com

Registration number

Investec Limited
Reg. No. 1925/002833/06

Auditors

Ernst & Young Inc.
KPMG Inc.

Investec directors

Refer to pages 92 to 95

Transfer Secretaries in South Africa

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

Investec offices - contact details

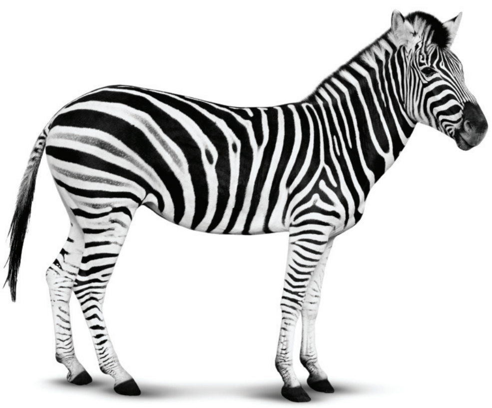
Refer to page 156

For queries regarding information in this document:

Investor Relations

Telephone (27 11) 286 7070
e-mail: investorrelations@investec.com
Internet address:
www.investec.com/en_za/#home/investor_relations.html

Contents



1 Investec in perspective

Overview of the Investec group

Who we are

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

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

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

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

What we do

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

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

Mission statement

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

Values

- Outstanding talent – 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

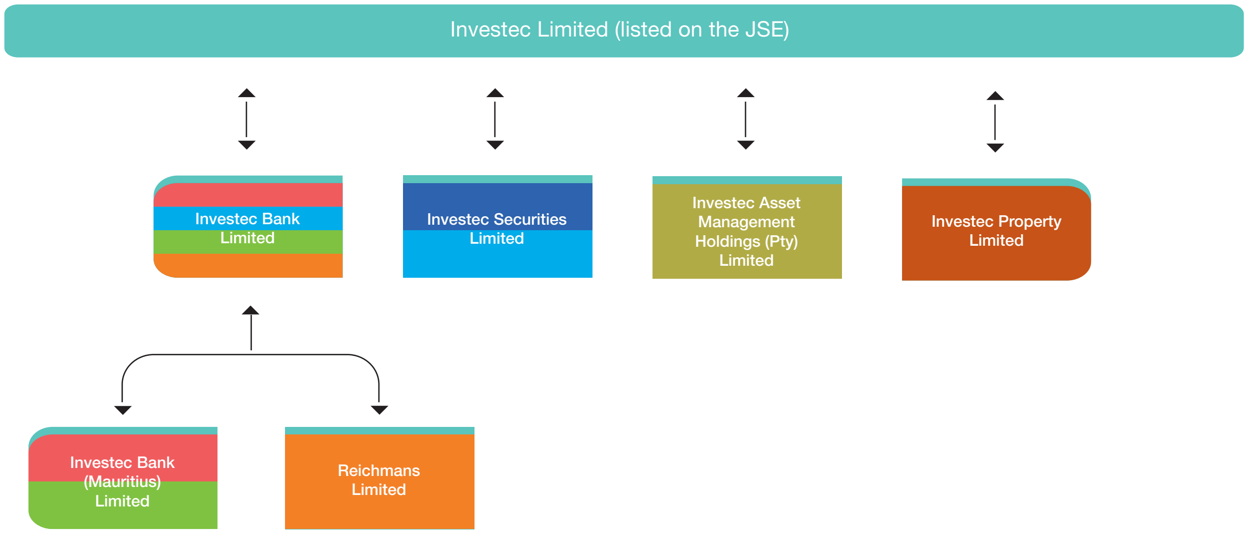
Philosophies

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

Investec Limited organisational structure

In terms of the implementation of the DLC structure Investec Limited is the controlling company of our businesses in Southern Africa which includes Mauritius. Investec Limited is listed on the JSE Limited South Africa.

As at 31 March 2009



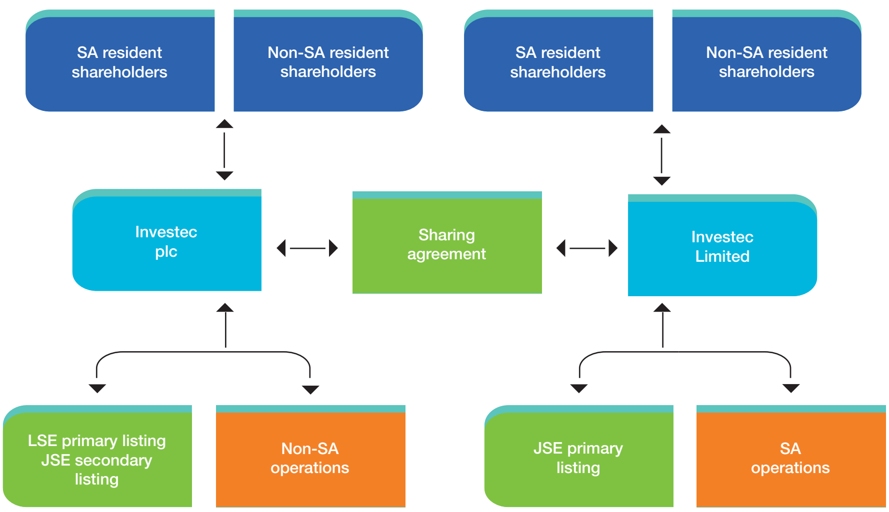
Key: activities conducted

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

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

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 Limited

2

Overview of the activities of Investec Limited

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

1. Investec Bank Limited

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

Private Banking

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

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

We are the ideal partner for those who require more than traditional banking services. The philosophy of 'out thinking' rather than 'out muscling' underpins all that we do. This means aspiring to be not only better, but more importantly different. We position ourselves as the 'investment bank for private clients', offering both credit and investment services to our select clientele.

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

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

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

Banking

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

Structured Property Finance

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

Growth and Acquisition Finance

We work with entrepreneurs, management teams and private equity houses to implement acquisition and growth strategies for mid-market and privately owned businesses. Our practitioners work with clients on a long-term basis, creating and realising shareholder value. Using preferred equity, mezzanine debt, integrated finance and/or asset-based lending, we meet the needs of our client base.

Specialised Lending

Our Specialised Lending offering provides structured finance facilities to financially sophisticated individuals and includes margin lending and financing of non-standard assets.

Wealth Management and Advisory

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

Overview of the activities of Investec Limited

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

Trust and Fiduciary

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

Capital Markets

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

We focus on the following activities:

Asset and liability management

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

Corporate Treasury

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

Financial Products

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

Structured and Asset Finance

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

Project and Infrastructure Finance

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

Commodities and Resource Finance

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

Interest Rate Trading

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

Foreign Exchange Trading

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

Overview of the activities of Investec Limited

Equity Derivatives Trading

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

Investment Banking

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

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

Corporate Finance

We focus on the development of our domestic financial advisory business, in particular regarding black economic empowerment transactions, mergers and acquisitions, divestitures, restructurings and the provision of innovative and creative deal structures and advice.

Direct Investments

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

Private Equity

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

Group Services and Other Activities

Central Services

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

Our principal Central Services, relating to the operations and control of our business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisation Development. Other group support services include: Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information and Business Intelligence Centre, Regulatory and Facilities. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

Central Funding

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

Other Activities

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

International Trade Finance

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

2. Investec Asset Management

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

We have grown significantly since inception in 1991 in South Africa with R225 million of assets under management. Today, we are one of the largest managers of third party assets in Southern Africa, managing funds on behalf of individuals, retirement funds, insurance companies, government bodies, universities, corporations and other institutions. We are a multi-specialist investment manager and a market leader in specialist equity, fixed interest, balanced and absolute return funds. As at 31 March 2009, South African funds under management amounted to R213.5 billion.

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

3. Investec Securities Limited

Private Client Portfolio Management and Stockbroking

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

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

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

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

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

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

As at 31 March 2009, assets under management amounted to R85 billion.

Institutional Research, Sales and Trading

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

4. Investec Property Group

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

Note:
With effect from October 2007, the South African fund management and services businesses were sold to Growthpoint Properties Limited ("Growthpoint").

Financial review 3

Snapshot of the year and strategic focus

Overview

- Investec Limited recorded another resilient performance.
- Operating profit 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.

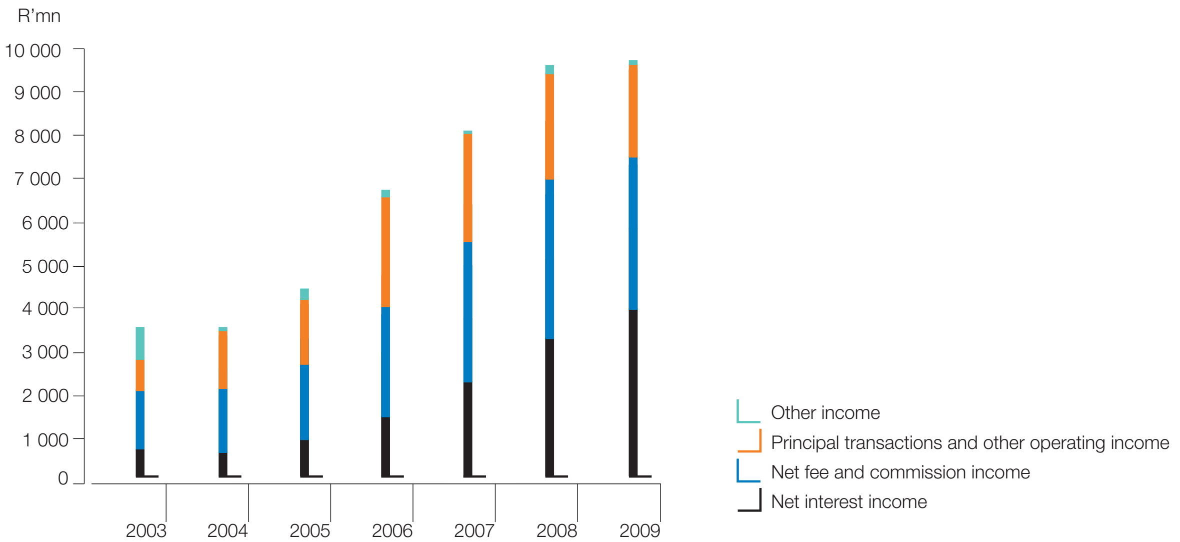
Financial highlights

	31 March 2009	31 March 2008	% change
Operating profit before taxation and headline adjustments (R'million)	4 096	4 413	(7.2%)
Headline earnings attributable to ordinary shareholders (R'million)	2 578	2 285	12.8%
Cost to income ratio	49.9%	49.4%	-
Total capital resources (including subordinated liabilities) (R'million)	21 260	19 271	10.3%
Total equity (R'million)	16 169	14 561	11.0%
Total assets (R'million)	246 225	245 990	0.1%
Net core loans and advances (R'million)	120 444	103 592	16.3%
Customer accounts (deposits) (R'million)	126 870	115 480	9.9%
Capital adequacy ratio	14.2%	13.9%	-
Tier 1 ratio	10.8%	10.0%	-

Financial review

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

Total operating income



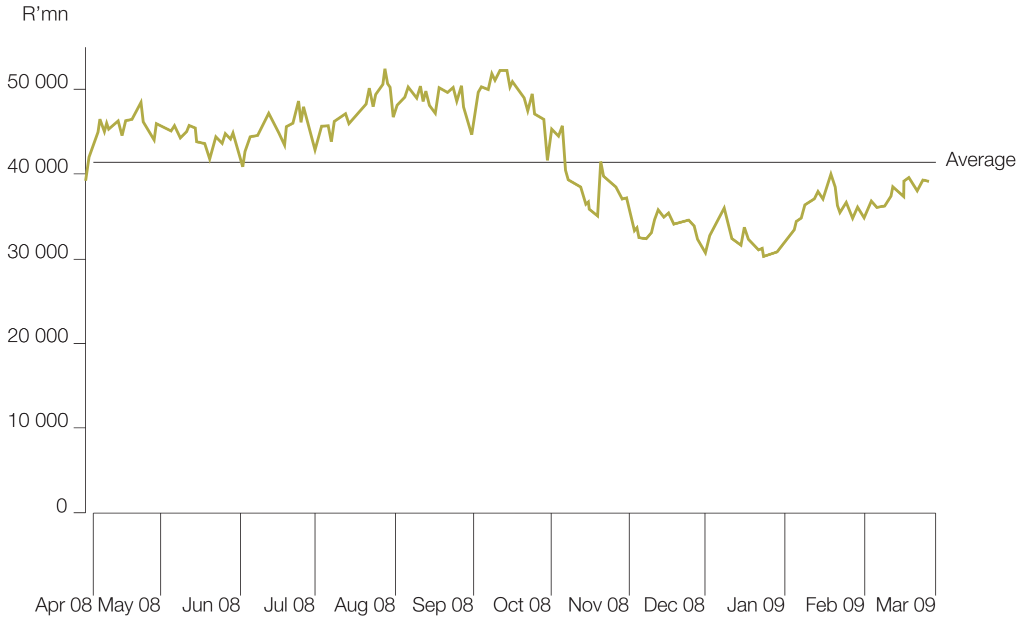
51%	52%	51%	48%	55%	62%	66%	Recurring income as a % of total income

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
- Active campaigns to build our retail deposit franchise.
- The Private Bank has trebled its deposit book in the last three years from R12 billion to R41 billion as at 31 March 2009.
- We have been successful in increasing customer deposits and in securing medium term syndicated loans due to our long standing counterparty relationships.

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.
- We have made good progress in achieving these targets and intend on meeting these targets by the end of calendar year 2010.
- As at 31 March 2009, the capital adequacy ratio of Investec Limited was 14.2% and the tier 1 ratio was 10.8%.

Snapshot of the year and strategic focus

Balance sheet strength… low leverage ratios

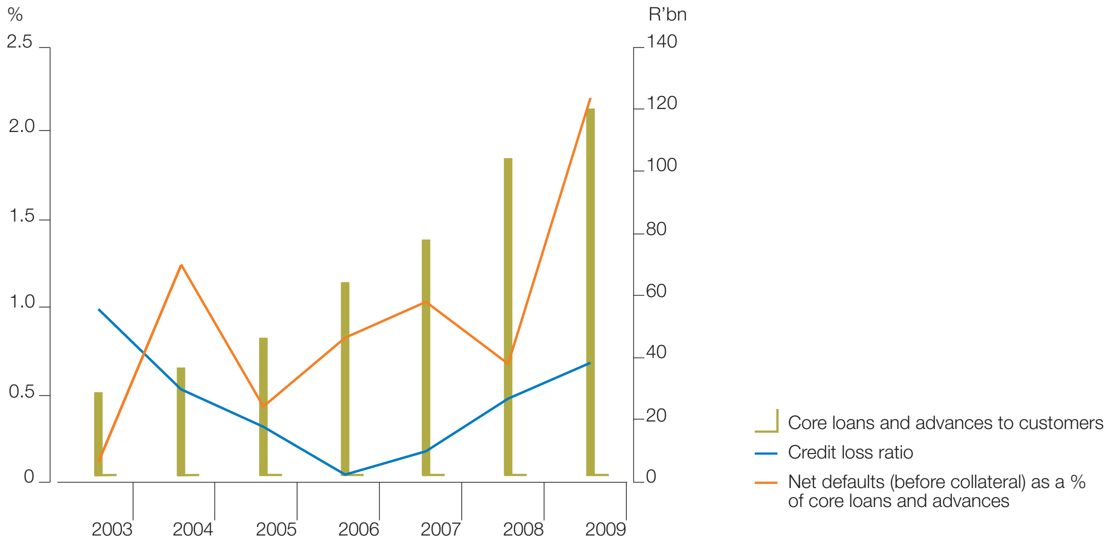
	31 March 2009	31 March 2008
Core loans to equity ratio	7.4x	7.1x
Core loans (excluding own originated assets which have been securitised) to customer deposits	0.9x	0.8x
Total gearing (total assets to equity)	12.4x	12.8x
Total gearing (assets excluding securitised assets to equity)	12.2x	12.5x

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.

Financial review

Defaults and core loans



Medium-term strategy continues

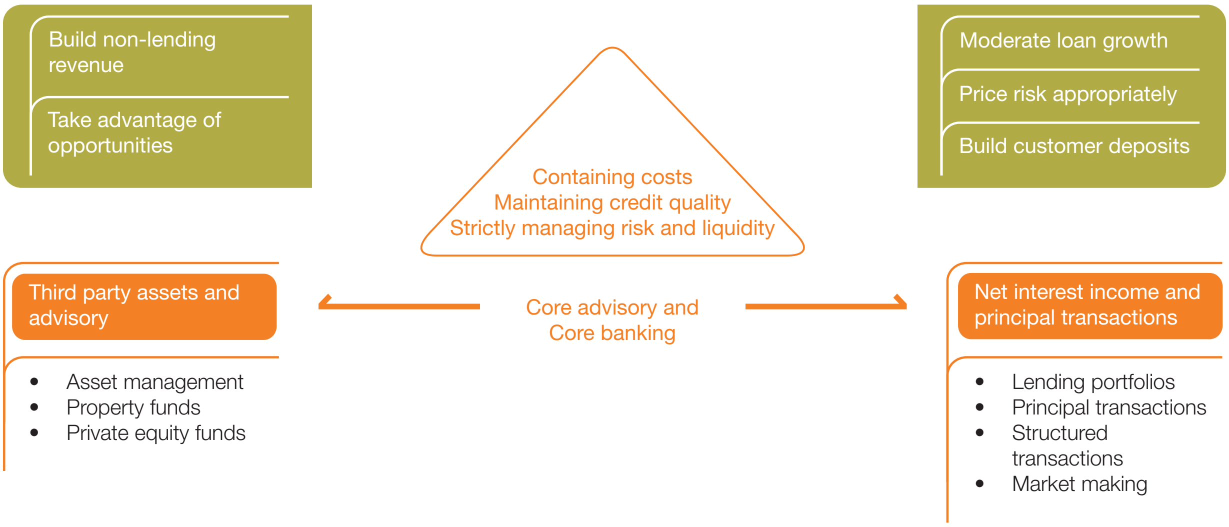
- We are a niched and focused specialist banking group constantly striving to be distinctive.
- We continue to focus on:
  – Moderating loan growth, shifting emphasis to increasing the proportion of non-lending revenue base
  – Maintaining credit quality
  – Strictly managing risk and liquidity
  – Creating 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… cost to income ratio same as the prior year

- Total headcount is being tightly managed.
- Expense growth (excluding variable remuneration) is targeted below the rate of inflation.
- 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 Limited 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.

Introduction

Investec Limited increased headline earnings attributable to ordinary shareholders by 12.8% from R2 285 million to R2 578 million. Our strategy of maintaining a balanced business model continues to support the operating fundamentals of the group. We have benefited from the strong performance by the majority of our businesses.

Segmental information

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Manage-ment	Property Activities	Group Services and Other Activities	Total
2009							
Net operating income before headline adjustments	2 471	1 961	1 527	1 523	471	994	8 947
Operating expenses	(1 758)	(1 053)	(582)	(794)	(160)	(504)	(4 851)
Operating profit before taxation and headline adjustments	**713**	**908**	**945**	**729**	**311**	**490**	**4 096**
Headline adjustments	-	-	-	(31)	-	10	(21)
Operating profit before taxation	**713**	**908**	**945**	**698**	**311**	**500**	**4 075**
Cost to income ratio (%)	64.2	45.5	36.8	52.1	34.0	46.4	49.9
2008							
Net operating income before headline adjustments	2 734	1 876	1 436	1 623	759	720	9 148
Operating expenses	(1 696)	(905)	(504)	(878)	(252)	(500)	(4 735)
Operating profit before taxation and headline adjustments	**1 038**	**971**	**932**	**745**	**507**	**220**	**4 413**
Headline adjustments	-	-	-	(45)	998	3	956
Operating profit before taxation	**1 038**	**971**	**932**	**700**	**1 505**	**223**	**5 369**
Cost to income ratio (%)	58.8	42.2	34.6	54.1	33.2	69.3	49.4

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

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

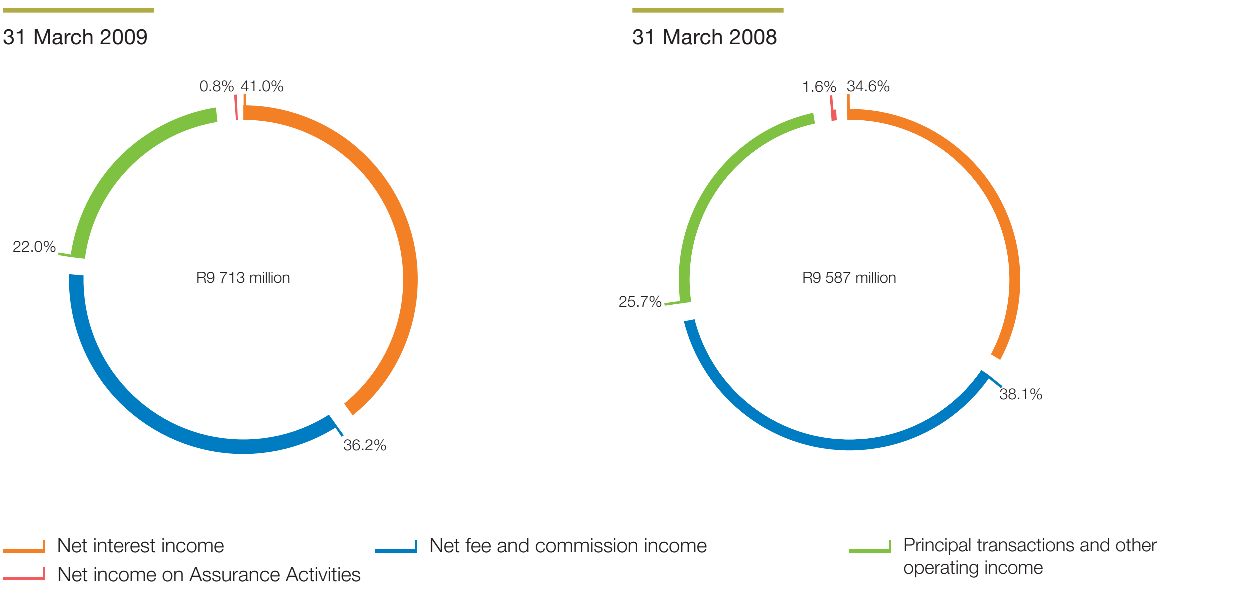
Total operating income before impairment losses on loans and advances of R9 713 million is 1.3% higher than the prior year. The various components of total operating income are analysed below.

R'million	31 March 2009	% of total income	31 March 2008	% of total income	% change
Net interest income	3 978	41.0%	3 319	34.6%	19.9%
Other income	5 735	59.0%	6 268	65.4%	(8.5%)
Net fee and commission income	3 515	36.2%	3 659	38.1%	(3.9%)
Principal transactions	2 249	23.1%	2 402	25.1%	(6.4%)
Operating loss from associates	(1)	–	(1)	–	–
Net income on Assurance Activities	75	0.8%	153	1.6%	(51.0%)
Other operating (loss)/income	(103)	(1.1%)	55	0.6%	(>100.0%)
Total operating income before impairment losses on loans and advances	9 713	100.0%	9 587	100.0%	1.3%

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

R'million	31 March 2009	% of total income	31 March 2008	% of total income	% change
Private Client Activities	2 737	28.2%	2 883	30.1%	(5.1%)
Capital Markets	2 315	23.8%	2 144	22.4%	8.0%
Investment Banking	1 581	16.3%	1 456	15.2%	8.6%
Asset Management	1 523	15.7%	1 623	16.9%	(6.2%)
Property Activities	471	4.8%	759	7.9%	(37.9%)
Group Services and Other Activities	1 086	11.2%	722	7.5%	50.4%
Total operating income before impairment losses on loans and advances	9 713	100.0%	9 587	100.0%	1.3%

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



Financial review

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

Net interest income

Net interest income increased by 19.9% to R3 978 million (2008: R3 319 million) as a result of growth in average advances and a solid performance from the Central Funding division.

Net fee and commission income

Net fee and commission income decreased by 3.9% to R3 515 million (2008: R3 659 million). Transactional activity and asset levels have been impacted by the economic environment. However, the group benefited from a solid performance from the Capital Markets advisory and structuring businesses.

Principal transactions

Income from principal transactions decreased by 6.4% to R2 249 million (2008: R2 402 million) mainly as a result of reduced profit from revaluations and realisations in the current year. The Capital Markets trading businesses and our Private Equity portfolio continued to perform well.

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 R439 million to R766 million. The credit loss charge as a percentage of average gross core loans and advances has increased from 0.5%% to 0.7% 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 0.7% to 2.2% since 31 March 2008. Further information on our asset quality is provided on pages 45 to 47.

Total expenses

The ratio of total operating expenses to total operating income is in line with the prior year at 49.9%.

Total expenses increased by 2.4% to R4 851 million (2008: R4 735 million) largely as a result of an increase in average headcount and associated costs in certain of the businesses. Total headcount is being tightly managed and expense growth (excluding variable remuneration) is targeted below the inflation rate. Investec Limited has also introduced a non-cash deferred component to variable remuneration payments. The various components of total expenses are analysed below.

R'million	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Staff costs (including directors' remuneration)	3 097	63.8%	3 240	68.4%	(4.4%)
Business expenses	723	14.9%	652	13.8%	10.9%
Equipment (excluding depreciation)	434	8.9%	339	7.2%	28.0%
Premises (excluding depreciation)	313	6.5%	258	5.4%	21.3%
Marketing expenses	195	4.0%	159	3.4%	22.6%
Depreciation	89	1.9%	87	1.8%	2.3%
Total expenses	4 851	100.0%	4 735	100.0%	2.4%

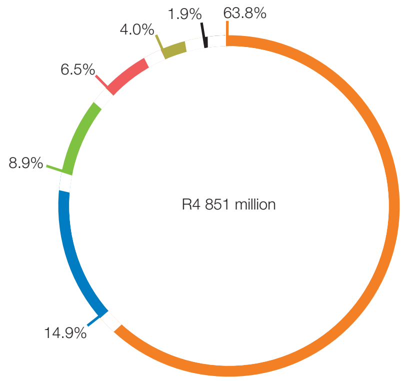
The following table sets out certain information on total expenses by division for the year under review.

R'million	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Private Banking	1 758	36.2%	1 696	35.8%	3.7%
Capital Markets	1 053	21.7%	905	19.1%	16.4%
Investment Banking	582	12.0%	504	10.6%	15.5%
Asset Management	794	16.4%	878	18.6%	(9.6%)
Property Activities	160	3.3%	252	5.3%	(36.5%)
Group Services and Other Activities	504	10.4%	500	10.6%	0.8%
Total expenses	4 851	100.0%	4 735	100.0%	2.4%

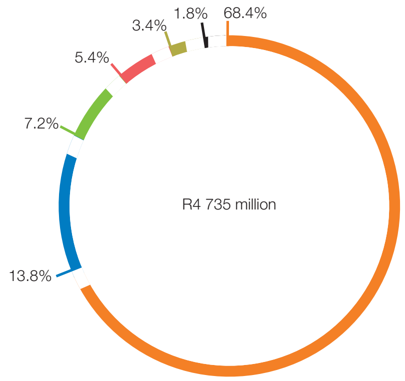
Commentary on the results of Investec Limited for the year ended 31 March 2009

% of total expenses

31 March 2009



31 March 2008



Staff costs
Premises
Business expenses
Marketing
Equipment
Depreciation

Balance sheet analysis

Since 31 March 2008:

- Total shareholders' equity (including minority interests) increased by 11.0% to R16.2 billion largely as a result of retained earnings.
- Total assets remain in line with the prior year at R246.2 billion.

Business unit review

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

Private Client Activities

Overview of performance

Private Client Activities, comprising Private Banking and Private Client Portfolio Management and Stockbroking posted an operating profit of R713 million (2008: R1 038 million), a decrease of 31.3%.

The Private Bank recorded a decrease in operating profit of 35.0% to R533 million (2008: R821 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 as a result of the weaker credit environment.

Key earnings drivers:

- Core loans and advances increased by 14.3% to R84.0 billion since 31 March 2008.
- The deposit book increased by 13.1% to R40.6 billion since 31 March 2008.
- Funds under advice decreased by 15.1% to R21.9 billion since 31 March 2008.

Private Client Portfolio Management and Stockbroking was negatively impacted by lower market volumes and reported an operating profit of R180 million (2008: R217 million), a decrease of 17.5%.

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

Private Banking

Developments

- Trading conditions deteriorated during the second half of the year.
- Customer deposits showed a net outflow in the second and third quarters 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 positive ever since.
- Money markets were tight throughout the period, making funding through securitisation vehicles more difficult than in the past.
- Assets under management were under pressure as a result of market conditions, as well as the performance of certain special opportunities. This specialisation did however attract R2.7 billion of new money over the period.
- The Structured Property Finance specialisation is experiencing lower activity levels, particularly in the residential development space. The commercial property market is showing resilience despite current market conditions.
- In the Growth and Acquisition specialisation activity levels have remained strong throughout the year. Exits have, however, been delayed due to the economic environment and some write-downs have been taken on equity stakes and profit shares held.
- The loan portfolio in the Banking business performed well albeit in more difficult economic conditions. This serves to illustrate the sound credit quality of our client base. The private bank account business did, however, suffer from reduced point of sale income as private client spending was lower.
- The Insurance business was sold to Santam Ltd with effect from 1 December 2008. This had an immaterial impact on overall profits.

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 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 for the forthcoming period.
- The business will continue to seek out opportunistic transactions resulting from the fallout in the broader market.

Private Client Portfolio Management and Stockbroking

Developments

- Funds under management decreased by 24.6% from R112.7 billion to R85 billion.

Outlook

- JSE market volumes are expected to decline year-on-year as record investment activity in recent times, which was largely credit induced, starts slowing down in line with a maturing recessionary cycle.
- Ongoing deterioration in international economies and the consequent effects on corporate profits should add to investor disaffection towards equities notwithstanding good, long-term value currently presented in certain parts of the market. Similarly speculative trading activity is expected to decrease as volatility subsides and share price inefficiencies gradually diminish, thereby reducing prospective short-term returns.
- We are reasonably confident that current and future business strategies which focus on alternative commission and brokerage revenue, together with the large annuity fee income stream earned from discretionary assets under management, should help offset reductions in traditional share trading and other non-discretionary brokerage income. Furthermore, our conservative risk management policies in prior years leaves us relatively unexposed to the direct effects of the credit market collapse particularly where this relates to trading activity in leveraged derivative instruments (Single Stock Futures and CFDs) and client carry accounts.
- We continue to focus on disciplined cost management and are optimistic that expenses can be controlled without detracting from client service quality levels and the high calibre staff resources that we employ.
- We are confident that our business strategies and various specialised services are suited to the current environment and that our solid position will allow us to capitalise on any distressed opportunities within the industry.

Capital Markets

Overview of performance

Capital Markets posted a decrease in operating profit of 6.5% to R908 million (2008: R971 million). The division benefited from a good performance from its advisory, treasury and trading activities, as well as higher average advances. The division's results were, however, negatively impacted by losses incurred on listed and unlisted investments. Core loans and advances increased by 21.2% to R32.5 billion.

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

Developments

- Deal activity in our lending areas has been good during the year. This has been the case in most of the specialist asset classes and with increases experienced in average margins.
- The division has seen a marginal increase in impairments compared to the prior year.
- The division continues to hold a number of equity related positions associated with our lending activities, the revaluation of our positions has negatively impacted on our results for the year.
- Profitability on the Foreign Exchange and Interest Rate trading desks has been excellent with historic levels of volatility offering good trading and client flow opportunities. Customer deal flow in Equity Derivatives was reduced during the year as a result of severe market volatility and a declining equity market.
- The Foreign Exchange trading desk has captured significant market share in the listed currency futures market.
- Debt Capital Markets concluded three successful securitisations during the year although the outlook for this area of business is negative.

Outlook

- The impact of the global recession is now starting to be felt in South Africa. We are generally well positioned in this market with a reasonably robust credit portfolio. Conditions and volumes remain good for the trading businesses. The effects of the recession may lead to reduced activity in the structuring and lending businesses.
- 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.
- We will continue to strive for depth and greater penetration.
- 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.
- 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.

Investment Banking

Overview of performance

The Investment Banking division recorded a 1.4% increase in operating profit to R945 million (2008: R932 million). The performance of the Corporate Finance division was negatively impacted as a result of fewer transactions completed compared to the prior year and the Institutional Stockbroking business was impacted by difficult market conditions. The investments held within the Direct Investment and Private Equity portfolios performed well.

Developments

Corporate Finance

- We maintained our strong positioning with a lower level of activity.
- Our main focus was on M&A, restructuring and black economic empowerment transactions.
- We retained all our major clients and gained several new mandates during the period.
- The total value of Corporate Finance transactions decreased to R23.4 billion (2008: R113 billion) during the period and the number of transactions decreased to 60 (2008:109).
- Sponsor broker deals completed during the period decreased to 96 (2008:165) with the value also decreasing to R51 billion (2008:R149 billion).
- The Corporate Finance division was ranked first in volume of listed M&A transactions and second in general corporate finance by volume in Dealmakers Magazine Survey for Corporate Finance (2008 calendar year). This is the fifth year out of six that we have been awarded the M&A Gold Medal.
- The Sponsor division was ranked first in volume of M&A transactions and in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2008 calendar year). This is the sixth year running that we have won this M&A award.
- The Corporate Finance and Sponsor divisions were also both ranked first in volume of M&A transactions in the Ernst & Young review for M&A (2008 calendar year).

Institutional Research, Sales and Trading

- A decline in income from our core equity broking operation was cushioned by a strong performance from the prime broking business.
- The remaining gaps in our research team have been filled and we are well on track to meet our coverage objective.
- The prime broking operation signed up a number of new clients over the period and initiated a system upgrade, further entrenching itself as one of the leading players in the industry.
- Activity through the electronic execution platform recorded healthy growth and a number of new and updated algorithms were released to our client base.

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

Direct Investments and Private Equity (Principal Investments)

- The Direct Investments portfolio increased to R1 816 million at 31 March 2009 (March 2008: R1 051 million). The increase in value was driven by a good performance from the underlying investments and a few selective new investments.
- The Private Equity portfolio was R2 525 million at 31 March 2009 (March 2008: R1 976 million). We continued to expand the capacity of our private equity investments through bolt-on acquisitions and capital expenditure. During the year under review we have had significant realisation through dividends and a few disposals.

Outlook

- The outlook for the Institutional Stockbroking business remains challenging with the sharp decline in the value of trading activity experienced on the JSE unlikely to reverse in the near term. Nevertheless, our continued investment in the business, broad revenue base, market share gains and tight cost control, position us well for the next economic upswing.
- Black economic empowerment, restructuring and M&A transactions are expected to continue to drive activity at a reasonable level.
- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and the building of black economic empowerment platforms.
- The majority of the companies in our Private Equity portfolio are trading in line with expectations in very difficult market conditions and the overall outlook remains positive.

Asset Management

Overview of performance

Asset Management posted an operating profit of R729 million (2008: R745 million). Investment performance remained good and as a result performance fee revenue increased significantly. Funds under management decreased by 11.5% to R213.5 billion.

Developments

- We continue to develop our portfolio of investment capabilities.
- With our breadth of investment products and good performance across the range, we are receiving good traction:
  - 77% by value and 71% by number of our mutual funds are in the first or second quartile
  - 100% of institutional propositions outperformed their benchmarks since GIPS inception

Outlook

- Key risks for our business include market levels, key staff retention and reputational risk.
- We have good sales opportunities based on our breadth of range of investment products and our wide distribution footprint.

Property Activities

Overview of performance

The group disposed of its property fund management and property administration business to Growthpoint in the prior period. The Property division generated an operating profit of R311 million (2008: R507 million). The results of the division were supported by fees earned on projects completed in the current year and a satisfactory performance from the investment property portfolio.

Developments

- A slow down in global economic activity has hampered initiatives for new development. However, the business is underpinned by a good quality pipeline and the Property Investments business which provides annuity income.
- Notwithstanding the negative outlook for property in the short term, prospects remain positive with numerous projects underway and opportunities to convert and refurbish existing holdings.
- The ability to fund new grassroots developments is extremely expensive with anticipated yields hindering progress.
- The global property products under development are expected to provide a broader range of investment products for local investors, e.g. UK Special Opportunities Property Fund and investing into UK REITs.
- Total funds under management are R846 million (2008: R1 176 million).

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

Outlook

- Property, like all the other sectors in the economy, is susceptible to weakness when the economy experiences a slow down as the underlying tenants become vulnerable to the vagaries of the economy.
- New developments have been hampered as there has been a reduction in tenant demand, and many current opportunities are not able to achieve the required rental levels that would give an acceptable return. Current sellers of vacant land have not adjusted their pricing to reflect the current downturn in the market.
- Opportunities to enhance value to existing portfolios remain positive.
- The volatility in global markets has resulted in a sharp sell-off in South African property equities. Markets are expected to start reflecting value which creates opportunities on the back of weakening prices.

Group Services and Other Activities

Overview of performance

Group Services and Other Activities posted a significant increase in operating profit to R490 million (2008: R220 million), benefiting from increased cash holdings and higher average interest rates.

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 80) with further disclosures provided within the financial statements section (pages 104 to 155). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

The group recognises that an effective risk management function is fundamental to its business. Taking international best practice into account, our comprehensive risk management process involves identifying, understanding and managing the risks associated with each of our businesses.

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

Group Risk Management (part of Group Services) independently monitors, manages and reports on our risk as mandated by the board of directors through the Board Risk and Capital Committee. Business units are ultimately responsible for managing risks that arise.

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

Group Risk Management's objectives

Group Risk Management's objectives are to:

- Be the custodian of our risk management culture
- To 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 boards 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 0.7% of core loans and advances, in line with our expectations.
- Limited exposure to rated and unrated structured credit investments; representing less than 0.1% of total assets.
- A low leverage ratio of approximately 12 times.
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with "level 3" assets amounting to 0.2% of total assets.
- Low equity (investment) risk exposure; with total investments comprising less than 5% 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 0.5% of total operating income.
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately R41 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, 38, 58, 66 and 70).

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 53
• Liquidity risk may impair our ability to fund our operations.	See pages 59 to 66
• Our net interest earnings and net asset value may be adversely affected by interest rate risk.	See pages 59 to 66
• Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways.	See pages 54 to 59
• We may be unable to recruit, retain and motivate key personnel.	See Our Business Responsibility website
• Employee misconduct could cause harm that is difficult to detect.	See pages 66 to 70
• Operational risk may disrupt our business or result in regulatory action.	See pages 66 to 70
• We may be vulnerable to the failure of our systems and breaches of our security systems.	See pages 66 to 70
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required.	See pages 71 to 78
• The financial services industry in which we operate is intensely competitive.	See pages 8 to 25
• Legal and regulatory risks are substantial in our businesses.	See page 71
• Reputational, strategic and business risk.	See page 71

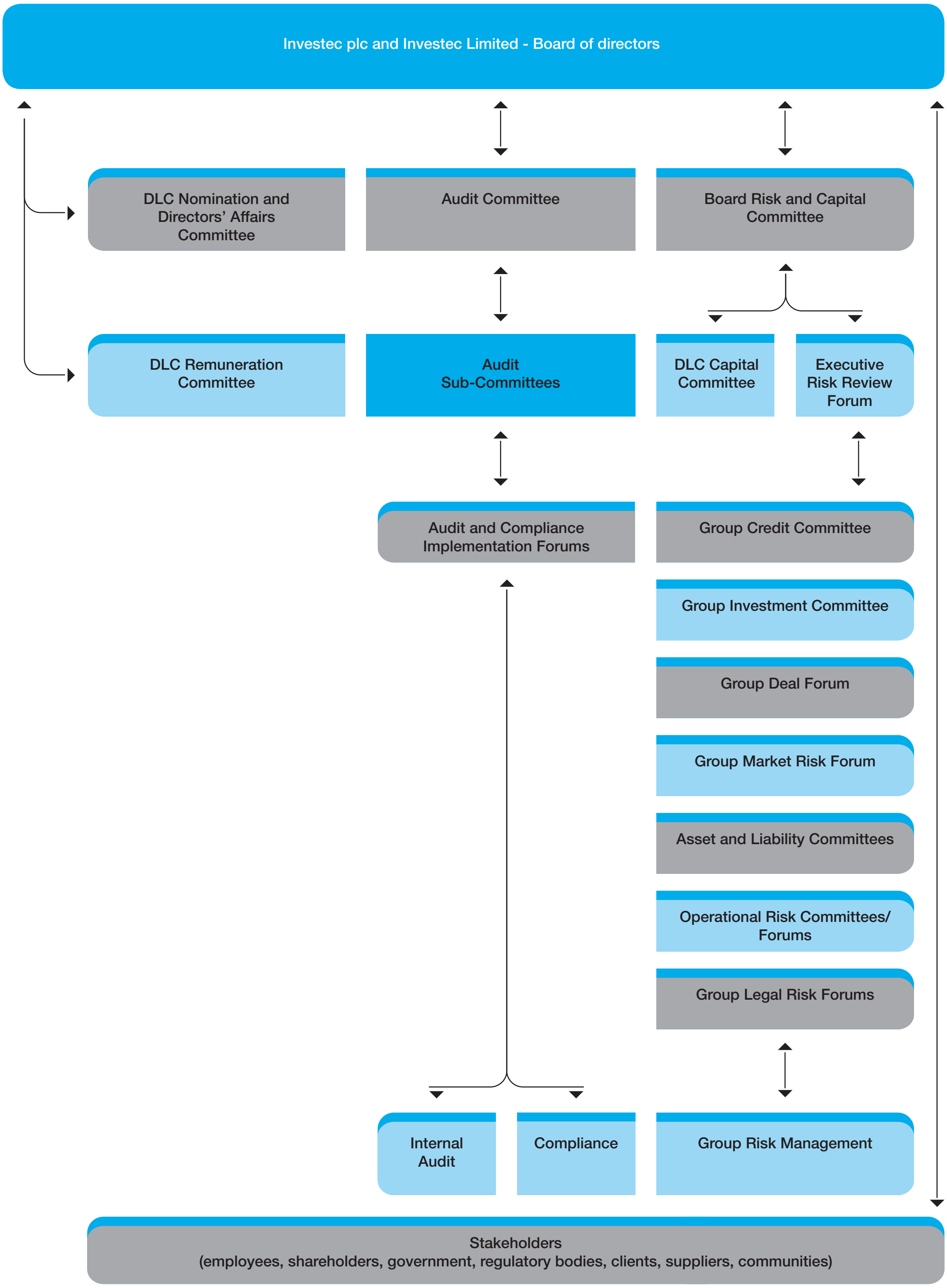
Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also impair our business operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risk factors.

Note:
In the sections that follow the following abbreviations are used on numerous occasions:
BRCC – Board Risk and Capital Committee
ERRF – Executive Risk Review Forum
SARB – South African Reserve Bank

Risk management

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level. 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.



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
JSE all share	20 364	29 588	24 734
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			
Rand/Pounds Sterling	13.58	16.17	14.83
Rand/Dollar	9.51	8.09	8.80
US Dollar/Euro	1.33	1.58	1.42
Euro/Pounds Sterling	1.08	1.25	1.20
Australian Dollar/Pounds Sterling	2.07	2.18	2.19
US Dollar/Pounds Sterling	1.43	1.99	1.72
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%	4.63%
SA R153 (2010)	6.88%	9.71%	9.18%
SA R157 (2015)	8.18%	9.22%	8.87%
Rand overnight	9.16%	10.60%	11.28%
SA prime overdraft rate	13.00%	14.50%	15.06%
JIBAR – 3 month	8.80%	11.38%	11.63%
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			
South Africa GDP (% real growth over the calendar year)	3.10%	5.10%	n/c
South Africa per capita GDP (real value) (R)	25 897	25 499	

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

Securitisation/principal finance activities and exposures

In South Africa, our securitisation business, which forms part of our Structured Finance unit, was established approximately eight years ago when the debt capital markets commenced development. Over this time, we have arranged a number of corporate bond and commercial paper programmes and third party securitisations.

We have also assisted in the development of select securitisation platforms with external third party originating intermediaries. At present we have provided limited warehouse funding lines to these intermediaries.

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1; Series 1 Tranche 2; Series 2; and Series 3). These facilities, which totalled R3.9 billion as at 31 March 2009, have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis. The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also, securitised assets we have originated in our Private Banking business in South Africa. The primary motivations for the securitisation of assets within our Private Banking division are to:
- Provide an alternative source of funding.
- Provide a source of revenue.
- Act as a mechanism to transfer risk.
- Leverage returns through the retention of equity tranches in low default rate portfolios.

Total assets that have been originated and securitised by the Private Bank amount to R9.3 billion (2008: R9.2 billion) and include auto loans (R0.9 billion), residential mortgages (R6.9 billion) and commercial mortgages (R1.5 billion).These securitisation structures have all been rated by Moody's.

Accounting treatment Audited

Refer to page 140.

Credit analysis

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

Nature of exposure/activity	Exposure as at 31 March 2009 - R'mn	Exposure as at 31 March 2008 - R'mn	Credit analysis internal risk classification	Asset quality - relevant comments	Capital treatment
Unrated structured credit investments	644	205	On-balance sheet securitisation/principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Net exposure (after impairments) to warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	1 059	383	On-balance sheet securitisation/principal finance.	During the year we created a specific impairment of approximately R40 million largely against the net investments within these platforms.	Risk-weighted depending on rating of counterparty
Private Banking division assets	9 309	9 179	On-balance sheet exposure - reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes.	Analysed as part of the bank's overall asset quality on core loans and advances as reflected on page 44.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
Liquidity facilities provided to third party corporate securitisation vehicles	3 968	4 834	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.		Unutilised facility that is risk-weighted.

Credit 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 structures assist in managing, measuring and monitoring credit and counterparty risk:

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

Whilst we do not have a separate country risk forum, 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

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 53 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 32 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. 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 bank's 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 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 South Africa

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

Private Banking

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

A large portion of the lending portfolio is supported by residential and commercial property collateral. Exposure to commercial and retail properties was originally approved at conservative loan to value ratios. Income producing assets are generally substantially let with good quality anchor tenants. Collateral exposure to the South African property market is regionally diversified (primarily Pretoria, Johannesburg, Cape Town, Durban and Port Elizabeth). Serviceability of a loan advanced against property (and not only asset value) and quality of the client are primary considerations in the credit assessment process.

The combination of low probability of default clients (due to our niche focus) and appropriate loan to value ratios results in a low level of expected loss which has been borne out by historical experience of actual losses. The global financial crisis impacted negatively on defaults and impairments across the residential and commercial property portfolios in the fourth quarter of 2008 and first quarter of 2009. These defaults are mainly made up of a relatively small number of clients.

Capital Markets

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

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

The Resource Finance business may be exposed to countries presenting complex legal and political risks. Political risk insurance is taken to ensure political risks are well managed. There is also strong adherence to prudent country risk limits to manage concentration risk on an ongoing basis. Most of the Resource Finance business activities form part of the corporate asset class (as defined by Basel II), since recourse in the event of default will be to the total assets of the corporate and not merely the resources being financed.

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

Reichmans Capital

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

Credit and counterparty risk in Mauritius

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

Asset quality analysis - credit risk classification and provisioning policy Audited

It is a policy requirement that each operating division overseen by Central Credit Management makes provision for specific impairments and calculates the appropriate level of portfolio impairments. 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 in the table reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 45). 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.

Risk management

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	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; or • 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.

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 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. 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 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 53.

Credit and counterparty risk year in review

The past financial year has seen a number of trends and factors impacting on the credit quality and assessment of credit and counterparty risk:
- The global financial crisis had a negative impact on the domestic economic cycle, especially in the fourth quarter of 2008 and first quarter of 2009.
- Liquidity constraints and general tightening in liquidity across the industry.
- Conservative lending approach from the banking sector and the effects of repricing.
- A high interest rate environment with consumers reducing discretionary spending.
- High inflation numbers which delayed the central bank in reducing the repurchase rate.
- High levels of rand volatility against major trading currencies (Euro, US Dollar and Pounds Sterling).
- Market volatility with the main exchange (JSE) reflecting a reduction of 31.1% on a year on year basis.
- Collapse in commodity prices and continued volatility.
- Low or negative growth in the residential and commercial property markets.

The South African property market has been under pressure for the year in review. We are conscious of the effect of the slowdown of growth in the property market (both global and local) and the slowing economic cycle that have put pressure on our property portfolios. The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values. Over the past few years as property values increased, many clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values.

As at 31 March 2009 the average loan to value ratio within the property development portfolio stood at 52% based on net sell out values.

An increase in client flow, together with greater hedging activity (due to higher levels of volatility), has resulted in increased profitability and exposure in the Treasury Foreign Exchange business.

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

Loans and advances secured by share portfolios (including BEE transactions) are monitored frequently due to market volatility. Most of these counterparties remain within credit approved loan to value or cover ratios and are performing on current debt obligations.

For assets written during the current year there has been strict adherence to lower loan to value lending and increased pricing requirements.

Credit quality on gross core loans and advances deteriorated throughout the year under review (notably from September 2008), with the majority of impairments raised in the Private Bank division, distributed between the residential and commercial property portfolios which are made up of a relatively small number of clients.

Investec Capital Markets reported 3 material defaults in Specialised Finance and Resource Finance respectively, which were impaired accordingly. Investec Bank (Mauritius) reported 1 material default as at year end.

Core loans and advances portfolio increased by 16.3% to R120.4 billion. The quality of the overall loans and advances portfolio in Southern Africa deteriorated as a result of the global financial crisis with default loans (net of impairments) as a percentage of core loans and advances increasing from 0.7% to 2.2%. The credit loss ratio has increased from 0.5% to 0.7%. Due to the deteriorating asset quality a lot of emphasis has been placed on the strengthening of recoveries and administrative areas and increased involvement from executive and senior management to deal with potential problematic loans and working on the best outcome/solution for our clients and ourselves.

Credit and counterparty risk information

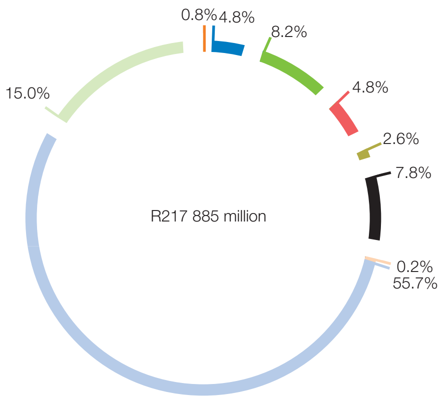
Pages 32 to 37 describe where and how credit and counterparty risk is exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

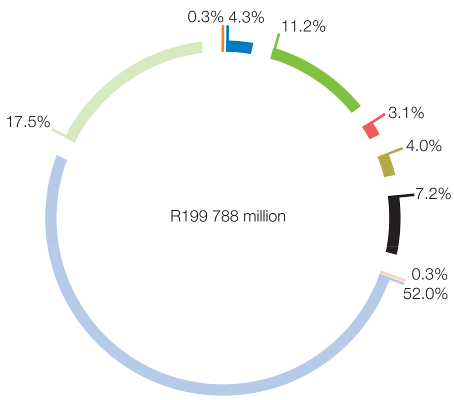
R'million Audited	31 March 2009	31 March 2008	% change	Average*
On-balance sheet exposures	185 298	164 757	12.5%	175 029
Securitisation exposures arising from securitisation/principal finance activities	1 782	653	>100.0%	1 218
Unrated instruments	644	205	>100.0%	425
Other	1 138	448	>100.0%	793
Debt instruments (NCDs, bonds held, debentures)	10 579	8 585	23.2%	9 582
Bank placements	17 783	22 389	(20.6%)	20 086
Sovereign government placements	10 468	6 251	67.5%	8 360
Call facilities (non-bank entities)	5 755	7 975	(27.8%)	6 865
Trading exposures (positive fair value excluding potential future exposures)	17 019	14 415	18.1%	15 717
Other credit exposures	450	522	(13.8%)	486
Gross core loans and advances to customers**	121 462	103 967	16.8%	112 715
Off-balance sheet exposures	32 587	35 031	(7.0%)	33 809
Guarantees	6 898	5 467	26.2%	6 182
Contingent liabilities, committed facilities, other	25 689	29 564	(13.1%)	27 627
Total gross credit and counterparty exposures pre collateral or other credit enhancements	217 885	199 788	9.1%	208 838

* Where the average is based on a straight line average
** As calculated on page 44

31 March 2009



31 March 2008



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

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

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

R'million Audited	Securitisation exposures arising from securitisation/principal finance activities Total	Unrated instruments	Other	Debt instruments (NCDs, bonds held, debentures)
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	567	567	-	9 259
Derivative financial instruments	-	-	-	-
Investment securities	-	-	-	493
Loans and advances to customers	1 089	21	1 068	-
Securitised assets	126	56	70	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	827
Interests in associated undertakings	-	-	-	-
Property and equipment	-	-	-	-
Investment properties	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
Insurance assets	-	-	-	-
Total	1 782	644	1 138	10 579
As at 31 March 2008				
Cash and balances at central banks	-	-	-	-
Loans and advances to banks	-	-	-	-
Cash equivalent advances to customers	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-
Trading securities	205	205	-	8 585
Derivative financial instruments	-	-	-	-
Investment securities	-	-	-	-
Loans and advances to customers	448	-	448	-
Securitised assets	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	-
Interests in associated undertakings	-	-	-	-
Property and equipment	-	-	-	-
Investment properties	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
Insurance assets	-	-	-	-
Total	653	205	448	8 585

Notes:
1. Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on page 55.
2. Relates to impairments. Further information is provided on page 139.
3. Largely includes liquidity facilities provided to third party corporate securitisation vehicles. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposures of the bank.

Risk and governance

Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
24	3 134	-	-	-	-	3 158	-		3 158
11 711	-	-	474	-	-	12 185	-		12 185
-	-	5 158	175	45	-	5 378	-		5 378
6 048	-	597	1 743	-	-	8 388	-		8 388
-	7 334	-	3 947	-	-	21 107	5 875	1	26 982
-	-	-	9 611	105	-	9 716	275	1	9 991
-	-	-	-	-	-	493	142	1	635
-	-	-	-	-	112 153	113 242	(1 081)	2	112 161
-	-	-	-	-	9 309	9 435	3 578	3	13 013
-	-	-	-	-	-	-	508		508
-	-	-	1 069	300	-	2 196	2 696		4 892
-	-	-	-	-	-	-	166		166
-	-	-	-	-	-	-	190		190
-	-	-	-	-	-	-	2 568		2 568
-	-	-	-	-	-	-	308		308
-	-	-	-	-	-	-	88		88
-	-	-	-	-	-	-	45 614		45 614
17 783	10 468	5 755	17 019	450	121 462	185 298	60 927		246 225
10	2 777	-	24	-	-	2 811	-		2 811
16 098	-	-	462	-	-	16 560	-		16 560
-	-	7 782	257	-	-	8 039	-		8 039
3 047	-	193	2 576	-	-	5 816	1 355		7 171
3 232	3 474	-	518	239	-	16 253	8 430	1	24 683
-	-	-	9 467	-	-	9 467	212	1	9 679
-	-	-	-	-	-	-	222	1	222
-	-	-	-	-	94 788	95 236	(438)	2	94 798
-	-	-	-	-	9 179	9 179	4 265	3	13 444
-	-	-	-	-	-	-	469		469
2	-	-	1 111	283	-	1 396	4 199		5 595
-	-	-	-	-	-	-	195		195
-	-	-	-	-	-	-	165		165
-	-	-	-	-	-	-	2 182		2 182
-	-	-	-	-	-	-	339		339
-	-	-	-	-	-	-	75		75
-	-	-	-	-	-	-	59 563		59 563
22 389	6 251	7 975	14 415	522	103 967	164 757	81 233		245 990

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
As at 31 March 2009						
On-balance sheet exposures	84 681	370	1 159	12 617	2 657	58 461
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	1 656
Unrated instruments	-	-	-	-	-	588
Other	-	-	-	-	-	1 068
Debt instruments (NCDs, bonds held, debentures)	-	-	60	-	-	10 262
Bank placements	-	-	-	-	-	17 783
Sovereign, government placements	-	-	-	10 468	-	-
Call facilities (non-bank entities)	-	51	247	-	369	1 300
Trading exposures (positive fair value excluding potential future exposures)	121	4	80	-	177	15 695
Other credit exposures	-	-	-	-	1	167
Gross core loans and advances to customers	84 560	315	772	2 149	2 110	11 598
Off-balance sheet exposures	25 362	-	1	-	221	4 657
Guarantees	5 733	-	1	-	107	207
Contingent liabilities, committed facilities, other	19 629	-	-	-	114	4 450
Total gross credit and counterparty exposures pre collateral or other credit enhancements	110 043	370	1 160	12 617	2 878	63 118
As at 31 March 2008						
On-balance sheet exposures	68 833	1 118	459	7 555	6 345	55 694
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	448
Unrated instruments	-	-	-	-	-	-
Other	-	-	-	-	-	448
Debt instruments (NCDs, bonds held, debentures)	-	-	43	53	-	8 489
Bank placements	-	-	-	-	-	22 389
Sovereign, government placements	-	-	-	6 251	-	-
Call facilities (non-bank entities)	-	282	62	15	1 175	1 499
Trading exposures (positive fair value excluding potential future exposures)	-	10	19	142	23	13 297
Other credit exposures	1	-	-	-	359	108
Gross core loans and advances to customers	68 832	826	335	1 094	4 788	9 464
Off-balance sheet exposures	25 167	-	1	32	2	6 636
Guarantees	4 065	-	1	32	2	482
Contingent liabilities, committed facilities, other	21 102	-	-	-	-	6 154
Total gross credit and counterparty exposures pre collateral or other credit enhancements	94 000	1 118	460	7 587	6 347	62 330

* Largely relating to our principal finance/securitisation activities

Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertainment and tourism	Transport and com-munication	Other*	Total
4 939	5 054	4 486	2 797	1 487	6 590	-	185 298
126	-	-	-	-	-	-	1 782
56	-	-	-	-	-	-	644
70	-	-	-	-	-	-	1 138
70	-	-	159	-	28	-	10 579
-	-	-	-	-	-	-	17 783
-	-	-	-	-	-	-	10 468
1 563	1 593	-	273	-	359	-	5 755
79	172	497	38	-	156	-	17 019
39	167	2	67	1	6	-	450
3 062	3 122	3 987	2 260	1 486	6 041	-	121 462
504	1 040	102	286	98	316	-	32 587
204	518	64	9	-	55	-	6 898
300	522	38	277	98	261	-	25 689
5 443	6 094	4 588	3 083	1 585	6 906	-	217 885
3 654	8 083	3 399	2 288	2 176	4 948	205	164 757
-	-	-	-	-	-	205	653
-	-	-	-	-	-	205	205
-	-	-	-	-	-	-	448
-	-	-	-	-	-	-	8 585
-	-	-	-	-	-	-	22 389
-	-	-	-	-	-	-	6 251
1 442	2 454	25	41	-	980	-	7 975
177	129	307	310	-	1	-	14 415
6	43	-	-	-	5	-	522
2 029	5 457	3 067	1 937	2 176	3 962	-	103 967
84	1 216	240	485	81	1 087	-	35 031
84	495	213	93	-	-	-	5 467
-	721	27	392	81	1 087	-	29 564
3 738	9 299	3 639	2 773	2 257	6 035	205	199 788

Summary analysis of gross credit and counterparty exposures by industry

R'million	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	84 560	68 832	25 483	25 168	110 043	94 000
Agriculture	315	826	55	292	370	1 118
Electricity, gas and water (utility services)	772	335	388	125	1 160	460
Public and non-business services	2 149	1 094	10 468	6 493	12 617	7 587
Business services	2 110	4 788	768	1 559	2 878	6 347
Finance and insurance	11 598	9 464	51 520	52 866	63 118	62 330
Retailers and wholesalers	3 062	2 029	2 381	1 709	5 443	3 738
Manufacturing and commerce	3 122	5 457	2 972	3 842	6 094	9 299
Real estate	3 987	3 067	601	572	4 588	3 639
Mining and resources	2 260	1 937	823	836	3 083	2 773
Leisure, entertainment and tourism	1 486	2 176	99	81	1 585	2 257
Transport and communication	6 041	3 962	865	2 073	6 906	6 035
Other*	-	-	-	205	-	205
Total	121 462	103 967	96 423	95 821	217 885	199 788

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

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 the group 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 activites are discussed on page 32.

R'million Audited	31 March 2009	31 March 2008
Loans (pre-impairments) as per balance sheet	113 242	95 236
Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments)	(1 089)	(448)
Add: own-originated securitised assets	9 309	9 179
Gross core loans and advances to customers (pre impairments)	121 462	103 967

Risk management

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

Overall asset quality

R'million Audited	31 March 2009	31 March 2008
Gross core loans and advances to customers	121 462	103 967
Total impairments	(1 018)	(375)
Portfolio impairments	(90)	(72)
Specific impairments	(928)	(303)
Net core loans and advances to customers	120 444	103 592
Average gross core loans and advances	112 715	90 925
Current loans and advances to customers	115 360	101 480
Total gross non-current loans and advances to customers	6 102	2 487
Past due loans and advances to customers (1-60 days)	1 887	1 184
Special mention loans and advances to customers	643	295
Default loans and advances to customers	3 572	1 008
Gross core loans and advances to customers	121 462	103 967
Total gross non-current core loans and advances to customers	6 102	2 487
Default loans that are current and not impaired	21	-
Gross core loans and advances to customers that are past due but not impaired	3 003	1 490
Gross core loans and advances to customers that are impaired	3 078	997
Total income statement charge for impairments against core loans	(766)	(439)
Gross default loans and advances to customers	3 572	1 008
Specific impairments	(928)	(303)
Defaults net of specific impairments	2 644	705
Collateral and other credit enhancements	3 635	1 356
Net default loans and advances to customers (limited to zero)	-	-
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.76%	0.29%
Portfolio impairments as a % of gross core loans and advances to customers	0.07%	0.07%
Total impairments as a % of gross core loans and advances to customers	0.84%	0.36%
Specific impairments as a % of gross default loans	25.98%	30.06%
Gross defaults as a % of gross core loans and advances to customers	2.94%	0.97%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.20%	0.68%
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)	0.68%	0.48%

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

R'million Audited	31 March 2009	31 March 2008
Default loans that are current	938	-
1 - 60 days	2 354	1 748
61 - 90 days	710	213
91 - 180 days	1 241	216
181 - 365 days	518	133
>365 days	341	177
Total gross non-current loans and advances to customers (actual capital exposure)	6 102	2 487
1 - 60 days	274	209
61 - 90 days	105	55
91 - 180 days	481	125
181 - 365 days	213	54
>365 days	242	128
Total gross non-current loans and advances to customers (actual amount in arrears)	1 315	571

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

R'million 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	21	-	-	-	-	-	21
Amount in arrears	-	-	-	-	-	-	-
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	2 082	418	271	139	93	3 003
Amount in arrears	-	219	43	24	10	3	299
Gross core loans and advances to customers that are impaired							
Total capital exposure	917	272	292	970	379	248	3 078
Amount in arrears	-	55	62	457	203	239	1 016
As at 31 March 2008							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	1 262	173	12	19	24	1 490
Amount in arrears	-	177	29	4	14	2	226
Gross core loans and advances to customers that are impaired							
Total capital exposure	-	486	40	204	114	153	997
Amount in arrears	-	32	26	121	40	126	345

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

R'million Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	-	1 887	-	-	-	-	1 887
Special mention	-	175	412	42	10	4	643
Special mention (1 – 60 days)	-	175	*16	*42	*10	*4	247
Special mention (61 – 90 days and well secured)	-	-	396	-	-	-	396
Default	938	292	298	1 199	508	337	3 572
Sub-standard	56	31	6	314	129	89	625
Doubtful	880	261	292	885	379	248	2 945
Loss	2	-	-	-	-	-	2
Total	938	2 354	710	1 241	518	341	6 102

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

R'million Audited	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	-	180	-	-	-	-	180
Special mention	-	39	43	23	8	3	116
Special mention (1 – 60 days)	-	39	*4	*23	*8	*3	77
Special mention (61 – 90 days and well secured)	-	-	39	-	-	-	39
Default	-	55	62	458	205	239	1 019
Sub-standard	-	6	1	67	79	74	227
Doubtful	-	49	61	391	126	165	792
Loss	-	-	-	-	-	-	-
Total	-	274	105	481	213	242	1 315

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

R'million Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	1 184	-	-	-	-	1 184
Special mention	70	173	9	19	24	295
Special mention (1 – 60 days)	70	-	*9	*19	*24	122
Special mention (61 – 90 days and well secured)	-	173	-	-	-	173
Default	494	40	207	114	153	1 008
Sub-standard	134	7	94	48	58	341
Doubtful	339	33	113	66	95	646
Loss	21	-	-	-	-	21
Total	1 748	213	216	133	177	2 487

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

R'million Audited	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	177	–	–	–	–	177
Special mention	–	29	4	14	2	49
Special mention (1 – 60 days)	–	–	*4	*14	*2	20
Special mention (61 – 90 days and well secured)	–	29	–	–	–	29
Default	32	26	121	40	126	345
Sub-standard	10	1	60	12	49	132
Doubtful	22	25	61	28	77	213
Loss	–	–	–	–	–	–
Total	209	55	125	54	128	571

* Relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which is out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates

An analysis of core loans and advances to customers

R'million Audited	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)
As at 31 March 2009				
Current core loans and advances	115 360	-	-	115 360
Past due (1- 60 days)	-	1 887	-	1 887
Special mention	-	643	-	643
Special mention (1 - 60 days)	-	247	-	247
Special mention (61 - 90 days and well secured)	-	396	-	396
Default	21	473	3 078	3 572
Sub-standard	21	473	131	625
Doubtful	-	-	2 945	2 945
Loss	-	-	2	2
Total	115 381	3 003	3 078	121 462
As at 31 March 2008				
Current core loans and advances	101 480	-	-	101 480
Past due (1- 60 days)	-	1 184	-	1 184
Special mention	-	295	-	295
Special mention (1 - 60 days)	-	122	-	122
Special mention (61 - 90 days and well secured)	-	173	-	173
Default	-	11	997	1 008
Sub-standard	-	11	330	341
Doubtful	-	-	646	646
Loss	-	-	21	21
Total	101 480	1 490	997	103 967

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
-	(81)	115 279	-
-	(3)	1 884	180
-	(6)	637	116
-	(6)	241	77
-	-	396	39
(928)	-	2 644	1 019
(56)	-	569	227
(870)	-	2 075	792
(2)	-	-	-
(928)	(90)	120 444	1 315
-	(44)	101 436	-
-	(26)	1 158	177
-	(2)	293	49
-	(1)	121	20
-	(1)	172	29
(303)	-	705	345
-	-	341	132
(291)	-	355	213
(12)	-	9	-
(303)	(72)	103 592	571

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

R'million Audited	Current core loans and advances	Past due (1-60 days)	Special mention (1 - 60 days)	Special mention (61 - 90 days and item well secured)
As at 31 March 2009				
Private Banking professional and HNW individuals	79 561	1 712	247	335
Corporate sector	21 000	63	-	40
Banking, insurance, financial services (excluding sovereign)	11 598	-	-	-
Public and government sector (including central banks)	2 149	-	-	-
Trade Finance	1 052	112	-	21
Total gross core loans and advances to customers	115 360	1 887	247	396
As at 31 March 2008				
Private Banking professional and HNW individuals	71 214	1 073	122	154
Corporate sector	18 894	-	-	-
Banking, insurance, financial services (excluding sovereign)	9 464	-	-	-
Public and government sector (including central banks)	1 094	-	-	-
Trade Finance	814	111	-	19
Total gross core loans and advances to customers	101 480	1 184	122	173

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

R'million Audited	31 March 2009	31 March 2008
Private Banking professional and HNW individuals	84 560	73 496
Corporate sector	21 842	18 913
Banking, insurance, financial services (excluding sovereign)	11 598	9 464
Public and government sector (including central banks)	2 149	1 094
Trade Finance	1 313	1 000
Total gross core loans and advances to customers	121 462	103 967

	Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
	505	2 198	2	84 560	(64)	(447)	(511)
	85	654	-	21 842	(13)	(420)	(433)
	-	-	-	11 598	(13)	-	(13)
	-	-	-	2 149	-	-	-
	35	93	-	1 313	-	(61)	(61)
	625	2 945	2	121 462	(90)	(928)	(1 018)
	341	571	21	73 496	(43)	(255)	(298)
	-	19	-	18 913	(29)	(19)	(48)
	-	-	-	9 464	-	-	-
	-	-	-	1 094	-	-	-
	-	56	-	1 000	-	(29)	(29)
	341	646	21	103 967	(72)	(303)	(375)

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

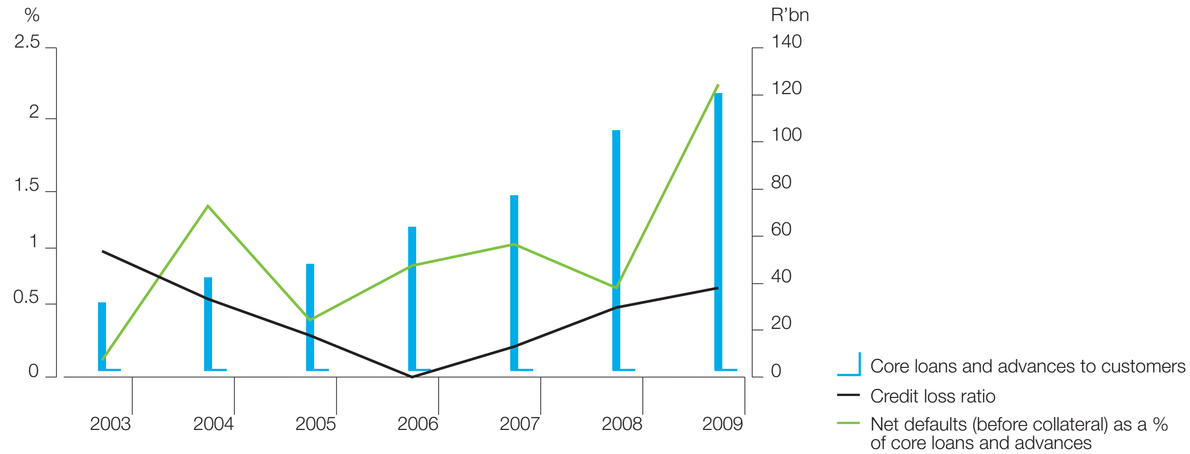
As at 31 March 2009 R'million Audited	Private Bank	Capital Markets	Other*	Total
Gross core loans and advances to customers	84 558	32 825	4 079	121 462
Total impairments	(511)	(341)	(166)	(1 018)
Portfolio impairments	(64)	(19)	(7)	(90)
Specific impairments	(447)	(322)	(159)	(928)
Net core loans and advances to customers	84 047	32 484	3 913	120 444
Average gross core loans and advances	79 228	29 818	3 669	112 715
Current loans and advances to customers	79 559	32 121	3 680	115 360
Total gross non current loans and advances to customers	4 999	704	399	6 102
Past due loans and advances to customers (1-60 days)	1 712	63	112	1 887
Special mention loans and advances to customers	582	40	21	643
Default loans and advances to customers	2 705	601	266	3 572
Gross core loans and advances to customers	84 558	32 825	4 079	121 462
Total gross non-current loans and advances to customers	4 999	704	399	6 102
Default loans that are current and not impaired	21	-	-	21
Gross core loans and advances to customers that are past due but not impaired	2 767	103	133	3 003
Gross core loans and advances to customers that are impaired	2 211	601	266	3 078
Total income statement charge for impairments on core loans	(266)	(354)	(146)	(766)
Gross default loans and advances to customers	2 705	601	266	3 572
Specific impairments	(447)	(322)	(159)	(928)
Defaults net of specific impairments	2 258	279	107	2 644
Collateral and other credit enhancements	3 036	449	150	3 635
Net default loans and advances to customers (limited to zero)	-	-	-	-
Specific impairments as a % of gross core loans and advances to customers	0.53%	0.98%	3.90%	0.76%
Portfolio impairments as a % of gross core loans and advances to customers	0.08%	0.06%	0.17%	0.07%
Total impairments as a % of gross core loans and advances to customers	0.60%	1.04%	4.07%	0.84%
Specific impairments as a % of gross default loans	16.52%	53.56%	59.84%	25.98%
Gross defaults as a % of gross core loans and advances to customers	3.20%	1.83%	6.51%	2.94%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.69%	0.86%	2.73%	2.20%
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)	0.34%	1.19%	3.97%	0.68%

* Largely includes lending activities within our Central Funding and International Trade Finance businesses

An analysis of default loans and advances

As at 31 March 2009 R'million	Gross defaults	Collateral	Specific impairments
Private Bank	2 705	3 036	447
Residential developments	4	4	-
Residential investments	557	724	35
Commercial developments	441	550	31
Commercial investments	851	1 103	64
Lending to corporates	760	604	268
Professional and other	92	51	49
Capital Markets	601	449	322
Resource Finance	377	224	151
Structured Finance	224	225	171
Other	266	150	159
Total	3 572	3 635	928

Default and core loans trend



Collateral

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

R'million	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
As at 31 March 2009			
Eligible financial collateral	**22 574**	**3 474**	**26 048**
Listed shares/instruments	20 378	607	20 985
Cash	2 136	2 867	5 003
Debt securities issued by sovereigns	60	-	60
Mortgage bonds	**147 657**	**139**	**147 796**
Residential mortgages	53 398	139	53 537
Residential development	15 081	-	15 081
Commercial property development	13 439	-	13 439
Commercial property investments	65 739	-	65 739
Other collateral	**27 888**	**4 286**	**32 174**
Unlisted shares	857	-	857
Bonds other than mortgage bonds	8 537	2 350	10 887
Debtors, stock and other corporate assets	3 214	-	3 214
Guarantees	10 281	1 364	11 645
Credit derivatives	445	-	445
Other	4 554	572	5 126
Total collateral	**198 119**	**7 899**	**206 018**
Suretyships	14 543	-	14 543
Collateral including suretyships	**212 662**	**7 899**	**220 561**

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

Equity and investment risk in the banking book

Equity and investment risk description

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

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

Management of equity and investment risk

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

Nature of equity and investment risk	Management of risk
Listed equities	Investment Committee, Market Risk Management and ERRF
Investment Banking Principal Finance investments	Investment Committee, the Investment Bank Limited Direct Investments Division Investment Committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit Risk Management Committees and ERRF
Investment and trading properties	Investment Committee, Investec Property Group Investment Committee and ERRF
Central Funding investments	Investment Committee and ERRF

Stress testing scenario analyses are performed regularly and reported to ERRF, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 109 to 118 for factors taken into consideration in determining fair value. We have a low level of assets exposed to the volatility of IFRS fair value accounting with "level 3" assets amounting to 0.2% of total assets (refer to page 134 for further information).

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

R'million Audited	Income (pre funding costs) - for the year ended Unrealised	Realised	Dividends, net interest and other	Total	Fair value through the balance sheet
31 March 2009					
Unlisted investments	489	332	440	1 261	-
Listed equities	(100)	(10)	8	(102)	(3)
Investment and trading properties	239	-	106	345	-
Warrants, profit shares and other embedded derivatives	30	104	11	145	-
Total	658	426	565	1 649	(3)
31 March 2008					
Unlisted investments	715	128	332	1 175	-
Listed equities	(134)	270	(29)	107	(27)
Investment and trading properties	711	127	205	1 043	-
Warrants, profit shares and other embedded derivatives	28	75	5	108	-
Total	1 320	600	513	2 433	(27)

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

Summary of investments held and stress testing analyses

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

R'million Audited	On balance sheet value of investments 31 March 2009	Valuation change stress test* 31 March 2009	On balance sheet value of investments 31 March 2008	Valuation change stress test * 31 March 2008
Unlisted investments	4 756	713	3 642	546
Listed equities	1 053	263	881	220
Investment and trading properties	2 992	345	2 815	142
Warrants, profit shares and other embedded derivatives	528	185	384	134
Total	9 329	1 506	7 722	1 042

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

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information above we could have a R1.5 billion reversal in revenue (which assumes a year in which there is a "worst case scenario").This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes being negatively impacted at the same time is very low.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of "Equity Risk" and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 77 for further detail.

Traded market risk management

Traded market risk description Audited

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

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

Traded market risk governance structure Audited

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

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

Management and measurement of traded market risk

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

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

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

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

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

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

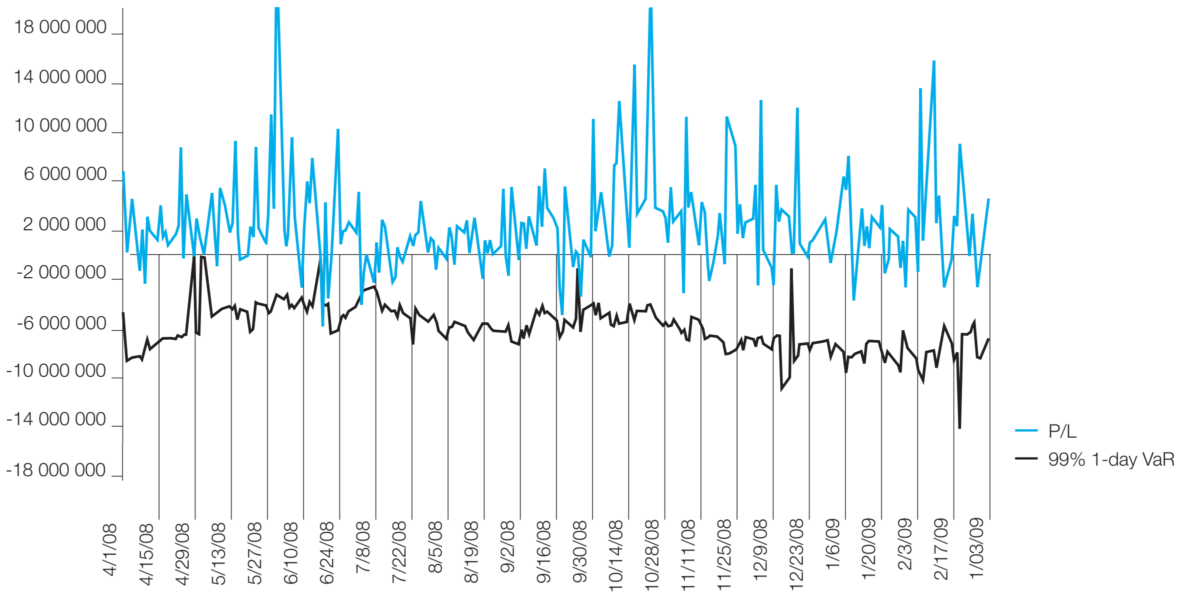
VaR 95% (one-day)

R'million Audited	31 March 2009	31 March 2008
Commodities	0.3	0.4
Equity derivatives	2.8	4.0
Foreign exchange	2.9	1.8
Interest rates	0.9	0.4
Consolidated*	4.1	3.8
High	15.3	10.8
Low	2.1	1.9
Average	4.5	6.2

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

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

99% 1-day VaR Backtesting (Rands)



There have been two exceptions i.e. where the loss is greater than the VaR. These exceptions were mainly due to the sudden increased volatility in the interest rate and foreign exchange markets in the middle of 2008. Both exceptions were marginal and in line with the 99% confidence interval expectations.

ETL 95% (one-day)

R'million Audited	31 March 2009	31 March 2008
Commodities	0.6	0.5
Equity derivatives	4.4	6.1
Foreign exchange	5.4	2.7
Interest rates	1.4	0.7
Consolidated*	6.8	5.7

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

Risk and governance

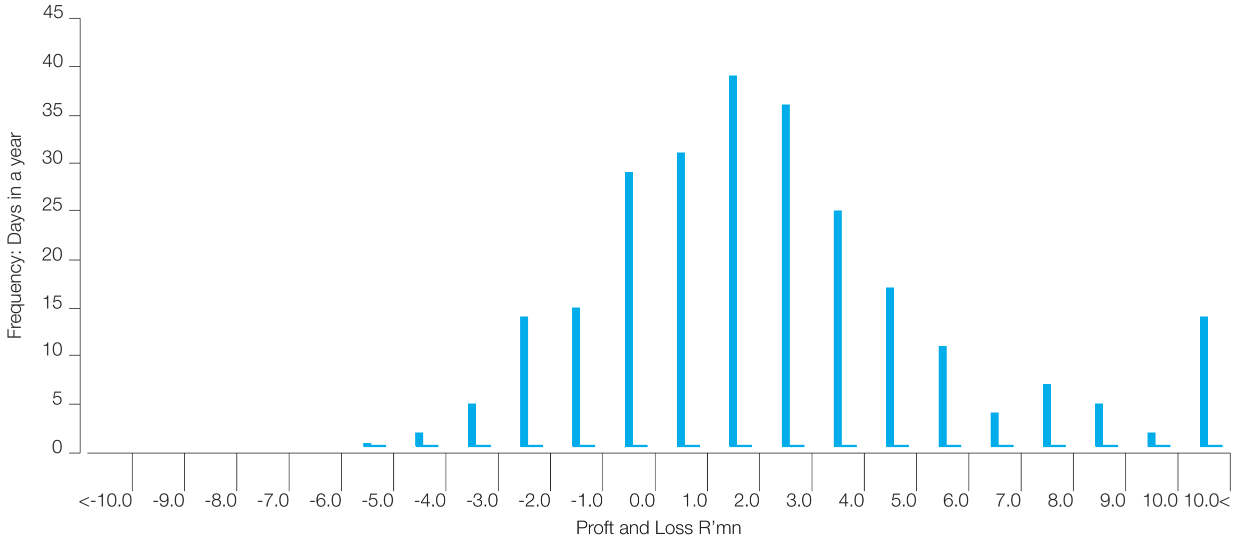
Stress testing

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

R'million Audited	31 March 2009	31 March 2008
Commodities	2.3	3.1
Equity derivatives	21.7	30.6
Foreign exchange	22.1	13.8
Interest rates	7.2	3.1
Consolidated	53.3	50.5

Profit and loss histograms

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 191 days out of a total of 258 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2009 was R2.5 million.



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 unweighted 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.

Investec's South African model of basing trades on client flow has once again proved to be successful as all trading desks have, to a varying degree, been profitable.

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 137.

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

Balance sheet risk management

Balance sheet risk description

Balance sheet risk management encompasses the 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 the 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 table below shows our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short-term funds - banks	11 564	-	-	-	-	3 286	14 850
Cash and short-term funds - non-banks	5 378	-	-	-	-	-	5 378
Investment/trading assets	12 905	4 573	2 837	425	100	14 137	34 977
Securitised assets	12 626	24	49	271	43	-	13 013
Advances	92 919	2 623	1 457	9 968	5 194	-	112 161
Other assets	195	-	-	-	-	5 606	5 801
Assets	135 587	7 220	4 343	10 664	5 337	23 029	186 180
Deposits - banks	(11 954)	(115)	(90)	-	-	-	(12 159)
Deposits - non-banks	(108 460)	(7 116)	(3 909)	(2 283)	(681)	(2 070)	(124 519)
Negotiable paper	(622)	(300)	(20)	-	-	(12)	(954)
Securitised liabilities	(10 235)	-	-	(865)	-	-	(11 100)
Investment/trading liabilities	-	-	-	-	-	(1 425)	(1 425)
Subordinated liabilities	(1 141)	-	-	(3 750)	(200)	-	(5 091)
Other liabilities	(2 573)	(109)	(386)	(431)	(140)	(9 221)	(12 860)
Liabilities	(134 985)	(7 640)	(4 405)	(7 329)	(1 021)	(12 728)	(168 108)
Intercompany loans	(1 189)	(311)	(458)	(7)	(102)	-	(2 067)
Shareholders' funds	(3 749)	-	-	-	-	(12 165)	(15 914)
Balance sheet	(4 336)	(731)	(520)	3 328	4 214	(1 864)	91
Off-balance sheet	(2 666)	12 481	(3 780)	(3 260)	(2 866)	-	(91)
Repricing gap	(7 002)	11 750	(4 300)	68	1 348	(1 864)	-
Cumulative repricing gap	(7 002)	4 748	448	516	1 864	-	

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.

'million	Sensitivity to the following interest rates (expressed in original currencies)				All
	ZAR	GBP	USD	AUD	(ZAR)
200bp Down	(12.7)	(0.1)	0.2	0.2	(9.5)
200bp Up	(13.9)	0.3	0.1	(0.1)	(10.2)

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 13.1% to R40.6 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 a 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 borrowings. 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 R41.3 billion in South Africa.

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 and are able to generate sufficient liquidity to withstand short-term liquidity stress.

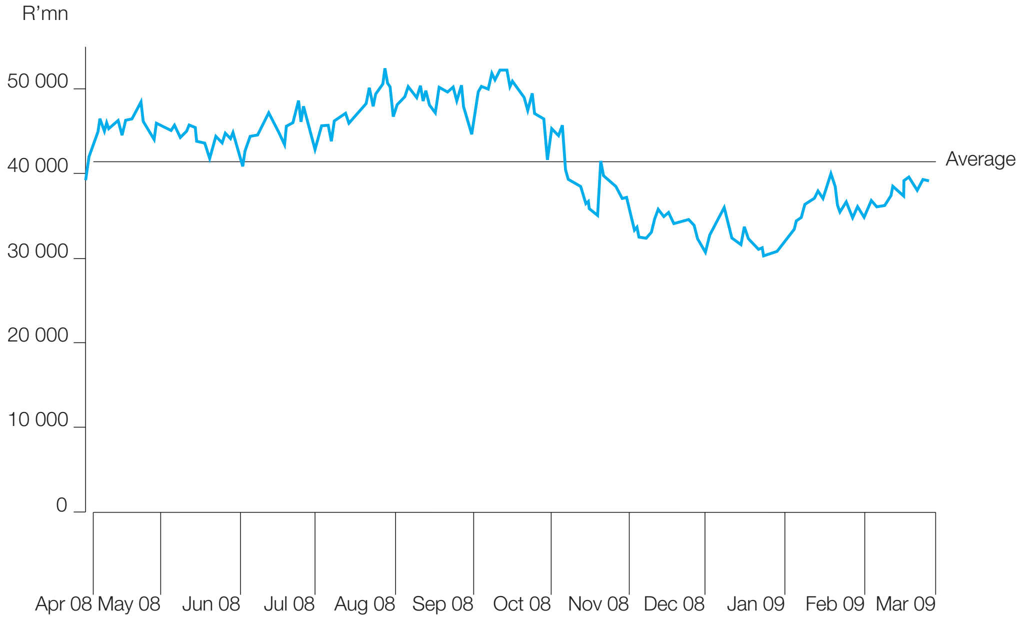
We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

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.

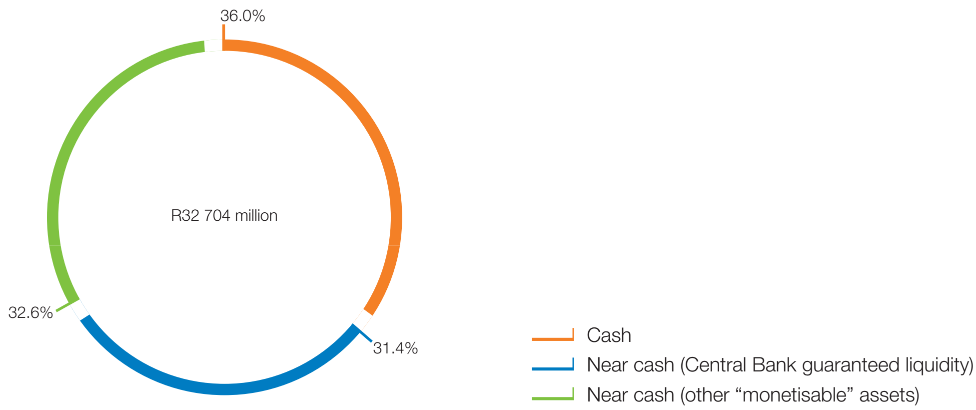
Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction.

Risk management

Cash and near cash trend over the financial year

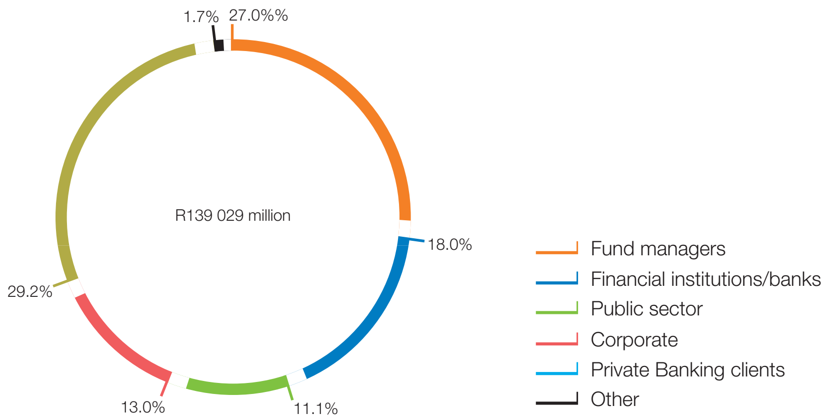


An analysis of cash and near cash



Risk and governance

Bank and non-bank depositor concentration by type



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 and 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.

Contractual liquidity

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Cash and short-term funds - banks*	13 802	898	19	29	47	548	-	15 343
Cash and short-term funds - non-banks	5 378	-	-	-	-	-	-	5 378
Investment/trading assets**	14 016	13 435	1 294	1 541	1 513	10 219	6 712	48 730
Securitised assets	1 067	68	56	424	883	4 691	5 824	13 013
Advances	4 911	5 236	10 643	9 840	12 756	40 374	28 401	112 161
Other assets	861	1 571	79	260	42	1 674	1 500	5 987
Assets	40 035	21 208	12 091	12 094	15 241	57 506	42 437	200 612
Deposits - banks	(2 317)	(1 099)	(126)	(210)	(90)	(8 317)	-	(12 159)
Deposits - non-banks	(36 921)	(35 572)	(25 497)	(8 398)	(13 153)	(3 695)	(3 634)	(126 870)
Negotiable paper	-	(150)	(484)	(300)	(20)	-	-	(954)
Securitised liabilities	(147)	(1 555)	(1 611)	(2 100)	-	(4 483)	(1 204)	(11 100)
Investment/trading liabilities	(937)	(303)	(1 719)	(1 316)	(1 547)	(8 996)	(49)	(14 867)
Subordinated liabilities	-	-	-	-	-	(4 691)	(400)	(5 091)
Other liabilities	(2 626)	(455)	(1 191)	(1 313)	(1 322)	(2 074)	(4 421)	(13 402)
Liabilities	(42 948)	(39 134)	(30 628)	(13 637)	(16 132)	(32 256)	(9 708)	(184 443)
Shareholders' funds	-	-	-	-	-	-	(16 169)	(16 169)
Contractual liquidity gap	(2 913)	(17 926)	(18 537)	(1 543)	(891)	25 250	16 560	-
Cumulative liquidity gap	(2 913)	(20 839)	(39 376)	(40 919)	(41 810)	(16 560)	-	-

Note: contractual liquidity adjustments (as discussed on page 64)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
*Cash and short-term funds - banks	10 668	898	19	29	47	548	3 314	15 343
**Investment/trading asests	7 381	3 900	6 907	6 464	5 800	11 217	7 061	48 730

Behavioural liquidity (as discussed on page 64)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Behavioural liquidity gap	16 057	1 310	(1 798)	(5 212)	(37 293)	7 040	19 896	-
Cumulative	16 057	17 367	15 569	10 357	(26 936)	(19 896)	-	-

Risk management

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.

- Rand interest rates – The South African Reserve Bank (SARB) increased interest rates by 0.5% in June 2008 (following on April 2008's 0.5% increase) bringing South Africa's interest rate cycle to its most recent peak, thereafter the cycle turned down, with the first cut of 0.5% occurring in December 2008. February 2009 saw monetary easing of 1.0%, with the Reserve Bank Governor announcing that if he had had his way a full 2.0% cut would have occurred instead at that meeting. Citing that the rapidly deteriorating state of the economy requires constant monitoring and urgent action by policy makers, the SARB then promptly announced it would meet to decide on the interest rate stance every month this year instead, with the exception of July, which enabled it to ease monetary policy by a further 1% in March 2009.

Balance sheet risk year in review

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

The South African interest rate environment was exceptionally volatile and eventful during the financial year ending 31 March 2009. The second quarter however, brought a major change in interest rate expectations as the deflationary risks of the burgeoning crisis in global financial markets became apparent. This made for exceptionally good trading conditions for the Capital Markets trading teams. However, liquidity conditions worsened over the financial year, particularly after the collapse of Lehman Brothers. Fortunately South African banks were largely shielded from the worst of the fall-out. However, the cost of term deposits continued to rise reflecting higher credit risk spreads, fortunately partly offset by significant increases in rates on new loans written by the bank. We concluded a USD450 million two year syndicated loan rollover in October 2008 which buttressed our liquidity. However, a combination of asset growth, a slowdown in securitisation and, slower liability growth resulted in a decrease in the amounts of surplus liquidity available on the South African balance sheet.

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.

Risk management

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.

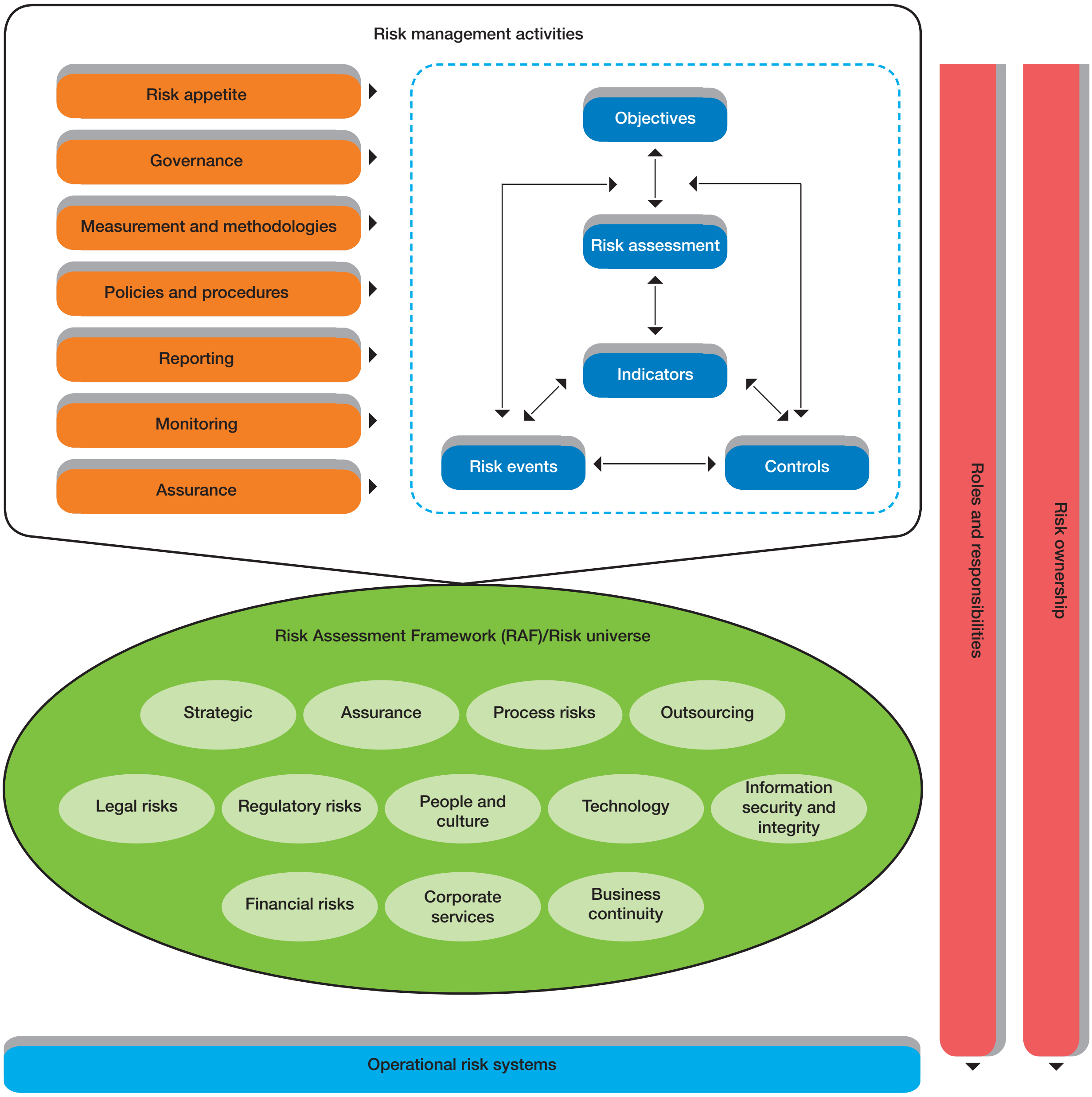
Operational risk management framework

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.

Risk management

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



Risk management

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 events

The majority of our internal risk events, by value, fall into the execution, delivery and process management event type. The majority of these events are infrequent and unexpected but high value events. The majority of events, by count, fall into the external fraud event type. These relate to credit card fraud.

Internal risk events are recorded in the group wide operational risk system. Causal analyses are performed and actions are identified to mitigate and minimise losses and improve controls. Processes are in place for the monitoring and escalation of recorded events.

External events from public sources are monitored, recorded and analysed in the same manner as internal events. This allows for enhancement or improvements to the risk and control environment through the lessons learnt by these events.

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 SARB and the Bank of Mauritius. 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.

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 or 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:

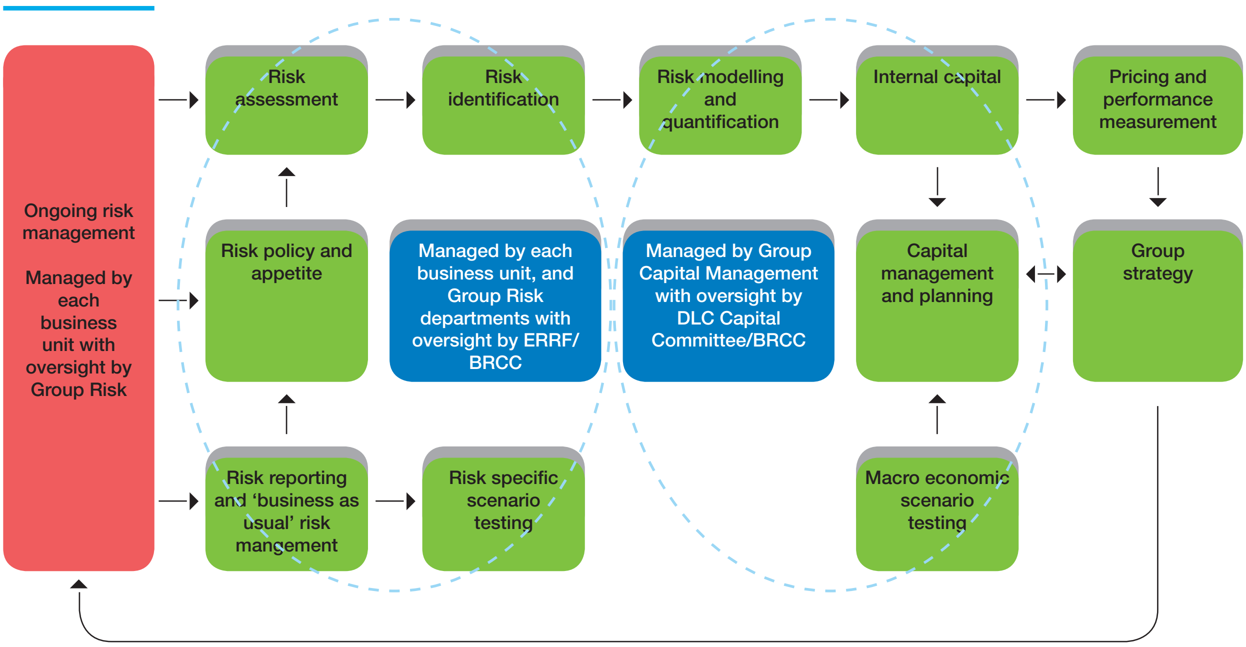
- Capital allocation and structuring;
- Investment decision making and pricing;
- Risk management, especially as it relates to the selection of deals, markets, and investment opportunities;
- Performance measurement; and
- Risk-based incentive compensation.

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, who are 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 of risk. 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; and
- 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 determining 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 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 for Investec plc, Investec Limited and their various regulated subsidiaries, 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.

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 silo's 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 Southern African operations meet monthly through the Regulatory Forum, which analyses regulatory information, including capital use in Investec Bank Limited and Investec Bank (Mauritius) Limited. This structure ensures that capital is actively managed from the lowest reporting level and cascades up to the ultimate responsible body - the BRCC.

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 their 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:
  - 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 Groups capital plan,
  - As part of the responsibility for the internal capital framework, the allocation of capital is managed centrally by Group Finance,
  - As with Risk Management, the Group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes.
- Board and Group Executive:
  - The BRCC has ultimate responsibility for the oversight of day to day risk management, capital management and ensuring that both risk and capital are managed commensurate with our strategy and risk appetite.
  - The BRCC has delegated management of capital to the DLC Capital Committee and risk management to ERRF.

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

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

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

Capital disclosures in terms of Basel II

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

Accounting and regulatory treatment of group subsidiaries

Identity of investment/interest held	Regulator	% interest held	Regulatory treatment Fully con-solidated	Regulatory treatment Entities that are given a deduction treatment	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the group
Bank controlling company						
Investec Limited	SARB	100%	Yes		SA	None
Regulated subsidiaries						
Banking and securities trading						
Investec Bank Limited	SARB	100%	Yes		SA	None
Investec Bank (Mauritius) Limited	Bank of Mauritius	100%	Yes		Mauritius	None
Investec Securities Limited	JSE, FSB, BESA, SAFEX	100%	Yes		SA	None
Asset Management						
Investec Asset Management Holdings (Pty) Ltd	FSB/SAFEX	100%	Yes		SA	None
Investec Asset Management (Pty) Ltd	FSB/SAFEX	100%	Yes		SA	None
Investec Fund Managers SA Ltd	FSB/SAFEX	100%	Yes		SA	None
Insurance						
Investec Employee Benefits Holdings (Pty) Ltd	FSB	100%	Decon-solidated		SA	None
Investec Employee Benefits Ltd	FSB	100%	Decon-solidated		SA	None
Investec Assurance Limited	FSB and Long-Term Insurance Act	100%	Decon-solidated		SA	None
Unregulated subsidiaries	Not regulated subject to consolidated supervision					
Reichmans Holdings Limited		100%	Yes		SA	None
AEL Investment Holdings (Pty) Ltd		100%	Yes		SA	None
Investpref Ltd		100%	Yes		SA	None
KWJ Investments (Pty) Ltd		100%	Yes		SA	None
Securities Equities (Pty) Ltd		100%	Yes		SA	None
Sechold Finance Services (Pty) Ltd		100%	Yes		SA	None
Investec Personal Financial Services (Pty) Ltd (HSBC)		100%	Yes		SA	None
Fedsure International Ltd		100%	Yes		SA	None
Investec Employee Share Incentive Scheme Services (Pty) Ltd		100%	Yes		SA	None
Investec International Holdings (Gibraltar) Ltd		100%	Yes		SA	None
Quyn Martin Asset Management (Pty) Ltd		100%	Yes		SA	None
Investec Group Data (Pty) Ltd		100%	Yes		SA	None
APA Network Consultants (Pty) Ltd		100%	Yes		SA	None
Fuzztique (Pty) Limited		100%	Yes		SA	None
Cordatus Capital (Pty) Ltd		100%	Yes		SA	None
Investec Properties Group Holdings Ltd		100%	Yes		SA	None

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings, other than indicated on the table above.

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 147 to 149. Investec Bank Limited (IBL) is the main banking subsidiary of Investec Limited.

As at 31 March R'million	Investec Limited 2009	 2008	IBL* 2009	 2008
Regulatory capital				
Tier 1				
Called up share capital	-	-	22	19
Share premium	9 862	8 423	9 056	8 277
Retained income	7 872	6 508	5 098	4 328
Treasury shares	(1 758)	(1 227)	-	-
Other reserves	340	48	6	4
Goodwill	(309)	(339)	-	-
Total Tier 1	16 007	13 413	14 182	12 628
Less: deductions	(141)	(303)	(242)	(402)
	15 866	13 110	13 940	12 226
Tier 2 capital				
Aggregate amount	5 106	5 290	5 106	5 006
Less: deductions	(142)	(204)	(142)	(204)
	4 964	5 086	4 964	4 802
Total capital	20 830	18 196	18 904	17 028

Capital requirements

As at 31 March R'million	Investec Limited 2009	 2008	IBL* 2009	 2008
Capital requirements	13 951	12 395	12 652	11 285
Credit risk - prescribed standardised exposure classes	11 431	10 462	10 780	9 914
Corporates	9 154	8 150	8 507	7 604
Secured on real estate property	968	754	968	754
Counterparty risk on trading positions	349	485	349	485
Short-term claims on institutions and corporates	292	250	288	248
Retail	251	313	251	313
Institutions	331	421	331	421
Other exposure classes	86	89	86	89
Securitisation exposures	169	118	169	118
Equity risk - standardised approach	625	361	576	346
Listed equities	96	45	47	30
Unlisted equities	529	316	529	316
Market risk - portfolios subject to internal models approach	171	193	106	57
Interest rate	17	9	17	9
Foreign Exchange	39	17	39	17
Commodities	8	3	8	3
Equities	107	164	42	28
Operational risk - standardised approach	1 555	1 261	1 021	850

* Where IBL is Investec Bank Limited

Capital adequacy

As at 31 March R'million	Investec Limited 2009	 2008	IBL* 2009	 2008
Tier 1 capital	16 007	13 413	14 182	12 628
Less: deductions	(141)	(303)	(242)	(402)
	15 866	13 110	13 940	12 226
Tier 2 capital	5 106	5 290	5 106	5 006
Less: deductions	(142)	(204)	(142)	(204)
	4 964	5 086	4 964	4 802
Total capital	20 830	18 196	18 904	17 208
Risk-weighted assets (banking and trading)	146 856	130 474	133 180	118 792
Credit risk - prescribed standardised exposure classes	120 331	110 123	113 478	104 357
Corporates	96 359	85 785	89 547	80 043
Secured on real estate property	10 186	7 935	10 186	7 935
Counterparty risk on trading positions	3 678	5 104	3 678	5 104
Short-term claims on institutions and corporates	3 077	2 630	3 036	2 606
Retail	2 640	3 293	2 640	3 293
Institutions	3 489	4 430	3 489	4 430
Other exposure classes	902	946	902	946
Securitisation exposures	1 778	1 237	1 778	1 237
Equity risk - standardised approach	6 573	3 798	6 061	3 644
Listed equities	1 009	471	497	318
Unlisted equities	5 564	3 327	5 564	3 326
Market risk - portfolios subject to internal models approach	1 805	2 046	1 118	605
Interest rate	182	95	182	95
Foreign Exchange	405	184	405	184
Commodities	83	36	83	36
Equities	1 135	1 731	448	290
Operational risk - standardised approach	16 369	13 270	10 745	8 949
Capital adequacy ratio	14.2%	13.9%	14.2%	14.3%
Tier 1 ratio	10.8%	10.0%	10.5%	10.3%
Capital adequacy ratio - pre operational risk	16.0%	15.5%	15.4%	15.5%
Tier 1 ratio - pre operational risk	12.2%	11.2%	11.4%	11.1%

* Where IBL is Investec Bank Limited

Analysis of rated counterparties in each standardised credit risk exposure class

The table below shows the exposure amounts associated with the credit quality steps and relevant risk weightings as at 31 March 2009.

* The capital requirement disclosed as held against credit risk as at 31 March 2009 includes a small amount of capital held for counterparty credit risk, mainly within the group's trading businesses. On the basis of materiality no detail has been provided on this risk in the following analysis.

Credit quality steps

	Risk weight	Exposure R'mn	Exposure after credit risk risk mitigation R'mn
Central Banks and Sovereigns:			
1	0%	10 468	10 468
2	20%	-	-
3	50%	24	24
4	100%	-	-
5	100%	-	-
6	150%	-	-
Institutions original effective maturity of more than three months:			
1	20%	-	-
2	50%	4 253	4 253
3	50%	2 368	2 368
4	100%	-	-
5	100%	-	-
6	150%	-	-
Short-term claims on institutions and corporates:			
1	20%	2 982	2 982
2	20%	4 933	4 933
3	20%	6 477	6 477
4	50%	4	4
5	50%	-	-
6	150%	-	-
Corporates:			
1	20%	186	186
2	50%	60	60
3	100%	87	87
4	100%	99	99
5	150%	-	-
6	150%	-	-
Securitisation positions:			
1	20%	101	101
2	50%	2 397	2 397
3	100%	189	189
4	350%	37	37
5	1 250%	360	360
Total rated counterparty exposure		35 025	35 025

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 and Investec Limited.

Rating agency		Investec Limited	Investec Bank Limited - a subsidiary of Investec Limited
Fitch	Individual rating	C	C
	Support rating	5	2
	Foreign currency		
	Short-term	F2	F2
	Long-term	BBB+	BBB+
	National		
	Short-term		F1+(zaf)
	Long-term		AA-(zaf)
Moody's	Bank financial strength rating		C
	Foreign currency		
	Short-term deposit rating		Prime-2
	Long-term deposit rating		Baa1
	National		
	Short-term		P1(za)
	Long-term		Aa2(za)
Global Credit Ratings	**Local currency**		
	Short-term		A1+(zaf)
	Long-term		AA-(za)

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 located in London and Johannesburg, responsible for Investec plc and Investec Limited, respectively. 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. The SARB is our lead regulator. Significant business developments in any of our operations must be approved by the Reserve Bank as well as by the business's home country regulatory authority.

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.

Year in review

Anti-money laundering (AML)

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

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

During the past year there has been an initiative to get all business units to implement the AML system, which in turn will provide for a centralised view of the Investec customer base. These systematic developments are supported by an enhanced Group Anti-Money Laundering and Anti-Terror Financing Policy which incorporates a Client Acceptance Policy to accommodate this risk weighting and the screening of clients.

A further enhancement to the AML system to more adequately address the legislative requirements of suspicious activity reporting was implemented in the last quarter of 2008. In terms of the transactional monitoring requirement, a project has been initiated in 2008 which is aimed at the implementation of an automated suspicious activity monitoring system (ASAM), which takes cognisance of the clients' risk weighting and screening and profiles the clients' transactional behaviour across all business unit transactional systems. The ASAM system provides for customer segmentation and enhances customer due diligence on high risk customers. The project is due to be implemented in October 2009 but will have ongoing enhancements.

Consumer Law

The focus on consumer protection continues into 2009 and the implementation and monitoring of compliance with the requirements of the Financial Advisory and Intermediary Services Act (FAIS) and the National Credit Act (NCA) is ongoing. Marking the introduction of broader and more comprehensive consumer rights is the Consumer Protection Act No. 68 of 2008 (CPA), which was signed into law in April 2009. The purpose of the CPA is to protect the interests of all consumers who are subject to abuse or exploitation in the market place and to give effect to internationally recognised best practice, while creating a strong culture of consumer rights and responsibilities. The Act is expected to be fully implemented by October 2010.

Compliance

Conflicts of interest

Potential conflicts of interest have been identified through workshops with the respective business areas. The potential conflicts identified have been mapped on a Conflicts Index Matrix, which includes an outline of general conflict types and the business areas between which the conflicts could occur. The mapping exercise additionally identified current mitigations and controls in place to manage the respective conflicts, as well as where enhanced controls are necessary.

This mapping exercise has been substantially completed for all business areas classified as having a high risk of exposure to conflicts of interest. The mapping for business areas identified as having a medium or low risk of exposure to conflicts of interest has been initiated, and is scheduled for completion by 31 March 2010.

All compliance policies that include mitigations and controls for conflicts of interest have been updated and aligned with international best practice.

A Market Conduct module has been added to the compliance induction training. The module focuses on practical identification and management of conflicts of interest including the conflicts inherent in gifts and entertainment, market abuse and personal account dealing.

Risk based monitoring

The second phase of the project which involved the design and migration of a fully comprehensive risk based monitoring programme onto the Enterprise risk Assessor software was completed successfully during the year. An annual reassessment programme is in progress for all the relevant acts loaded on the Enterprise Risk Assessor which involves re-evaluation of all the risks, controls, treatments and monitoring tests to ensure that these are still relevant.

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.

Board statement

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

King II – Independence of the Chairman

The Chariman, 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 and King II. However, since 2005, Hugh has distanced himself from executive responsibilities.

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of Investec Limited's combined financial statements, accounting policies and the information contained in the Annual Report.

Our financial statements are prepared on a going concern basis.

The board is of the opinion, based on its knowledge of the bank, key processes in operation and specific enquiries, that there are adequate resources to support the bank as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 59 to 66 and pages 71 to 78.

Board of directors

The composition of the board of Investec Limited is set out on page 92.

The majority of the board members are non-executive directors.

The board is accountable for the performance and affairs of Investec. It provides entrepreneurial leadership for the bank 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.

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

Board committees

The board is supported by key committees, as follows:

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

These committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

* In accordance with Section 269A of the South African Companies Act, No. 61 of 1973, as amended, the Audit Committee of Investec Limited performs the functions required under Section 270A(1) of the said Act, on behalf of its subsidiaries. A full description of the committees' roles and responsibilities can be found in the Investec group's 2009 Annual Report.

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 II requirements in South Africa.

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

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

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant Audit Committee. Appropriate processes, including review by the Audit and Compliance Implementation Forums, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are reviewed 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 KPMG Inc and Ernst & Young Inc. Following a review by the Audit Committee, the external auditors' independence from group companies has been confirmed.

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

The external auditors are invited to attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations on the rotation of auditors, as laid out in Directive 6/2008 of the South African Banks Act, were adhered to during the period under review.

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

Regulation and supervision

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

Communication, public disclosure obligations and stakeholder relations

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

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 at www.investec.com/en_za/#home/our-business-responsibility.html

Empowerment in South Africa

The information in this section relates to the period 1 January 2008 to 31 December 2008.

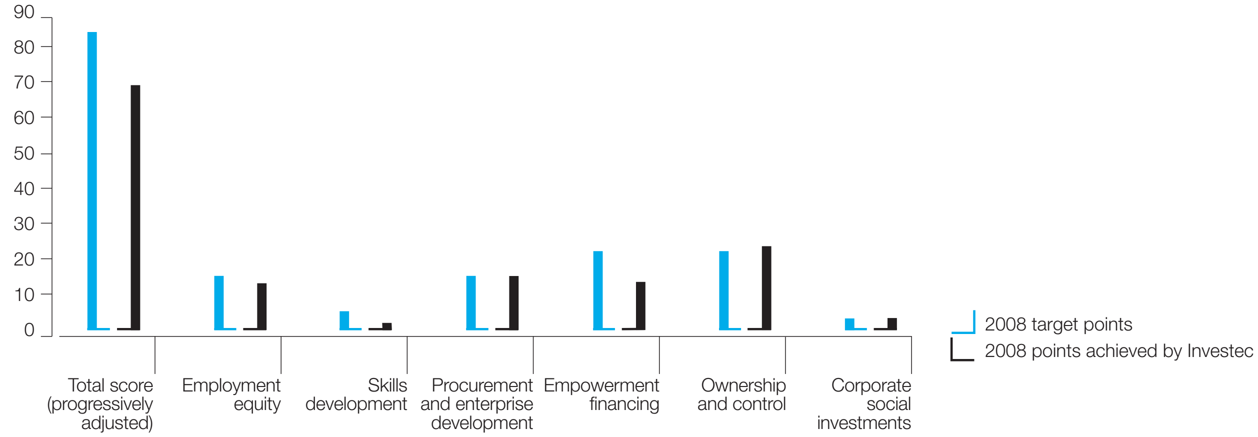
- A key consideration in so far as sustainability within Investec is concerned relates to how we are tackling the subject of transformation within South Africa.
- A strong entrepreneurial culture shapes our approach to transformation. This approach involves:
  - Using our entrepreneurial expertise to foster the creation of new black entrepreneurial platforms
  - Serving as a leading source of empowerment financing
  - Encouraging internal transformation by bringing about greater representivity in our workplace. In this regard, we are focusing on creating black entrepreneurs within the organisation.

Our positioning

- We remain committed to black economic empowerment (BEE) and maintaining a BEE 'A' rating.
- From a reporting perspective, we submitted our fourth Financial Sector Charter Report to the Charter Council in March 2009 which included a comprehensive analysis of our positioning in this regard.
- Based on the Charter Council guidelines and a verification process carried out by KPMG Services (Pty) Ltd we are pleased to state that we achieved our target of an 'A' rating in terms of the Financial Sector Charter. This is still to be confirmed by the Financial Sector Charter Council.

Empowerment statistics

Total FSC points achieved per category vs 2008 targets



Our Financial Sector Charter Report is available on our website at www.investec.com/en_za/#home/investor_relations.html

Empowerment in South Africa

Summary scorecard

FSC category	Investec 2008 target	2008 actual	2007 actual	Investec 2008 target points	Total points 31 Dec 2008	Total points 31 Dec 2007	Total points 31 Dec 2006	Total points 31 Dec 2005
Employment equity				15	12.9	10.0	9.9	4.0
Senior management – Black people	25%	15.7%	10.4%	4	2.5	1.6	1.6	–
Senior management – Black women	4%	5.4%	3.2%	1	1.0	0.8	0.7	–
Middle management – Black people	30%	26.8%	23.4%	4	3.6	3.1	3.0	–
Middle management – Black women	10%	14.7%	11.5%	1	1.0	1.0	1.0	0.8
Junior management – Black people	50%	47.5%	39.5%	4	3.8	2.5	2.6	2.2
Junior management – Black women	17%	33.0%	26.8%	1	1.0	1.0	1.0	1.0
Skills development				5	2.3	1.8	1.4	0.9
% payroll spent on training of black employees	1.5%	1.1%	0.9%	3	2.3	1.8	1.4	0.9
Learnerships	4.5%	–	–	2	–	–	–	–
Procurement and enterprise development				15	15.0	14.6	10.7	8.6
% defined procurement from BEE accredited companies	50%	61.8%	48.7%	15	15.0	14.6	10.7	8.6
Enterprise development spend				Scored together with procurement (see above)				
Empowerment financing				22	13.3	15.4	5.0	5.0
Targeted investments	R1.6 billion	R772 million	R772 million	17	8.3	10.4	exempt	exempt
BEE transaction financing	R1.2 billion	R2.6 billion	R2.5 billion	5	5.0	5.0	5.0	5.0
Access to financial services				18	–	–	–	–
Access to financial services	n/a	n/a	n/a	16	exempt	exempt	exempt	exempt
Consumer education	0.2%	–	–	2	(below threshold)			
Ownership and control				22	23.4	23.5	21.0	21.0
Black ownership	25%	25.6%	25.1%	14	^ 18.0	18.0	18.0	18.0
Black board members	33%	37.5%	37.5%	2	2.0	2.0	2.0	2.0
Black women board members	11%	12.5%	12.5%	1	1.0	1.0	1.0	1.0
Black executive management	25%	15.0%	15.8%	4	2.4	2.5	–	–
Black women executive management	4%	–	–	1	–	–	–	–
Corporate social investment				3	3.0	3.0	3.0	3.0
Post-tax profit spent on black CSI initiatives	0.5%	0.7%	1.0%	3	3.0	3.0	3.0	3.0
Total score (progressively adjusted)*					69.9/84	68.3/71.4	51.0/46.9	42.5/46.2
Overall rating (progressively adjusted)*					A rating	A rating	A rating	A rating

Note:

* Investec's scorecard is based on a total of 84 points (i.e. 100 less the 16 point exemption we received for access). Each year the total scorecard is adjusted by a progressive factor until the sector reaches the 2008 targets. The progressive factor for each reporting period is as follows: 2008 (100%), 2007 (85%), 2006 (70%) and 2005 (55%)

^ Including bonus points received

5 Additional information

Shareholder analysis

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

As at 31 March 2009 Investec Limited had 268.3 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2009

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 578	1 to 500	41.4	1 132 202	0.4
2 293	501 to 1 000	20.8	1 789 206	0.7
2 784	1 001 to 5 000	25.2	6 311 039	2.4
515	5 001 to 10 000	4.7	3 836 873	1.4
545	10 001 to 50 000	4.9	12 164 365	4.5
129	50 001 to 100 000	1.2	9 370 941	3.5
206	100 001 and over	1.8	233 730 631	87.1
11 050		100.0	268 335 257	100.0

Shareholder classification as at 31 March 2009

	Investec Limited number of shares	% holding
Public*	193 335 408	72.1
Non-public	74 999 849	27.9
Non-executive directors of Investec Limited**	3 026 000	1.1
Executive directors of Investec Limited	8 578 013	3.2
Investec staff share schemes	36 340 281	13.5
PEU INL Investment 1 (Pty) Ltd **	13 055 555	4.9
Tiso INL Investments (Pty) Ltd **	14 000 000	5.2
Total	268 335 257	100.0

* As per the JSE listing requirements

** In November 2003, Investec implemented an empowerment transaction. The shareholding held by MP Malungani (non-executive director of Investec) is shown under the holding of PEU INL Investment 1 (Pty) Ltd

Share statistics

Investec Limited ordinary shares in issue

For the year ended 31 March	2009	2008	2007	2006	2005	2004	2003
Closing market price per share (Rands)[1]							
- year end	38.86	57.43	93.30	62.60	35.60	25.06	15.30
- highest	63.19	104.40	94.60	66.50	38.00	30.20	34.88
- lowest	27.20	50.90	59.06	34.10	21.56	15.50	15.30
Number of ordinary shares in issue (million)[1]	268.3	234.3	227.7	220.0	220.0	220.0	192.0
Market capitalisation (R'million)[2]	27 715	37 766	56 848	37 121	21 111	14 860	8 645
Daily average volume of shares traded ('000)	1 167.8	840.6	619.7	478.0	510.5	495.0	527.0

Notes:

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

2 The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 713.2 million shares in issue

Shareholder analysis

Largest shareholders as at 31 March 2009

In accordance with the terms provided for in Section 140A of the South African Companies Act 1973 the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec Limited

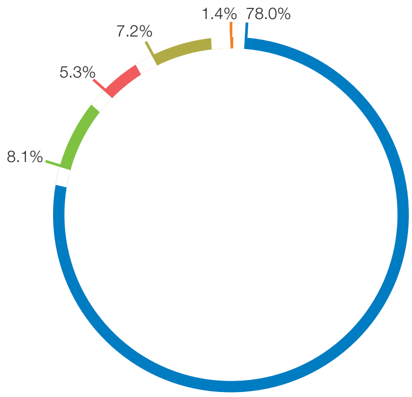
Shareholder analysis by manager group	Number of shares	% holding
1 PIC (ZA)	40 439 405	15.1
2 Investec Staff Share Schemes (ZA)	36 340 281	13.5
3 Old Mutual Asset Managers (ZA)	18 360 474	6.8
4 Tiso INL Investments (Pty) Ltd (ZA)**	14 000 000	5.2
5 Entrepreneurial Development Trust (ZA)**	14 000 000	5.2
6 PEU INL Investment 1 (Pty) Ltd (ZA)**	13 055 555	4.9
7 Coronation Fund Managers (ZA)	9 686 030	3.6
8 Investec Securities (Pty) Limited (ZA)*	8 320 456	3.1
9 STANLIB Asset Management (ZA)	7 512 249	2.8
10 Barclays Global Investors (US and UK)	7 215 071	2.7
Cumulative total	168 929 521	62.9

The top 10 shareholders account for 62.9% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

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

Geographic holding by beneficial owner as at 31 March 2009

Investec Limited



UK
South Africa
USA and Canada
Rest of Europe
Other countries

Directorate Investec Limited

Executive directors

Name	Age at 31 March 2009	Qualifications	Current directorships	Investec committee membership	Brief biography
Chief Executive Officer Stephen Koseff	57	BCom CA(SA) H Dip BDP MBA	The Bidvest Group Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer and General Manager of Banking, Treasury and Merchant Banking.
Managing Director Bernard Kantor	59	CTA	Phumelela Gaming and Leisure Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Bernard joined Investec in 1980. He has had varied experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer.
Group Risk and Finance Director Glynn R Burger	52	BAcc CA(SA) H Dip BDP MBL	Investec Bank Limited and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Glynn joined Investec in 1980. His positions within Investec have included Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa.
Alan Tapnack	62	BCom CA(SA)	Investec Bank plc and most of Investec plc's subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Alan is a former partner of PriceWaterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and has held the positions of Chief Finance Officer and Chief Executive Officer of Investec Bank plc and Chief Executive Officer of Investec's UK operations.

Directorate Investec Limited

Non-executive directors

Name	Age at 31 March 2009	Qualifications	Current directorships	Investec committee membership	Brief biography
Non-executive Chairman Hugh S Herman	68	BA LLB LLD (hc)	Growthpoint Properties Limited, Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and a number of Investec subsidiaries	DLC Nominations and Directors' Affairs Committee	Hugh practised as an attorney before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director.
Sam E Abrahams	70	FCA CA(SA)	Investec Bank Limited, Foschini Limited and Super Group Limited	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, DLC Nominations and Directors' Affairs Committee, Board Risk and Capital Committee and DLC Capital Committee	Sam is a former international partner and South African Managing Partner of Arthur Andersen.
George FO Alford	60	BSc (Econ) FCIS FIPD MSI	Investec Bank plc	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk and Capital Committee	George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority.
Cheryl A Carolus	50	BA (Law) B Ed	De Beers Consolidated Mines Limited, The IQ Business Group (Pty) Limited, Fenner Conveyor Belting South Africa (Pty) Limited, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd and Executive Chairperson of Peotona Group Holdings (Pty) Limited	-	Cheryl acted as the South African High Commissioner to London between 1998 to 2001 and was Chief Executive Officer of South African Tourism.
Haruko Fukuda OBE	62	MA (Cantab) DSc	Director of Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Metro AG and to Binani Industries of India	-	Haruko was previously Chief Executive Officer of the World Gold Council, and senior advisor at Lazard. She is former vice Chairman of Nikko Europe plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.

Directorate Investec Limited

Non-executive directors

Name	Age at 31 March 2009	Qualifications	Current directorships	Investec committee membership	Brief biography
Geoffrey MT Howe	59	MA (Hons)	Jardine Lloyd Thompson Group plc (Chairman) and Nationwide Building Society (Chairman)	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk and Capital Committee	Geoffrey is a former Managing Partner of Clifford Chance LLP and was Director and Group General Counsel of Robert Fleming Holdings Ltd. He is also a former Chairman of Railtrack Group plc.
Ian R Kantor	62	BSc (Eng) MBA	Insinger de Beaufort Holdings SA (in which Investec holds a 9.2% interest), Bank Insinger de Beaufort NV where he is Chairman of the management board	-	Former Chief Executive of Investec Limited.
Senior independent director Sir Chips Keswick	69	-	Investec Bank plc, De Beers SA, Arsenal Holdings Plc and Arsenal Football Club Plc	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee, DLC Nominations and Directors' Affairs Committee and Board Risk and Capital Committee	Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc. He was on the Court of the Bank of England.
M Peter Malungani	51	BCom MAP LDP	Super Group Limited (Chairman), Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited, Peu Group (Pty) Limited and a number of Peu subsidiaries	Board Risk and Capital Committee	Peter is Chairman and founder of Peu Group (Pty) Limited.
Sir David Prosser	65	BSc (Hons) FIA	Pippbrook Limited, Epsom Downs Racecourse Limited and The Royal Automobile Club Limited	DLC Audit Committee, Investec plc Audit Committee and Investec Limited Audit Committee	Sir David was previously Chief Executive of Legal & General Group PLC, joining Legal & General in 1988 as Group Director (Investments) becoming Deputy Chief Executive in January 1991 and Group Executive in September 1991. Sir David was previously Chairman of the Financial Services Skills Council.

Directorate Investec Limited

Non-executive directors

Name	Age at 31 March 2009	Qualifications	Current directorships	Investec committee membership	Brief biography
Peter RS Thomas	64	CA(SA)	Investec Bank Limited, various Investec companies and JCI Limited	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Board Risk and Capital Committee and DLC Nominations and Directors' Affairs Committee. Peter is the director responsible for our Sustainability process.	Peter was the former Managing Director of The Unisec Group Limited.
Fani Titi	46	BSc (Hons) MA MBA	Investec Bank Limited (Chairman), AECI Limited and Investec Asset Management Holdings (Pty) Ltd	Board Risk and Capital Committee and DLC Nominations and Directors' Affairs Committee	Fani is Chairman of Investec Bank Limited and was the former Chairman of Tiso Group Limited.

Financial statements 6

Contents

Directors' responsibility statement

The annual financial statements and the group annual financial statements of Investec Limited, as set out on pages 101 to 155, are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, as if Investec Limited were a standalone component of the Dual Listed Companies structure of Investec Limited and Investec plc, as explained in the paragraph of the Directors' Report headed: Purpose and basis of preparation of financial statements, and are prepared in accordance with International Financial Reporting Standards on this basis.

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

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

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

Approval of group annual financial statements and company annual financial statements

The group annual financial statements and company annual financial statements of Investec Limited, as identified in the first paragraph, were approved by the board of directors on 25 June 2009 and signed on its behalf by

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer

Declaration by the Company Secretary

In terms of Section 268G (d) of the Companies Act, 61 of 1973, as amended, I hereby certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2009, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Benita Coetsee
Group Secretary

25 June 2009

Financial statements

Independent Auditors' Report to the members of Investec Limited

We have audited the consolidated and separate annual financial statements and annual financial statements of Investec Limited, which comprise, the balance sheets at 31 March 2009, the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Directors' Report, as set out on pages 101 to 155.

Directors' responsibility for the financial statements

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

Auditors responsibility

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

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

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

Opinion

In our opinion, these financial statements are prepared to present, in all material respects, the consolidated and separate financial position of Investec Limited at 31 March 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, as if Investec Limited were a standalone component of the Dual Listed Companies structure of Investec Limited and Investec plc, as explained in the Directors' Report.

For an understanding of the combined consolidated financial position of the Dual Listed Companies structure of Investec Limited and Investec plc at 31 March 2009, and their combined consolidated financial performance and combined consolidated cash flows for the year then ended, the user is referred to the combined consolidated financial statements contained in the 2009 Annual Report of Investec Limited and Investec plc.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditors

Per JP Grist
Chartered Accountant (SA)
Registered Auditor
Director

25 June 2009

Wanderers Office Park
52 Corlett Drive
Johannesburg

KPMG Inc.

KPMG Inc.
Registered Auditors

Per VT Yuill
Chartered Accountant (SA)
Registered Auditor
Director

25 June 2009

KPMG Crescent
85 Empire Road, Parktown
Johannesburg

Directors' Report

Business review

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

A review of the operations for the year can be found on pages 13 to 25.

Authorised and issued share capital

During the year the following shares were issued:

- Allotment and issue on 23 May 2008 of 1 109 184 ordinary shares of R0.0002 each at a premium of R35.3398 per share (total issue price of R35.34 per share).
- Allotment and issue on 23 May 2008 of 854 869 special convertible redeemable preference shares of R0.0002 each.
- Conversion of 880 000 Series 1 debentures to 4 400 000 ordinary shares of R0.0002 each issued at a premium of R34.9998 per share (total issue price of R35.00) per share.
- Conversion of 980 000 Series 2 debentures to 4 900 000 ordinary shares of R0.0002 each issued at a premium of R45.9998 per share (total issue price of R46.00) per share.
- Allotment on 31 July 2008 and issue on 1 August 2008 of 17 869 970 ordinary shares of R0.0002 plus a premium of R15.7998 per share (total issue price of R15.80 per share).
- Allotment and issue on 21 November 2008 of 1 147 258 ordinary shares of R0.0002 each at a premium of R28.5698 per share (total issue price of R28.57 per share).
- Allotment and issue on 21 November 2008 of 762 870 special convertible redeemable preference shares of R0.0002 each.
- Allotment and issue on 20 March 2009 of 4 422 478 ordinary shares of R0.0002 each at a premium of R39.9998 (total issue price of R40.00 per share).
- Allotment and issue on 30 March 2009 of 175 053 ordinary shares of R0.0002 each at a premium of R38.9998 (total issue price of R39.00 per share).
- Allotment and issue on 31 March 2009 of 20 000 000 special convertible redeemable preference shares of R0.0002 each.

Financial results

The results of Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2009.

Ordinary dividends

An interim dividend of 128.0 cents per ordinary share (2008: 159.5 cents) was declared to shareholders registered on 12 December 2008 and was paid on 19 December 2008.

The directors have proposed a final dividend of 66.0 cents per ordinary share (2008: 202.0 cents) to shareholders registered on 31 July 2009 to be paid on 18 August 2009. The final dividend is subject to the approval of members of Investec Limited at the Annual General Meeting scheduled for 13 August 2009.

Preference dividends

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

Preference dividend number 8 for the period 1 April 2008 to 30 September 2008 amounting to 536.03 cents per share was declared to members holding preference shares registered on 28 November 2008 and was paid on 9 December 2008.

Preference dividend number 9 for the period 1 October 2008 to 31 March 2009 amounting to 518.77 cents per share was declared to members holding preference shares registered on 19 June 2009 and will be paid on 2 July 2009.

Redeemable cumulative preference shares

Dividends amounting to R42 071 233 were paid on the redeemable cumulative preference shares.

Directors' Report

Directors and secretary

Details of directors and the secretary of Investec Limited are reflected on pages 92 to 95 and at the beginning of this report.

In accordance with the Articles of Association, SE Abrahams, HS Herman, IR Kantor, S Koseff, Sir David Prosser and PRS Thomas, retire by rotation at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in the Investec group's 2009 Annual Report. The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Share incentive trusts

Details regarding options granted during the year are set out on pages 122 and 123.

Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems. Further details on the role and responsibility of the Audit Committee are set out in the Investec group's 2009 Annual Report.

Auditors

Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as auditors of Investec Limited respectively. A resolution to reappoint them as auditors will be proposed at the next Annual General Meeting scheduled to take place on 13 August 2009.

Contracts

Refer to the Investec group's 2009 Annual Report for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on page 145.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 91.

Special resolutions

At the Annual General Meeting held on 7 August 2008, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and its subsidiaries to acquire its own ordinary and non-redeemable, non-cumulative, non-participating preference shares in terms of Section 85 and 89 of the South African Companies Act No 61 of 1973.
- The authorised ordinary share capital has increased to 300 000 000 (three hundred million) by the creation of 22 500 000 (twenty two million five hundred thousand) new ordinary shares of R0.0002 each.
- An amendment was made to the Memorandum of Association by updating the authorised share capital of Investec Limited.
- An amendment was made to the Articles of Association by inserting a new Article 72A to allow for Multiple Proxies.
- An amendment was made to the Articles of Association by inserting a new Article 57.2(a) - Demand for a poll.
- An amendment was made to the Articles of Association by inserting a new Article 75 - Corporate Representation.
- An amendment was made to the Articles of Association by inserting a new Article 72 - Timing for the deposit of form of proxy.
- Replacement of the old Articles of Association of Investec Limited by adopting the new Articles of Association.

Directors' Report

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable financial reporting framework. These policies are set out on pages 109 to 118.

Purpose and basis of preparation of financial statements

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

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

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

Creditor payment policy

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

Employees

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

Donations

During the year, Investec Limited made donations for charitable purposes, totalling R31.9 million.

Environment

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

Subsequent events

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

Benita Coetsee
Company Secretary
Investec Limited

25 June 2009

Consolidated income statements

For the year to 31 March R'million	Notes	Group 2009	 2008	Company 2009	 2008
Interest income		21 639	14 886	109	196
Interest expense		(17 661)	(11 567)	(50)	(81)
Net interest income		3 978	3 319	59	115
Fee and commission income		3 693	3 905	-	-
Fee and commission expense		(178)	(246)	-	-
Principal transactions	3	2 249	2 402	1 747	3 619
Operating loss from associates	21	(1)	(1)	-	-
Investment income on assurance activities	30	1 041	1 322	-	-
Premiums and reinsurance recoveries on insurance contracts	30	262	598	-	-
Other operating (loss)/income	4	(103)	55	-	-
Other income		6 963	8 035	1 747	3 619
Claims and reinsurance premiums on insurance business	30	(1 228)	(1 767)	-	-
Total operating income net of insurance claims		9 713	9 587	1 806	3 734
Impairment losses on loans and advances	19	(766)	(439)	-	-
Operating income		8 947	9 148	1 806	3 734
Administrative expenses	5	(4 762)	(4 648)	(68)	(56)
Depreciation, amortisation and impairment of property, equipment and intangibles	24/27	(89)	(87)	-	-
Operating profit before goodwill		4 096	4 413	1 738	3 678
Goodwill	26	(31)	(45)	-	-
Operating profit		4 065	4 368	1 738	3 678
Profit on disposal of group operations		10	1 001	-	-
Profit before taxation		4 075	5 369	1 738	3 678
Taxation	7	(1 018)	(1 193)	(32)	(35)
Profit after taxation		3 057	4 176	1 706	3 643
Earnings attributable to minority shareholders		7	9	-	-
Earnings attributable to shareholders		3 050	4 167	1 706	3 643

Consolidated balance sheets

At 31 March R'million	Notes	Group 2009	 2008	Company 2009	 2008
Assets					
Cash and balances at central banks		3 158	2 811	-	-
Loans and advances to banks		12 185	16 560	29	30
Cash equivalent advances to customers		5 378	8 039	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	14	8 388	7 171	-	-
Trading securities	15	26 982	24 683	250	-
Derivative financial instruments	16	9 991	9 679	-	-
Investment securities	17	635	222	-	-
Loans and advances to customers	19	112 161	94 798	1	1
Securitised assets	20	13 013	13 444	-	-
Interests in associated undertakings	21	166	195	-	-
Deferred taxation assets	22	508	469	-	-
Other assets	23	4 892	5 595	1	1
Property and equipment	24	190	165	-	-
Investment properties	25	2 568	2 182	-	-
Goodwill	26	308	339	-	-
Intangible assets	27	88	75	-	-
Investment in subsidiaries	29	-	-	9 883	9 235
		200 611	186 427	10 164	9 267
Other financial instruments at fair value through income in respect of					
- Liabilities to customers	30	45 590	46 547	-	-
- Assets related to reinsurance contracts	30	24	13 016	-	-
		246 225	245 990	10 164	9 267
Liabilities					
Deposits by banks		12 159	9 427	-	-
Derivative financial instruments	16	10 505	10 235	-	-
Other trading liabilities	31	2 072	4 165	-	-
Repurchase agreements and cash collateral on securities lent	14	2 290	1 533	-	-
Customer accounts		126 870	115 480	-	-
Debt securities in issue	32	954	2 524	-	-
Liabilities arising on securitisation	20	11 100	12 669	-	-
Current taxation liabilities	33	1 192	1 169	154	122
Deferred taxation liabilities	22	870	558	-	-
Other liabilities	34	11 340	9 396	467	481
		179 352	167 156	621	603
Liabilities to customers under investment contracts	30	45 515	46 289	-	-
Insurance liabilities, including unit-linked liabilities	30	74	258	-	-
Reinsured liabilities	30	24	13 016	-	-
		224 965	226 719	621	603
Subordinated liabilities (including convertible debt)	35	5 091	4 710	-	379
		230 056	231 429	621	982
Equity					
Ordinary share capital	36	1	1	1	1
Share premium	38	8 372	7 454	8 480	7 564
Treasury shares	39	(1 758)	(1 227)	-	-
Equity portion of compulsorily convertible debentures		-	22	-	-
Other reserves		185	1 079	62	62
Retained income		7 859	5 730	1 000	658
Shareholders' equity excluding minority interests		14 659	13 059	9 543	8 285
Minority interests	40	1 510	1 502	-	-
- Perpetual preferred securities issued by subsidiaries		1 491	1 491	-	-
- Minority interests in partially held subsidiaries		19	11	-	-
Total shareholders' equity		16 169	14 561	9 543	8 285
Total liabilities and equity		246 225	245 990	10 164	9 267

Statements of changes in equity

R'million	Ordinary share capital	Share premium account	Treasury shares	Compulsorily convertible debentures
Group				
At 1 April 2007	1	7 260	(1 177)	22
Movement in reserves 1 April 2007 – 31 March 2008				
Foreign currency movements	-	-	-	-
Profit for the year	-	-	-	-
Fair value movement on available for sale assets	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-
Share based payments	-	-	-	-
Issue of ordinary shares	-	194	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Movements on minorities on disposals and acquisitions	-	-	-	-
Movement of treasury shares	-	-	(50)	-
Transfer from retained income to regulatory general risk reserve	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-
At 31 March 2008	1	7 454	(1 227)	22
Movement in reserves 1 April 2008 – 31 March 2009				
Foreign currency movements	-	-	-	-
Profit for the year	-	-	-	-
Fair value movement on available for sale assets	-	-	-	-
Fair value movement on cash flow hedge	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-
Issue of ordinary shares	-	636	-	-
Share based payments	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Movements on minorities on disposals and acquisitions	-	-	-	-
Movement of treasury shares	-	-	(531)	-
Transfer from regulatory general risk reserve to retained income	-	-	-	-
Redemption of compulsorily convertible debentures	-	282	-	(22)
At 31 March 2009	1	8 372	(1 758)	-

R'million	Ordinary share capital	Share premium account	Capital reserve account	Retained income	Total equity
Company					
At 1 April 2007	1	7 370	62	(2 130)	5 303
Movement in reserves 1 April 2007 – 31 March 2008					
Profit for the year	-	-	-	3 643	3 643
Issue of ordinary shares	-	194	-	-	194
Share based payments	-	-	-	292	292
Dividends paid to ordinary shareholders	-	-	-	(951)	(951)
Dividends paid to perpetual preference shareholders	-	-	-	(196)	(196)
At 31 March 2008	1	7 564	62	658	8 285
Movement in reserves 1 April 2008 – 31 March 2009					
Profit for the year	-	-	-	1 706	1 706
Issue of ordinary shares	-	916	-	-	916
Share based payments	-	-	-	351	351
Dividends paid to ordinary shareholders	-	-	-	(1 485)	(1 485)
Dividends paid to perpetual preference shareholders	-	-	-	(230)	(230)
At 31 March 2009	1	8 480	62	1 000	9 543

Capital reserve account	Available for sale reserve	Other reserves Regulatory general risk reserve	Foreign currency reserve	Cash flow hedge reserve	Retained income	Share-holders' equity excluding minority interests	Minority interests	Total equity
62	233	732	51	-	2 584	9 768	1 511	11 279
-	-	-	61	-	-	61	-	61
-	-	-	-	-	4 167	4 167	9	4 176
-	(185)	-	-	-	-	(185)	-	(185)
-	(185)	-	61	-	4 167	4 043	9	4 052
-	-	-	-	-	303	303	-	303
-	-	-	-	-	-	194	-	194
-	-	-	-	-	(861)	(861)	-	(861)
-	-	-	-	-	(338)	(338)	-	(338)
-	-	-	-	-	-	-	(16)	(16)
-	-	-	-	-	-	(50)	-	(50)
-	-	125	-	-	(125)	-	-	-
-	-	-	-	-	-	-	(2)	(2)
62	48	857	112	-	5 730	13 059	1 502	14 561
-	-	-	(29)	-	-	(29)	-	(29)
-	-	-	-	-	3 050	3 050	7	3 057
-	(100)	-	-	-	-	(100)	-	(100)
-	-	-	-	(1)	-	(1)	-	(1)
-	(100)	-	(29)	(1)	3 050	2 920	7	2 927
-	-	-	-	-	-	636	-	636
-	-	-	-	-	351	351	-	351
-	-	-	-	-	(1 379)	(1 379)	-	(1 379)
-	-	-	-	-	(397)	(397)	-	(397)
-	-	-	-	-	-	-	1	1
-	-	-	-	-	-	(531)	-	(531)
-	-	(764)	-	-	764	-	-	-
-	-	-	-	-	(260)	-	-	-
62	(52)	93	83	(1)	7 859	14 659	1 510	16 169

Cash flow statements

For the year to 31 March R'million	Notes	Group 2009	 2008	Company 2009	 2008
Cash flows from operating activities					
Cash generated by operating activities	41	5 107	4 628	1 806	3 735
Taxation (paid)/received		(722)	(907)	-	3
Net cash inflow from operating activities		4 385	3 721	1 806	3 738
Cash flows from banking activities					
(Decrease)/increase in operating liabilities		(2 089)	29 994	(14)	2
(Increase)/decrease in operating assets		(3 336)	(31 232)	33	(111)
Net cash (outflow)/inflow from banking activities		(5 425)	(1 238)	19	(109)
Cash flows from investing activities					
Proceeds on disposal of group operations	28	10	-	-	-
(Increase)/decrease in loans to associate		(34)	25	-	-
Net investments in property and equipment		(274)	(278)	-	-
Net cash outflow from investing activities		(298)	(253)	-	-
Cash flows from financing activities					
Repurchase of treasury shares		(531)	(50)	-	-
Issue of shares		636	194	916	194
Issue/(repayment) of subordinated liabilities		400	1 657	(379)	-
Dividends paid		(1 776)	(1 199)	(1 715)	(1 147)
Dividends paid to minority shareholders		-	(2)	-	-
Net increase in subsidiaries and loans to group companies		-	-	(648)	(2 674)
Net cash (outflow)/inflow from financing activities		(1 271)	600	(1 826)	(3 627)
Net (decrease)/increase in cash and cash equivalents		(2 609)	2 830	(1)	2
Cash and cash equivalents at beginning of year		13 458	10 628	30	28
Cash and cash equivalents at end of year		10 849	13 458	29	30
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		3 158	2 811	-	-
On demand loans and advances to banks		2 313	2 608	29	30
Cash equivalent advances to customers		5 378	8 039	-	-
Cash and cash equivalents at the end of the year		10 849	13 458	29	30

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

Accounting policies

Basis of preparation

a) Statement of compliance

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa.

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

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.

b) Presentation of information

Disclosure under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the Risk Management Report on pages 27 to 80.

Certain disclosures required under IAS 24, Related Party Disclosures have been included in the section marked as audited in the Remuneration Report as included in the combined consolidated financial statements of Investec Limited and Investec plc.

c) Basis of measurement

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

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

d) Functional and presentation currency

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

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 15, trading securities and note 17, investment securities.
- Valuation of investment properties is performed twice annually by directors that are qualified valuers. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time. Refer to note 25 for the carrying value of investment property.
- 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.

Accounting policies

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.

Subsidiaries are held in the company at the lower of cost (including loan advances to subsidiaries) and impaired value.

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

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

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

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

Segmental reporting

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

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

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

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

Goodwill

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

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

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of the group (South African Rand) 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 payment 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, based on an estimate of the amount of instruments that will eventually vest.

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.

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, based on an estimate of the amount of instruments that will eventually vest.

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

Foreign currency transactions and foreign operations

The presentation currency of the group is South African Rand, being the currency in which the group mainly operates.

Foreign operations are subsidiaries, associates, joint ventures or branches of the group, the activities of which are based in a functional currency other than that of 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, or, 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 at fair value and fair value gains and losses on investment properties.

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Trading profits gross of funding costs are disclosed in note 3.

Dividends from subsidiaries are recognised when paid in the company accounts.

Financial instruments

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

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

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

Financial instruments 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.

Accounting policies

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

Financial assets and liabilities are designated as 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 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.

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

Available for sale financial assets

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

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

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

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

Accounting policies

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 and loss and available for sale;
- Equity securities;
- Private equity investments;
- Derivative positions;
- Loans and advances designated as at fair value through profit and loss;
- Loans and advances designated as available for sale; and
- Financial liabilities classified as trading or designated as 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 provision reserve. The non distributable regulatory provision reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

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

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

Derivative instruments

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

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on derivatives are recognised in the income statement as part of trading income which forms part of principal transactions (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 hedged item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

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

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument is initially recognised in equity and is 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 and 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.
- 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 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 board of directors.

Sale and repurchase agreements (including securities borrowing and lending)

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

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

Financial guarantees

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

Instalment credit, leases and rental agreements

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

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight line basis over the lease term. Contingent rentals (if any) are charged 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 and prior 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.

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.

Investment property

Properties held by the group which are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under "principal transactions".

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

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

Taxation and deferred taxation

Current tax payable is provided on taxable profits at rates that are enacted or substantially enacted in the relevant period.

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

- The initial recognition of goodwill.
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit and loss.
- In respect of taxable temporary differences associated with 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 taxation assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

Insurance contracts

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

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

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

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

Employee benefits

The group operates various defined contribution schemes. All employer contributions are charged to income, as incurred in accordance with the rules of the scheme, and included under staff costs.

The group has no liabilities for other post retirement benefits.

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations not yet effective

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

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

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

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

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

Accounting policies

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

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

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 group is currently evaluating the effect of this interpretation on the consolidated financial statements.

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 interpretations have been issued 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

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services and Other Activities	Total
2. Segmental analysis							
Group							
Business analysis 2009							
Interest income	21 233	20 685	92	53	146	(20 570)	21 639
Interest expense	(19 508)	(19 482)	(37)	-	(242)	21 608	(17 661)
Net interest income	1 725	1 203	55	53	(96)	1 038	3 978
Fee and commission income	1 004	488	430	1 541	261	(31)	3 693
Fee and commission expense	(48)	(19)	(65)	-	-	(46)	(178)
Principal transactions	46	643	1 161	-	310	89	2 249
Operating loss from associates	-	-	-	-	-	(1)	(1)
Investment income on assurance activities	-	-	-	-	-	1 041	1 041
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	262	262
Other operating (loss)/income	10	-	-	(71)	(4)	(38)	(103)
Other income	1 012	1 112	1 526	1 470	567	1 276	6 963
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(1 228)	(1 228)
Total operating income net of insurance claims	2 737	2 315	1 581	1 523	471	1 086	9 713
Impairment losses on loans and advances	(266)	(354)	(54)		-	(92)	(766)
Operating income	2 471	1 961	1 527	1 523	471	994	8 947
Administrative expenses	(1 725)	(1 052)	(582)	(785)	(160)	(458)	(4 762)
Depreciation, amortisation and impairment of property, equipment and intangibles	(33)	(1)	-	(9)	-	(46)	(89)
Operating profit before goodwill	713	908	945	729	311	490	4 096
Goodwill	-	-	-	(31)	-	-	(31)
Operating profit	713	908	945	698	311	490	4 065
Profit on disposal of group operations	-	-	-	-	-	10	10
Profit before taxation	713	908	945	698	311	500	4 075
Net intersegment revenue	(4 026)	3 782	(102)	19	(119)	446	-
Cost to income ratio	64.2%	45.5%	36.8%	52.1%	34.0%	46.4%	49.9%
Total assets	55 371	123 052	3 060	2 049	1 204	61 489	246 225

For the year to 31 March R'million	Private Client Activities	Capital Markets	Investment Banking	Asset Manage-ment	Property Activities	Group Services and Other Activities	Total
2. Segmental analysis (continued)							
Group							
Business analysis 2008							
Interest income	14 706	15 094	103	45	(12)	(15 050)	14 886
Interest expense	(13 028)	(14 215)	(63)	-	(136)	15 875	(11 567)
Net interest income	1 678	879	40	45	(148)	825	3 319
Fee and commission income	1 128	450	546	1 522	278	(19)	3 905
Fee and commission expense	(124)	(12)	(95)	-	-	(15)	(246)
Principal transactions	201	827	965	1	629	(221)	2 402
Operating loss from associates	-	-	-	-	-	(1)	(1)
Investment income on assurance activities	-	-	-	-	-	1 322	1 322
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	598	598
Other operating (loss)/income	-	-	-	55	-	-	55
Other income	1 205	1 265	1 416	1 578	907	1 664	8 035
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(1 767)	(1 767)
Total operating income net of insurance claims	2 883	2 144	1 456	1 623	759	722	9 587
Impairment losses on loans and advances	(149)	(268)	(20)	-	-	(2)	(439)
Operating income	2 734	1 876	1 436	1 623	759	720	9 148
Administrative expenses	(1 673)	(903)	(503)	(867)	(248)	(454)	(4 648)
Depreciation, amortisation and impairment of property, equipment and intangibles	(23)	(2)	(1)	(11)	(4)	(46)	(87)
Operating profit before goodwill	1 038	971	932	745	507	220	4 413
Goodwill	-	-	-	(45)	-	-	(45)
Operating profit	1 038	971	932	700	507	220	4 368
Profit on disposal of group operations	-	-	-	-	998	3	1 001
Profit before taxation	1 038	971	932	700	1 505	223	5 369
Net intersegment revenue	(2 235)	2 198	(160)	9	(132)	320	-
Cost to income ratio	58.8%	42.2%	34.6%	54.1%	33.2%	69.3%	49.4%
Total assets	51 754	112 271	2 943	1 844	1 172	76 006	245 990

Notes to the financial statements

For the year to 31 March R'million	Group 2009	 2008
2. Segmental analysis (continued)		
A further analysis of business line operating profit before goodwill, non-operating items and taxation is shown below:		
Private Client Activities		
Private Banking	533	821
Private Client Portfolio Management and Stockbroking	180	217
	713	1 038
Capital Markets	908	971
Investment Banking		
Corporate Finance	79	111
Institutional Research, Sales and Trading	82	114
Principal Investments	784	707
	945	932
Asset Management	729	745
Property Activities	311	507
Group Services and Other Activities		
International Trade Finance	62	58
Central Funding	868	588
Central Costs	(440)	(426)
	490	220
Total group	4 096	4 413

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

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

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
3. Principal transactions				
Principal transaction income includes:				
Gross trading income	1 570	1 797	-	-
Funding cost set-off against trading income	(592)	(745)	-	-
Net trading income	978	1 052	-	-
Net (loss)/gain from financial instruments designated at fair value through profit and loss	(63)	77	66	-
Fair value gain on investment properties	239	639	-	-
Gain on realisation of available for sale financial instruments	66	293	-	-
Dividend income	957	333	1 681	3 619
Other income	72	8	-	-
	2 249	2 402	1 747	3 619
Net (loss)/gain from financial instruments designated at fair value through profit and loss includes:				
Fair value gain on designated equity positions	514	483	66	-
Fair value gain/(loss) on designated loans and receivables	152	(696)	-	-
Fair value loss on designated securities	(276)	(5)	-	-
Fair value (loss)/gain on designated liabilities	(453)	295	-	-
	(63)	77	66	-

Notes to the financial statements

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
4. Other operating (loss)/income				
Loss on realisation of properties	(28)	-	-	-
Operating (loss)/profit of non core businesses	(75)	55	-	-
	(103)	55	-	-
5. Administrative expenses				
Staff costs	3 097	3 240	68	57
- Salaries and wages (including directors' remuneration)*	2 606	2 809	-	-
- Share based payments expense	351	303	68	57
- Social security costs	23	20	-	-
- Pensions and provident fund contributions	117	108	-	-
Premises expenses (excluding depreciation)	313	258	-	-
Equipment expenses (excluding depreciation)	434	339	-	-
Business expenses^	723	652	-	(1)
Marketing expenses	195	159	-	-
	4 762	4 648	68	56
The following amounts were paid to the auditors:				
Audit fees	39	37	-	-
Audit related fees	5	-	-	-
Other services	2	4	-	-
	46	41	-	-
Audit fees by audit firm:				
Ernst & Young Inc.	25	22	-	-
KPMG Inc.	20	19	-	-
Other	1	-	-	-
	46	41	-	-
Minimum operating lease payments recognised in administrative expenses	249	215	-	-

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

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

6. Share based payments

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

Expense charged to the income statement (included in administrative expenses) R'million	PC**	CM**	IB**	AM**	PA**	GSO**	Total group
2009	95	53	33	26	13	131	351
2008	84	44	26	19	15	115	303

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

Financial statements

Notes to the financial statements

Details of options outstanding during the year	Group			
	2009		2008	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
6. Share based payments (continued)				
Outstanding at the beginning of the year	28 917 806	6.55	30 542 346	14.02
Granted during the year	5 498 450	-	7 601 180	-
Exercised during the year*	(1 691 084)	26.28	(7 433 770)	30.30
Expired during the year	(1 323 971)	12.60	(1 791 950)	7.63
Outstanding at the end of the year	31 401 201	4.08	28 917 806	6.55
Exercisable at the end of the year	2 318 989	39.89	2 538 170	39.69

* The weighted average share price during the year was R44.63 (2008: R77.98)

At 31 March	2009	2008
The exercise price range and weighted average remaining contractual life for the options outstanding at 31 March 2009, were as follows:		
Options with strike prices		
Exercise price range	R20.28 – R57.60	R20.28 – R57.60
Weighted average remaining contractual life	1.76 years	3.16 years
Long-term incentive grants with no strike price		
Exercise price range	R0	R0
Weighted average remaining contractual life	2.74 years	3.34 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	R45 – R47	R71 – R92
- Exercise price	Rnil	Rnil
- Expected volatility	34% – 45%	30%
- Option life	5 years	5 years
- Expected dividend yields	9.55%	4.30% – 6%
- Risk-free rate	7.71% – 11.96%	9.55% – 10.20%

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last 6 months, but also includes an element of forward expectation.

For the year to 31 March R'million	Group 2009	 2008	Company 2009	 2008
7. Taxation				
South Africa				
– Current taxation	728	1 199	31	35
– Capital gains taxation	5	162	-	-
– Deferred taxation	273	(179)	-	-
– Current year	273	(173)	-	-
– Capital gains taxation	-	(6)	-	-
Total South African taxation	1 006	1 182	31	35
Foreign taxation				
– Mauritius	6	8	-	-
– Botswana	3	3	-	-
Total foreign taxation	9	11	-	-
Taxation on income	1 015	1 193	31	35
Secondary taxation on companies	3	-	1	-
Total taxation	1 018	1 193	32	35
Tax rate reconciliation				
Profit before taxation as per income statement	4 075	5 369	1 738	3 678
Total taxation charge in income statement	1 018	1 193	32	35
Less: secondary taxation on companies	(3)	-	(1)	-
Total taxation on income	1 015	1 193	31	35
Effective rate of taxation	24.9%	22.2%	1.8%	1.0%
The standard rate of South African normal taxation has been affected by:				
– Dividend income	6.8%	1.8%	28.0%	28.5%
– Foreign earnings*	0.1%	0.1%	-	-
– Capital gains	0.1%	3.0%	-	-
– Other permanent differences	(3.9%)	1.9%	(1.8%)	(0.5%)
	28.0%	29.0%	28.0%	29.0%

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

Financial statements

For the year to 31 March	Group				Company			
	2009		2008		2009		2008	
	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million	Cents per share	R'million
8. Dividends								
Ordinary dividend								
Final dividend in prior year	202.00	793*	180.00	364*	202.00	842	180.00	410
Interim dividend for current year	128.00	586*	159.50	497*	128.00	643	159.50	541
Total dividend attributable to ordinary shareholders recognised in current financial year	330.00	1 379	339.50	861	330.00	1 485	339.50	951
Perpetual preference dividend								
Final dividend in prior year	1 038.64	191	887.48	164	501.41	111	428.44	95.00
Interim dividend for current year	1 110.35	206	941.02	174	536.03	119	454.04	101.00
Total dividend attributable to perpetual preference shareholders recognised in current financial year	2 148.99	397	1 828.50	338	1 037.44	230	882.48	196

The directors have proposed a final dividend in respect of the financial year ended 31 March 2009 of 66 cents (2008: 202 cents) per ordinary share. The final dividend will be payable on 18 August 2009 to shareholders on the register at the close of business on 31 July 2009. The Annual General Meeting at which the proposed dividend will be considered for approval is scheduled to take place on 13 August 2009.

The directors have declared a final dividend in respect of the financial year ended 31 March 2009 of 518.77 cents (2008: 501.41 cents) per perpetual preference share (Investec Limited) and 555.71 cents (2008: 537.23 cents) per perpetual preference share (Investec Bank Limited). The final dividend will be payable on 2 July 2009 to shareholders on the register at the close of business on 19 June 2009.

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

For the year to 31 March R'million	Group		Company	
	2009	2008	2009	2008
9. Headline earnings				
Calculation of headline earnings				
Earnings attributable to shareholders	3 050	4 167	1 706	3 643
Preference dividends paid	(397)	(338)	(230)	(196)
Earnings attributable to ordinary shareholders	2 653	3 829	1 476	3 447
Headline adjustments	(75)	(1 544)	-	-
Goodwill impairment	31	45	-	-
Revaluation of investment properties	(102)	(449)	-	-
Profit on disposal of group operations	(10)	(889)	-	-
Impairment of associates	62	-	-	-
Disposal of available for sale instruments	(56)	(251)	-	-
Headline earnings attributable to ordinary shareholders	2 578	2 285	1 476	3 447

Taxation on headline earnings adjustments amounted to R49.7 million (2008: R337.4 million), with no impact on earnings attributable to minorities.

Notes to the financial statements

For the year to 31 March R'million	At fair value through profit and loss Trading	 Designated at inception	Held-to-maturity	Loans and receivables
10. Analysis of income and expenses by category of financial instrument				
Group				
2009				
Net interest income	847	3 270	28	16 577
Fee and commission income	332	3	-	440
Fee and commission expense	-	6	-	(19)
Principal transactions	1 927	524	-	-
Operating income from associates	-	-	-	-
Investment income on assurance activities	-	-	-	-
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-
Other operating income	-	(99)	-	-
Other income including net interest income	3 106	3 704	28	16 998
Claims and reinsurance recoveries on insurance contracts	-	-	-	-
Total operating income net of insurance claims	3 106	3 704	28	16 998
Impairment losses on loans and advances	-	-	-	(766)
Operating income	3 106	3 704	28	16 232
2008				
Net interest income	(47)	497	21	14 368
Fee and commission income	165	7	-	325
Fee and commission expense	(3)	-	-	-
Principal transactions	1 797	410	-	-
Operating income from associates	-	-	-	-
Investment income on assurance activities	-	-	-	-
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-
Other operating income	-	55	-	-
Other income including net interest income	1 912	969	21	14 693
Claims and reinsurance recoveries on insurance contracts	-	-	-	-
Total operating income net of insurance claims	1 912	969	21	14 693
Impairment losses on loans and advances	-	-	-	(439)
Operating income	1 912	969	21	14 254
Company				
2009				
Net interest income	-	-	-	59
Principal transactions	-	66	-	-
Operating income	-	66	-	59
2008				
Net interest income	-	-	-	115
Principal transactions	-	-	-	-
Operating income	-	-	-	115

* This includes dividend income from subsidiary companies

Financial statements

Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Other fee income	Total
-	(16 744)	-	-	-	3 978
-	-	-	209	2 709	3 693
-	-	-	-	(165)	(178)
66	(592)	-	317	7	2 249
-	-	-	(1)	-	(1)
-	-	1 041	-	-	1 041
-	-	262	-	-	262
-	-	-	(4)	-	(103)
66	(17 336)	1 303	521	2 551	10 941
-	-	(1 228)	-	-	(1 228)
66	(17 336)	75	521	2 551	9 713
-	-	-	-	-	(766)
66	(17 336)	75	521	2 551	8 947
-	(11 520)	-	-	-	3 319
-	-	-	233	3 175	3 905
-	(4)	-	-	(239)	(246)
293	(745)	-	647	-	2 402
-	-	-	(1)	-	(1)
-	-	1 322	-	-	1 322
-	-	598	-	-	598
-	-	-	-	-	55
293	(12 269)	1 920	879	2 936	11 354
-	-	(1 767)	-	-	(1 767)
293	(12 269)	153	879	2 936	9 587
-	-	-	-	-	(439)
293	(12 269)	153	879	2 936	9 148
-	-	-	-	-	59
-	-	-	1 681*	-	1 747
-	-	-	1 681	-	1 806
-	-	-	-	-	115
-	-	-	3 619	-	3 619
-	-	-	3 619	-	3 734

At 31 March 2009 R'million	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
11. Analysis of financial assets and liabilities by measurement basis				
Group				
Assets				
Cash and balances at central banks	-	-	-	-
Loans and advances to banks	-	476	-	476
Cash equivalent advances to customers	175	-	-	175
Reverse repurchase agreements and cash collateral on securities borrowed	2 632	-	-	2 632
Trading securities	12 671	14 311	-	26 982
Derivative financial instruments*	9 991	-	-	9 991
Investment securities	2	7	135	144
Loans and advances to customers	-	14 479	-	14 479
Securitised assets	-	1 514	-	1 514
Interest in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	1 957	-	-	1 957
Property, plant and equipment	-	-	-	-
Investment properties	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	27 428	30 787	135	58 350
Other financial instruments at fair value through income				
- In respect of liabilities	-	-	-	-
- Assets related to reinsurance contracts	-	-	-	-
	27 428	30 787	135	58 350
Liabilities				
Deposits by banks	-	-	-	-
Derivative financial instruments*	10 505	-	-	10 505
Other trading liabilities	2 072	-	-	2 072
Repurchase agreements and cash collateral on securities lent	2 281	-	-	2 281
Customer accounts	38	13 626	-	13 664
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	-	1 514	-	1 514
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	1 167	319	-	1 486
	16 063	15 459	-	31 522
Liabilities to customers under investment contracts	-	-	-	-
Insurance liabilities, including unit-linked liabilities	-	-	-	-
Reinsured liabilities	-	-	-	-
	16 063	15 459	-	31 522
Subordinated liabilities (including convertible debt)	-	-	-	-
	16 063	15 459	-	31 522

* Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 46

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
-	3 158	-	3 158	-	-	3 158
-	11 709	-	11 709	-	-	12 185
-	5 203	-	5 203	-	-	5 378
-	5 756	-	5 756	-	-	8 388
-	-	-	-	-	-	26 982
-	-	-	-	-	-	9 991
491	-	-	491	-	-	635
208	97 474	-	97 682	-	-	112 161
-	11 499	-	11 499	-	-	13 013
-	-	-	-	-	166	166
-	-	-	-	-	508	508
-	2 352	-	2 352	-	583	4 892
-	-	-	-	-	190	190
-	-	-	-	-	2 568	2 568
-	-	-	-	-	308	308
-	-	-	-	-	88	88
699	137 151	-	137 850	-	4 411	200 611
-	-	-	-	45 590	-	45 590
-	-	-	-	24	-	24
699	137 151	-	137 850	45 614	4 411	246 225
-	-	12 159	12 159	-	-	12 159
-	-	-	-	-	-	10 505
-	-	-	-	-	-	2 072
-	-	9	9	-	-	2 290
-	-	113 206	113 206	-	-	126 870
-	-	954	954	-	-	954
-	-	9 586	9 586	-	-	11 100
-	-	-	-	-	1 192	1 192
-	-	-	-	-	870	870
-	-	8 584	8 584	-	1 270	11 340
-	-	144 498	144 498	-	3 332	179 352
-	-	-	-	45 515	-	45 515
-	-	-	-	74	-	74
-	-	-	-	24	-	24
-	-	144 498	144 498	45 613	3 332	224 965
-	-	5 091	5 091	-	-	5 091
-	-	149 589	149 589	45 613	3 332	230 056

At 31 March 2008 R'million	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
11. Analysis of financial assets and liabilities by measurement basis (continued)				
Group				
Assets				
Cash and balances at central banks	-	-	-	-
Loans and advances to banks	474	-	-	474
Cash equivalent advances to customers	745	-	-	745
Reverse repurchase agreements and cash collateral on securities borrowed	7 171	-	-	7 171
Trading securities	12 970	11 713	-	24 683
Derivative financial instruments*	9 679	-	-	9 679
Investment securities	-	-	222	222
Loans and advances to customers	-	14 423	1	14 424
Securitised assets	-	1 624	-	1 624
Interest in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	1 380	333	-	1 713
Property, plant and equipment	-	-	-	-
Investment properties	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	32 419	28 093	223	60 735
Other financial instruments at fair value through income				
- In respect of liabilities	-	-	-	-
- Assets related to reinsurance contracts	-	-	-	-
	32 419	28 093	223	60 735
Liabilities				
Deposits by banks	-	-	-	-
Derivative financial instruments*	10 235	-	-	10 235
Other trading liabilities	4 165	-	-	4 165
Repurchase agreements and cash collateral on securities lent	1 521	-	-	1 521
Customer accounts	27	15 988	-	16 015
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	3 097	-	-	3 097
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	613	358	-	971
	19 658	16 346	-	36 004
Liabilities to customers under investment contracts	-	-	-	-
Insurance liabilities, including unit-linked liabilities	-	-	-	-
Reinsured liabilities	-	-	-	-
	19 658	16 346	-	36 004
Subordinated liabilities (including convertible debt)	-	-	-	-
	19 658	16 346	-	36 004

* Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 46

Financial statements

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
-	2 811	-	2 811	-	-	2 811
-	16 086	-	16 086	-	-	16 560
-	7 294	-	7 294	-	-	8 039
-	-	-	-	-	-	7 171
-	-	-	-	-	-	24 683
-	-	-	-	-	-	9 679
-	-	-	-	-	-	222
287	80 087	-	80 374	-	-	94 798
-	11 820	-	11 820	-	-	13 444
-	-	-	-	-	195	195
-	-	-	-	-	469	469
-	2 481	-	2 481	-	1 401	5 595
-	-	-	-	-	165	165
-	-	-	-	-	2 182	2 182
-	-	-	-	-	339	339
-	-	-	-	-	75	75
287	120 579	-	120 866	-	4 826	186 427
-	-	-	-	46 547	-	46 547
-	-	-	-	13 016	-	13 016
287	120 579	-	120 866	59 563	4 826	245 990
-	-	9 427	9 427	-	-	9 427
-	-	-	-	-	-	10 235
-	-	-	-	-	-	4 165
-	-	12	12	-	-	1 533
-	-	99 465	99 465	-	-	115 480
-	-	2 524	2 524	-	-	2 524
-	-	9 572	9 572	-	-	12 669
-	-	-	-	-	1 169	1 169
-	-	-	-	-	558	558
-	-	8 303	8 303	-	122	9 396
-	-	129 303	129 303	-	1 849	167 156
-	-	-	-	46 289	-	46 289
-	-	-	-	258	-	258
-	-	-	-	13 016	-	13 016
-	-	129 303	129 303	59 563	1 849	226 719
-	-	4 710	4 710	-	-	4 710
-	-	134 013	134 013	59 563	1 849	231 429

Notes to the financial statements

At 31 March R'million	At fair value through profit and loss - Designated at inception	Total instruments at fair value
11. Analysis of financial assets and liabilities by measurement basis (continued)		
Company		
2009		
Assets		
Loans and advances to banks	-	-
Trading securities	250	250
Loans and advances to customers	-	-
Other assets	-	-
Investment in subsidiaries	-	-
	250	250
Liabilities		
Current taxation liabilities	-	-
Other liabilities	-	-
	-	-
2008		
Assets		
Loans and advances to banks	-	-
Trading securities	-	-
Loans and advances to customers	-	-
Other assets	-	-
Investment in subsidiaries	-	-
	-	-
Liabilities		
Current taxation liabilities	-	-
Other liabilities	-	-
	-	-
Subordinated liabilities (including convertible debt)	-	-
	-	-

Financial statements

Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
29	-	29	-	29
-	-	-	-	250
1	-	1	-	1
1	-	1	-	1
-	-	-	9 883	9 883
31	-	31	9 883	10 164
-	-	-	154	154
-	467	467	-	467
-	467	467	154	621
30	-	30	-	30
-	-	-	-	-
1	-	1	-	1
1	-	1	-	1
1 542	-	1 542	7 693	9 235
1 574	-	1 574	7 693	9 267
-	-	-	122	122
-	432	432	49	481
-	432	432	171	603
-	379	379	-	379
-	811	811	171	982

Financial statements

Notes to the financial statements

12. Fair value hierarchy

For financial assets and financial liabilities carried at fair value, the table below 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.

The table includes investment properties in the analysis as this is an asset carried at fair value with fair value adjustments recognised through profit and loss.

Assets and liabilities related to the long term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

At 31 March R'million	Total instruments at fair value as per note 11	Valuation technique applied Level 1	Level 2	Level 3
2009				
Group				
Assets				
Loans and advances to banks	476	-	476	-
Cash equivalent advances to customers	175	175	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	2 632	2 363	269	-
Trading securities	26 982	14 236	12 310	436
Derivative financial instruments	9 991	298	9 655	38
Investment securities	144	122	22	-
Loans and advances to customers	14 479	-	14 479	-
Securitised assets	1 514	1 514	-	-
Other assets	1 957	1 957	-	-
Investment properties	2 568	-	2 568	-
	60 918	20 665	39 779	474
Liabilities				
Derivative financial instruments	10 505	4	10 501	-
Other trading liabilities	2 072	2 072	-	-
Repurchase agreements and cash collateral on securities lent	2 281	2 281	-	-
Customer accounts	13 664	-	13 664	-
Liabilities arising on securitisation	1 514	1 514	-	-
Other liabilities	1 486	1 348	138	-
	31 522	7 219	24 303	-
2008				
Group				
Assets				
Loans and advances to banks	474	474	-	-
Cash equivalent advances to customers	745	745	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	7 171	7 171	-	-
Trading securities	24 683	20 607	4 076	-
Derivative financial instruments	9 679	-	9 428	251
Investment securities	222	153	69	-
Loans and advances to customers	14 424	-	14 424	-
Securitised assets	1 624	1 624	-	-
Other assets	1 713	1 713	-	-
Investment properties	2 182	-	2 182	-
	62 917	32 487	30 179	251
Liabilities				
Derivative financial instruments	10 235	-	10 235	-
Other trading liabilities	4 165	4 165	-	-
Repurchase agreements and cash collateral on securities lent	1 521	1 521	-	-
Customer accounts	16 015	-	16 015	-
Liabilities arising on securitisation	3 097	-	3 097	-
Other liabilities	971	971	-	-
	36 004	6 657	29 347	-

Notes to the financial statements

13. Fair value of financial instruments at amortised cost

At 31 March R'million	2009 Carrying value	2009 Fair value	2008 Carrying value	2008 Fair value
It has been determined that the carrying value of financial assets and financial liabilities approximates fair value except for items below:				
Group				
Assets				
Loans and advances to banks	12 185	12 185	16 560	16 564
Investment securities	635	886	222	222
Loans and advances to customers	112 161	112 205	94 798	94 797
Securitised assets	13 013	13 013	13 444	13 361
Other assets	4 892	5 111	5 595	5 595
Liabilities				
Deposits by banks	12 159	12 161	9 427	9 428
Customer accounts	126 870	125 805	115 480	115 280
Debt securities in issue	954	955	2 524	2 520
Liabilities arising on securitisation	11 100	11 100	12 669	12 653
Other liabilities	11 340	11 341	9 396	9 396
Subordinated liabilities (including convertible debt)	5 091	5 348	4 710	4 886

At 31 March R'million	2009 Carrying value	2009 Fair value	2008 Carrying value	2008 Fair value
Company				
Liabilities				
Subordinated liabilities (including convertible debt)	-	-	379	379

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

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

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

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
14. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Reverse repurchase agreements	6 442	1 820	-	-
Cash collateral on securities borrowed	1 946	5 351	-	-
	8 388	7 171	-	-
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. The fair value of the securities accepted under these terms as at 31 March 2009 amounts to R6.4 billion (2008: R1.8 billion).				
Liabilities				
Repurchase agreements	2 289	1 497	-	-
Cash collateral on securities lent	1	36	-	-
	2 290	1 533	-	-

At 31 March R'million	Group 2009 Fair value	Group 2009 Cumulative unrealised gains/ (losses)	Group 2008 Fair value	Group 2008 Cumulative unrealised gains/ (losses)	Company 2009 Fair value	Company 2009 Cumulative unrealised gains/ (losses)	Company 2008 Fair value	Company 2008 Cumulative unrealised gains/ (losses)
15. Trading securities								
Listed equities	5 295	(1 344)	5 815	130	250	-	-	-
Unlisted equities	4 580	2 459	3 402	2 033	-	-	-	-
Promissory notes	7 548	158	196	7	-	-	-	-
Liquid asset bills	6 123	(143)	2 321	23	-	-	-	-
Debentures	1 327	(28)	12 235	99	-	-	-	-
Bonds	2 109	(133)	714	17	-	-	-	-
	26 982	969	24 683	2 309	250	-	-	-

Financial statements

16. Derivative financial instruments

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

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

At 31 March R'million	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	7 590	220	309	12 160	208	969
Currency swaps	86 916	243	615	76 656	3 485	3 114
OTC options bought and sold	4 819	89	205	5 293	93	31
Other foreign exchange contracts	4 309	34	30	-	2	4
OTC derivatives	103 634	586	1 159	94 109	3 788	4 118
Exchange traded futures	3 764	12	-	1 169	-	-
	107 398	598	1 159	95 278	3 788	4 118
Interest rate derivatives						
Caps and floors	9 289	-	40	11 799	31	56
Swaps	294 026	4 868	4 721	244 241	4 410	4 725
Forward rate agreements	569 654	1 245	1 149	527 712	707	662
OTC options bought and sold	11 011	166	166	9 370	10	1
Other interest rate contracts	1 298	126	159	-	-	-
OTC derivatives	885 278	6 405	6 235	793 122	5 158	5 444
	885 278	6 405	6 235	793 122	5 158	5 444
Equity and stock index derivatives						
OTC options bought and sold	398	77	900	8 107	482	545
Exchange traded futures	-	-	-	13 618	-	-
Exchange traded options	-	6	-	986	-	-
Warrants	-	-	-	216	-	96
	398	83	900	22 927	482	641
Commodity derivatives						
OTC options bought and sold	5 668	2 025	2 038	225	-	2
Commodity swaps and forwards	1 939	530	173	31	-	30
OTC derivatives	7 607	2 555	2 211	256	-	32
	7 607	2 555	2 211	256	-	32
Credit derivatives						
Credit swaps bought and sold	-	-	-	195	1	-
Credit link notes bought and sold	325	105	-	-	-	-
	325	105	-	195	1	-
Embedded derivatives*		245	-		250	-
Derivatives per balance sheet		9 991	10 505		9 679	10 235

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

Notes to the financial statements

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
17. Investment securities				
Listed equities	122	153	-	-
Unlisted equities	20	69	-	-
Bonds	493	-	-	-
	635	222	-	-

At 31 March R'million	Carrying value	Fair value adjustment Year to date	 Cumulative	Maximum exposure to credit risk
18. Designated at fair value: loans and receivables and financial liabilities				
Loans and receivables				
2009				
Loans and advances to banks	476	25	88	476
Loans and advances to customers	14 479	686	723	14 479
	14 955	711	811	14 955
2008				
Loans and advances to customers	14 423	698	2 070	14 423
	14 423	698	2 070	14 423

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Year to date	 Cumulative
Financial liabilties				
2009				
Customer accounts	13 626	14 028	(452)	(402)
Liabilities arising on securitisation	1 514	1 514	–	–
Other liabilities	319	345	(107)	(26)
	15 459	15 887	(559)	(428)
2008				
Customer accounts	15 988	16 041	(192)	(53)
Other liabilities	358	277	35	81
	16 346	16 318	(157)	28

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
19. Loans and advances to customers				
Loans and advances to customers	112 161	94 798	1	1
Specific and portfolio impairments included above	1 081	439	-	-
Gross loans and advances to customers	113 242	95 237	1	1
Less: warehouse facilities and warehouse assets arising from securitisation and principal finance activities	(1 089)	(448)	-	-
Own originated securitised assets (refer to note 20)	9 309	9 179	-	-
Gross core loans and advances to customers	121 462	103 968	1	1
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	367	240	-	-
Charge to the income statement	697	428	-	-
Acquired	–	2	-	-
Utilised	(74)	(355)	-	-
Exchange adjustment	4	52	-	-
Balance at end of year	994	367	-	-
Portfolio impairment				
Balance at beginning of year	72	73	-	-
Charge to the income statement	14	11	-	-
Utilised	-	2	-	-
Exchange adjustment	1	(14)	-	-
Balance at end of year	87	72	-	-
Reconciliation of income statement charge:				
Loans and advances	727	428	-	-
Specific impairment charged to income statement	697	428	-	-
Portfolio impairment charged to income statement	30	-	-	-
Securitised assets	17	11	-	-
Specific impairment charged to income statement	14	11	-	-
Portfolio impairment charged to income statement	3	-	-	-
Bad debts written off directly to the income statement	22	-	-	-
Total income statement charge	766	439	-	-

For further analysis on gross core loans and advances refer to pages 44 to 53 in the risk management section.

At 31 March R'million	Group 2009	 2008
20. Securitised assets and liabilities arising on securitisation		
Securitised assets are made up of the following categories of assets:		
Loans and advances to customers	10 865	11 598
Loans and advances to banks	663	223
Other financial instruments at fair value	1 514	1 624
	13 042	13 445
Impairment of loans and advances to customers	(29)	(1)
Total securitised assets	13 013	13 444
Analysis of securitised assets by risk exposure		
Gross core loans and advances to customers	9 309	9 179
Securitisation exposures arising from securitisation/principal finance activities	126	-
Total credit and counterparty exposure	9 435	9 179
Loans and advances to customers with no legal credit exposure	3 578	4 265
Gross loans and advances deemed to have no legal credit exposure	3 607	4 266
Impairment of loans and advances to customers	(29)	(1)
Total securitised assets	13 013	13 444
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments:		
Specific impairment		
Balance at beginning of year	1	1
Charge to the income statement	30	-
Utilised	(5)	-
Balance at end of year	26	1
Portfolio impairment		
Balance at beginning of year	-	-
Charge to the income statement	3	-
Balance at end of year	3	-
Total impairments	29	1
The associated liabilities are recorded on balance sheet in "liabilities arising on securitisation".		
Carrying value at year end	11 100	12 669

Liabilities arising on securitisation
Securitised liabilities include bonds, medium term notes repayable and commercial paper.

Bonds that are listed on the Bond Exchange of South Africa have maturity dates as noted below:

R3.66 billion
Final legal maturity of 23 June 2009

R25.675 million
Final legal maturity of 10 January 2018

R43.165 million
Final legal maturity of 10 March 2045

R2.0 billion
Final legal maturity of 15 November 2032

R2.589 billion
Final legal maturity of 15 December 2035

R1.469 billion
Final legal maturity of 20 April 2024

R507 million
Final legal maturity of 20 December 2025

Notes to the financial statements

At 31 March R'million	Group 2009	 2008
21. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	166	195
Investment in associated undertakings	166	195
Analysis of the movement in our share of net assets:		
At beginning of year	195	221
Impairments	(62)	-
Repayment of loan notes	-	(25)
Loan to associate	34	-
Operating loss from associates	(1)	(1)
Share of net asset value at end of year	166	195
Associated undertakings:		
Unlisted		
- Global Ethanol Holdings Limited	132	195
- Dolphin Coast Marina Estate Limited	34	-
	166	195

The group holds 23.9% of the shareholding of Global Ethanol Holdings Limited, a company incorporated in Australia. The directors' valuation of the investment in associate approximates its carrying value. The group holds 40% in Dolphin Coast Marina Estate Limited. During the year, the group extended a loan to the associate as part of its investment of R34 million.

Summary of assets and liabilities	2009	2008
Global Ethanol		
Assets	2 407	2 761
Liabilities	1 861	1 880
Dolphin Coast		
Assets	75	n/a
Liabilities	85	n/a

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
22. Deferred taxation				
Deferred taxation asset				
Income and expenditure accruals	508	469	-	-
	508	469	-	-
Deferred taxation liability				
Unrealised fair value adjustments on financial instruments	821	513	-	-
Other temporary differences	49	45	-	-
	870	558	-	-
Net deferred taxation liability	(362)	(89)	-	-
Reconciliation of net deferred taxation asset/(liability):				
Opening balance	(89)	(161)	-	-
Charge to the income statement	(273)	179	-	-
Charged directly to equity	-	(107)	-	-
Closing balance	(362)	(89)	-	-
Total deferred tax on available for sale instruments directly in equity	(134)	(134)	-	-

Deferred taxation assets are recognised to the extent that it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred 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 R'million	Group 2009	Group 2008	Company 2009	Company 2008
23. Other assets				
Settlement debtors	1 835	1 413	-	-
Dealing properties	424	342	-	-
Accruals and prepayments	326	418	-	-
Other debtors	2 307	3 422	1	1
	4 892	5 595	1	1

At 31 March R'million	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Total
24. Property and equipment					
2009					
Cost					
At beginning of year	17	20	141	298	476
Additions	-	-	14	71	85
Disposals	(17)	(1)	(8)	(16)	(42)
At end of year	-	19	147	353	519
Accumulated depreciation and impairment					
At beginning of year	(12)	(5)	(95)	(199)	(311)
Disposals	12	-	3	15	30
Depreciation	-	(4)	(6)	(38)	(48)
At end of year	-	(9)	(98)	(222)	(329)
Net carrying value	-	10	49	131	190
2008					
At beginning of year	17	19	135	245	416
Additions	-	1	17	75	93
Disposals	-	-	(11)	(22)	(33)
At end of year	17	20	141	298	476
Accumulated depreciation and impairment					
At beginning of year	(12)	(2)	(93)	(185)	(292)
Disposals	-	-	8	22	30
Depreciation	-	(3)	(6)	(40)	(49)
Reclassifications	-	-	(4)	4	-
At end of year	(12)	(5)	(95)	(199)	(311)
Net carrying value	5	15	46	99	165

At 31 March R'million	Group 2009	Group 2008
25. Investment properties		
Fair value		
At beginning of year	2 182	1 213
Additions	253	376
Disposals	(106)	(46)
Revaluation	239	639
At end of year	2 568	2 182

The group values its investment properties twice annually. The properties were valued by directors who are sworn valuers of the company concerned.

The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time.

Investment properties are carried at fair value.

No investment properties are occupied by group companies.

At 31 March R'million	Group 2009	 2008
26. Goodwill		
Cost		
At beginning of year	1 270	1 270
At end of year	1 270	1 270
Accumulated impairments		
At beginning of year	(931)	(886)
Impairment	(31)	(45)
At end of year	(962)	(931)
Net carrying value	308	339
Analysis of goodwill by line of business		
Private Client Portfolio Management and Stockbroking	36	36
Asset Management	268	299
Property Activities	4	4
Total group	308	339

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

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

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

2009

Impairment losses comprises:

- R31 million in respect of the asset management segment. The impairment calculation was based on a discounted cash flow valuation, utilising a discount rate of 13.17%.

2008

Impairment losses comprises:

- R45 million in respect of the asset management segment. The impairment calculation was based on a discounted cash flow valuation, utilising a discount rate of 14.5%.

Notes to the financial statements

At 31 March R'million	Group Acquired contracts	 Acquired software	 Internally generated software	 Total
27. Intangible assets				
2009				
Cost				
At beginning of year	–	170	52	222
Additions	–	67	14	81
Disposals	–	(8)	(32)	(40)
At end of year	–	229	34	263
Accumulated amortisation and impairment				
At beginning of year	–	(123)	(24)	(147)
Disposals	–	4	9	13
Amortisation	–	(33)	(8)	(41)
At end of year	–	(152)	(23)	(175)
Net carrying value	–	77	11	88
2008				
Cost				
At beginning of year	243	133	30	406
Additions	–	38	22	60
Disposals	(243)	(1)	–	(244)
At end of year	–	170	52	222
Accumulated amortisation and impairment				
At beginning of year	(41)	(92)	(18)	(151)
Disposals	49	1	–	50
Amortisation	(8)	(32)	(6)	(46)
At end of year	–	(123)	(24)	(147)
Net carrying value	–	47	28	75

28. Acquisitions and disposals

2009

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

The Private Banking division in South Africa disposed of its short-term insurance business on 1 December 2008, with a profit of R10 million realised on sale.

2008

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

Notes to the financial statements

At 31 March	Nature of business	Issued ordinary capital	Holding %	Shares at book value 2009 R'million	Shares at book value 2008 R'million	Net indebtedness 2009 R'million	Net indebtedness 2008 R'million
29. Investment in subsidiaries							
Direct subsidiaries of Investec Limited							
Investec Bank Ltd Ä	Bank	R21 953 420	100	7 806	7 023	130	133
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R200	100	*	*	-	-
Investec Assurance Ltd Ä	Insurance company	R10 000 000	100	10	10	-	-
Investec Employee Benefits Holdings (Pty) Ltd Ä	Investment holding	R1	100	*	*	739	669
Investec Hong Kong (Pty) Ltd _	Investment holding	HKD 2	100	*	*	-	-
Investec Int. (Gibraltor) (Ltd) §	Investment holding	£1 000	100	239	239	-	-
Investec Personal Financial Services (Pty) Ltd Ä	Stockbroking	R7 000	100	21	21	-	-
Investec Securities Ltd Ä	Stockbroking	R172 000	100	132	132	(36)	(36)
Sibvest Limited Ä	Investment holding	R100	100	97	97	(98)	(98)
Fedsure International Ltd Ä	Investment holding	R1 012 456	100	149	149	-	-
Investec Property Group Holdings Ltd Ä	Investment holding	R3 000	100	*	*	-	-
Other subsidiaries				22	22	672	874
				8 476	7 693	1 407	1 542
Indirect subsidiaries of Investec Limited							
Grayinvest Limited Ä	Investment holding	R100	100				
Investec Asset Management (Pty) Ltd Ä	Asset management	R50 000	100				
Investec Insurance Brokers (Pty) Ltd Ä	Insurance broking	R2	100				
Investec International Holdings (Pty) Ltd Ä	Investment holding	R102	100				
Investec Fund Managers SA Ltd Ä	Unit trust management	R8 000 000	100				
Investec Bank (Mauritius) Ltd i	Banking	R535 630 446	100				
Investec Property Group Ltd Ä	Property trading	R1 174	100				
Reichmans Holdings (Pty) Ltd Ä	Trade financing	R15	100				
Investec Employee Benefits Ltd Ä	Long-term insurance	R7 544 000	100				
Traded Endowment Policies Ltd (Formerly Fedsure Traded Endowments Ltd)^	Endowments trading	£28 530 788	100				

Details of subsidiary and associated companies which are not material to the financial position of the group are not stated above.
Investec Limited has no equity interest in the following special purpose vehicles, but they are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entity:

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

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

Notes to the financial statements

At 31 March R'million	Group 2009	 2008
30. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts	45 589	46 547
- Investec Employee Benefits Limited ("IEB")	4 822	6 510
- Investec Assurance Limited	40 693	39 779
- Insurance liabilities, including unit-linked liabilities - IEB	74	258
Reinsured liabilities - IEB	24	13 016
Total policyholder liabilities	45 613	59 563
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	4 745	6 670
Reinsured assets	24	13 016
Other assets	151	98
	4 920	19 784
Investments shown above comprise:		
Interest bearing securities	1 296	1 294
Stocks, shares and unit trusts	2 735	4 203
Deposits	714	1 173
	4 745	6 670
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	39 175	38 882
Debtors and prepayments	1 206	612
Other assets	312	285
Assets of long-term assurance fund attributable to policyholders	40 693	39 779
Investments shown above comprise:		
Interest bearing securities	4 969	2 892
Stocks, shares and unit trusts	21 920	24 247
Deposits	12 286	11 743
	39 175	38 882
The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of the linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets under the policy.		
Income statement items related to assurance activities:		
Investment income on assurance activities	1 041	1 322
Premiums and reinsurance recoveries on insurance contracts	262	598
Claims and reinsurance premiums on insurance business	(1 228)	(1 767)
Operating expenses	(24)	(88)
Net income before taxation	51	65
Taxation	(14)	(19)
Net income after taxation	37	46

Financial statements

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
31. Other trading liabilities				
Short positions				
- Equities	544	3 660	-	-
- Gilts	1 528	505	-	-
	2 072	4 165	-	-
32. Debt securities in issue				
Other unlisted debt securities in issue:				
Not more than three months	633	1 104	-	-
Over three months but not more than one year	321	1 420	-	-
	954	2 524	-	-
Debt securities are made up of unlisted negotiable certificates of deposit (NCDs).				
33. Current taxation				
Income taxation payable	1 099	1 068	154	122
Indirect taxes payable	93	101	-	-
	1 192	1 169	154	122
34. Other liabilities				
Settlement liabilities	3 685	1 489	-	-
Redeemable preferences dividends	112	-	2	-
Cumulative redeemable preference shares including accrued dividends	3 541	3 309	402	405
Other non interest bearing liabilities	1 585	2 025	14	10
Other creditors and accruals	2 417	2 573	49	66
	11 340	9 396	467	481
35. Subordinated liabilities (including convertible debt)				
Class "A" Series I unsecured subordinated compulsorily convertible debentures ("CCD's")	-	-	-	154
Class "A" Series II unsecured subordinated CCDs	-	-	-	225
Issued by Investec Bank Limited				
- a wholly owned subsidiary of Investec Limited				
Unsecured subordinated CCDs	-	19	-	-
IV01 16% subordinated unsecured bonds	180	180	-	-
IV03 16% subordinated unsecured bonds	1 508	1 508	-	-
IV04 10.75% subordinated unsecured callable bonds	2 062	2 062	-	-
IV07 variable rate subordinated unsecured callable bonds	941	941	-	-
IV08 13.735% subordinated unsecured callable bonds	200	-	-	-
IV09 variable rate subordinated unsecured callable bonds	200	-	-	-
	5 091	4 710	-	379
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand.				
Remaining maturity:				
In one year or less, or on demand	-	19	-	154
In more than two years, but not more than five years	3 583	180	-	225
In more than five years	1 508	4 511	-	-
	5 091	4 710	-	379

Notes to the financial statements

35. Subordinated liabilities (including convertible debt) (continued)

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

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

Series I and II class "A" debentures
The Series I debentures automatically converted on 1 October 2008.
The Series II debentures converted into ordinary shares on a one for one basis, at the election of the holders on 26 June 2008.

Unsecured subordinated CCDs
The CCDs converted into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008.

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

IV01 16% subordinated unsecured bonds
R180 million (2008: R180 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

IV03 16% subordinated unsecured bonds
R1 508 million (2008: R1 508 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 3-month JIBAR plus 200 basis points until maturity. The settlement date of the bonds is 31 March 2017.

IV04 10.75% subordinated unsecured callable bonds
R2 062 million (2008: R2 062 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

IV07 variable rate subordinated unsecured callable bonds
R941 million (2008: R941 million) Investec Bank Limited local registered unsecured subordinated callable bonds due in 2018. Interest is paid at 3-month JIBAR plus 140 basis points until 31 March 2013. Interest is payable quarterly in arrears. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a 3-month JIBAR plus 200 basis points.

IV08 13.735% subordinated unsecured callable bonds
R200 million (2008: Rnil) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will switch to a floating rate of 3-month JIBAR plus 562.5 basis points payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable bonds
R200 million (2008: Rnil) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 375 basis points until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 562.5 basis points above JIBAR payable quarterly in arrears until called.

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
36. Ordinary share capital				
Authorised				
300 000 000 (2008: 227 500 000) ordinary shares of R0.0002 (2008: R0.0002) each				
Issued				
268 335 257 (2008: 234 311 314) ordinary shares of R0.0002 (2008: R0.0002) each	1	1	1	1

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

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

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
37. Perpetual preference shares				
Authorised				
100 000 000 (2007: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each				
Issued				
22 182 000 (2007: 22 182 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R104.49 per share				
- Perpetual preference share capital	*	*	*	*
- Perpetual preference share premium	2 309	2 309	2 309	2 309

Share premium on perpetual preference shares is included in the line item share premium on the balance sheet. Refer to note 38 on share premium.

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

An ordinary dividend will not be declared by Investec Limited unless the perpetual preference dividend has been declared. If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

The group had previously included the par value and share premium received on the issue of perpetual preference shares (an equity instrument) in a single line item within equity on the balance sheet. The presentation has been amended to include the share premium received within the share premium account. This change in presentation has no impact on overall equity, assets and liabilities. Refer to note 38.

* Less than R1million

At 31 March R'million	Group 2009	 2008	Company 2009	 2008
38. Share Premium				
Share premium on ordinary shares	6 063	5 145	6 171	5 255
Share premium on perpetual preference shares	2 309	2 309	2 309	2 309
	8 372	7 454	8 480	7 564

At 31 March	2009	2008
39. Treasury shares		
Treasury shares held by subsidiaries of Investec Limited	R'million	R'million
Investec Limited ordinary shares	1 759	1 232
Options held to acquire Investec Limited shares	(1)	(5)
	1 758	1 227
Number of Investec Limited ordinary shares held by subsidiaries	43 840 281	28 413 734
Reconciliation of treasury shares:	Number	Number
At beginning of year	28 413 734	26 901 375
Purchase of own shares by subsidiary companies	34 534 292	6 639 894
Shares disposed of by subsidiaries	(19 107 745)	(5 127 535)
At end of year	43 840 281	28 413 734
Market value of treasury shares	1 704	1 632

At 31 March R'million	2009	2008
40. Minority interests		
Minority interests in partially held subsidiaries	19	11
Perpetual preference shares issued by subsidiary	1 491	1 491
Authorised		
70 000 000 (2008: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each		
Issued		
15 000 000 (2008: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each, issued at a premium of R99,99 per share		
	1 510	1 502

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

An ordinary dividend will not be declared by Investec Bank Limited unless the perpetual preference dividend has been declared. If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

At 31 March Finance lease receivables included in loans and advances to customers R'million	Group 2009 Total future minimum payments	Group 2009 Present value	Group 2008 Total future minimum payments	Group 2008 Present value
41. Miscellaneous balance sheet disclosure				
Finance lease receivables included in loans and advances to customers:				
Less than 1 year	764	562	259	182
Between 1 and 5 years	1 121	940	388	318
Greater than 5 years	5	5	-	-
	1 890	1 507	647	500
Unearned finance income	383		147	

At 31 March 2009 and 31 March 2008 there were no unguaranteed residual values. There were no finance lease receivables in Investec Limited company at 31 March 2009 and 31 March 2008.

At 31 March R'million	Group 2009	Group 2008	Company 2009	Company 2008
42. Notes to the cash flow statement				
Cash generated from operating activities is derived as follows:				
Profit before taxation	4 075	5 369	1 738	3 678
Adjustments for:				
Interest expense on subordinated debt (including convertible debt)	(19)	24	-	-
Depreciation and impairment of property and equipment	48	41	-	-
Fair value gains on investment properties	(239)	(639)	-	-
Amortisation of intangible assets	41	46	-	-
Impairment of goodwill	31	45	-	-
Impairment of loans and advances	766	439	-	-
Share based payments expense	351	303	68	57
Profit on sale of subsidiaries	(10)	(1 001)	-	-
Operating loss from associate	1	1	-	-
Impairment of associate	62	-	-	-
Cash flow from operating activities	5 107	4 628	1 806	3 735

For the year ended 31 March R'million	Group 2009	 2008
43. Related party transactions		
Compensation to the board of directors and other key management personnel*		
- Short-term employee benefits	262	521
- Share based payments	75	70
	337	591

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

For the year ended 31 March R'million	Group and company
Transactions, arrangements and agreements involving directors and others:	
Particulars of transactions, arrangements and agreements entered into by the bank with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:	
Directors, key management and connected persons and companies controlled by them	
Loans	
Balance at 1 April 2008	369
Increase in loans	71
Repayment of loans	(114)
Exchange adjustments	(56)
Balance at 31 March 2009	270
Guarantees	
Balance at 1 April 2008	10
Additional guarantees granted	21
Exchange adjustments	(4)
Balance at 31 March 2009	27
Deposits	
Balance at 1 April 2008	(368)
Increase in deposits	(208)
Utilisation of deposits	84
Exchange adjustments	69
Balance at 31 March 2009	(423)

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. None of these loans have been impaired.

For the year ended 31 March R'million	Group 2009 Balance at end of year	 2008 Balance at end of year
Transactions with other related parties Various members of key management personnel have shareholdings in other companies. At 31 March 2008, Investec Bank Limited group had the following loans outstanding from these related parties:	176	178

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.

F Titi disposed of his 11% holding in the Tiso group in the prior financial year, hence this is no longer a related party.

Refer to note 29 for loans to/(from) group and subsidiary companies.

Refer to the combined consolidated financial statements of Investec plc and Investec Limited for other transactions relating to directors.

At 31 March R'million	Group 2009	 2008
43. Related party transactions (continued)		
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	1 172	3 050
Repurchase agreements and cash collateral on securities borrowed	4 091	-
Loans & advances to customers	113	139
Interest in associated companies	164	185
Derivative financial instruments	170	123
Liabilities		
Deposits from banks	(653)	(599)
Customer accounts	(17)	(39)
Derivative financial instruments	(200)	(197)

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.

During the year to March 2009, interest of R112.7 million was received from entities in the Investec plc group. Interest of R22.3 million was paid to entities in the Investec plc group.
In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2009, this resulted in a net payment by Investec plc group of R40.0 million. Specific transactions of an advisory nature between group entities have resulted in a net fee payment by Investec plc group of R7.4 million.

44. Commitments	2009	2008
Undrawn facilities	23 498	29 565

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

Operating lease commitments Future minimum lease payments under non-cancellable operating leases:	2009	2008
Less than 1 year	245	153
1 - 5 years	1 080	1 038
Later than 5 years	3 117	2 273
	4 442	3 464

At 31 March 2009, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% percent per annum. The majority of the leases have renewal options.

45. Contingent liabilities	2009	2008
Guarantees and assets pledged as collateral security:		
- Guarantees and irrevocable letters of credit	6 898	5 467
	6 898	5 467

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

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

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

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

46. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liabilitiy 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 division. Once aggregated and netted, central 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, central Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined paramenters.

The accounting treatment of accounting hedges is dependant 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 R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains on hedging instrument	Current year gains on hedging instrument	Cumulative losses on hedged items	Current year losses on hedged items
2009						
Interest rate swaps						
- liabilities	Subordinated bonds	249	379	223	(150)	(272)
		249	379	223	(150)	(272)
2008						
Interest rate swaps						
- liabilities	Subordinated bonds	45	134	207	(135)	(198)
		45	134	207	(135)	(198)

There were cash flow hedges during the year to mitigate interest rate and currency risk. A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity.

Financial statements

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
47. Liquidity analysis of financial liabilities based on undiscounted cash flows								
Group								
2009								
Liabilities								
Deposits by banks	455	2 944	135	215	95	8 316	-	12 160
Derivative financial instruments	10 504	-	-	-	-	2	-	10 506
Repurchase agreements and cash collateral on securities lent	2 281	-	-	-	-	-	9	2 290
Customer accounts	37 942	36 604	25 403	9 212	13 186	3 773	751	126 871
Debt securities in issue	-	154	479	301	20	-	-	954
Liabilities arising on securitisation	125	1 625	1 803	2 227	12	6 849	69	12 710
Other liabilities	1 556	244	1 826	4 962	221	2 059	531	11 399
	52 863	41 571	29 646	16 917	13 534	20 999	1 360	176 890
Subordinated liabilities (including convertible debt)	-	-	-	-	-	3 583	1 508	5 091
Total on balance sheet liabilities	52 863	41 571	29 646	16 917	13 534	24 582	2 868	181 981
Contingent liabilities	2 990	298	4 622	3 567	6 541	6 168	8 877	33 063
Total liabilities	55 853	41 869	34 268	20 484	20 075	30 750	11 745	215 044
2008								
Liabilities								
Deposits by banks	183	696	1 228	195	3 789	3 718	-	9 809
Derivative financial instruments	10 019	-	8	11	86	177	709	11 010
Repurchase agreements and cash collateral on securities lent	1 521	-	-	12	-	-	-	1 533
Customer accounts	35 881	18 797	21 456	5 140	7 799	3 394	1 428	93 895
Debt securities in issue	-	2 902	5 575	7 568	10 447	923	31	27 446
Liabilities arising on securitisation	109	2 174	2 615	9	-	4 653	3 108	12 668
Other liabilities	1 781	5 449	1 288	968	266	3 662	193	13 607
	49 494	30 018	32 170	13 903	22 387	16 527	5 469	169 968
Subordinated liabilities (including convertible debt)	-	-	-	-	-	180	4 530	4 710
Total on balance sheet liabilities	49 494	30 018	32 170	13 903	22 387	16 707	9 999	174 678
Contingent liabilities	5 308	-	1 246	72	349	3 748	1 252	11 975
Total liabilities	54 802	30 018	33 416	13 975	22 736	20 455	11 251	186 653

The balances in the above table will not agree directly to the balances in the group 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 page 65.

At 31 March R'million	One month to three months	Six months to one year	One year to five years	Greater than five years	Total
47. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)					
Company					
2009					
Liabilities					
Other liabilities	67	-	-	400	467
	67	-	-	400	467
Subordinated liabilities (including convertible debt)	-	-	-	-	-
Total on balance sheet liabilities	467	-	-	400	467
2008					
Liabilities					
Other liabilities	40	-	41	400	481
	40	-	41	400	481
Subordinated liabilities (including convertible debt)	-	379	-	-	379
Total on balance sheet liabilities	40	379	41	400	860

Contact details

Botswana, Gaborone

Plot 64511 Unit 5
Fairgrounds Gaborone
Telephone (09) 267 318 0112
Facsimile (09) 267 318 0114
e-mail info@investec.com

Mauritius, Ebéne Cyber City

Level 8C Cyber Tower II
Ebéne Cyber City
Telephone (230) 403 0400
Facsimile (230) 403 0498
e-mail info@investec.com

Mauritius, Port Louis

7th Floor Harbour Front Building
President John Kennedy Street Port Louis
Telephone (230) 207 4000
Facsimile (230) 207 4002
e-mail info@investec.com

Namibia,Windhoek

Office 1 Ground floor Heritage Square Building
100 Robert Mugabe Avenue Windhoek
Telephone (264 61) 389 500
Facsimile (264 61) 249 689
e-mail info@investec.com

South Africa, Cape Town

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

South Africa, Durban

1 Holwood Park
5 Canegate Drive
La Lucia Durban 4051
PO Box 3912 Durban 4000
Telephone (27 31) 575 4000
Facsimile (27 865) 009 901

South Africa, East London

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

South Africa, Johannesburg

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

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

South Africa, Knysna

TH24 & TH25 Long Street Ext
Thesen Harbour Town Knysna 6571
Telephone (27 44) 302 1800
Facsimile (27 44) 382 4954

South Africa, Nelspruit

2nd floor 2 McAdam Street
Cnr McAdam and Rothery Streets
Nelspruit 1200
PO Box 19428 The Village 1218
Telephone (27 13) 756 0900
Facsimile (27 13) 756 0990

South Africa, Pietermaritzburg

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

South Africa, Port Elizabeth

Fairview Office Park 66 Ring Road
Greenacres Port Elizabeth 6045
PO Box 27416 Greenacres 6057
Telephone (27 41) 396 6700
Facsimile (27 41) 363 1667

South Africa, Pretoria

Cnr Atterbury and Klarinet Streets
Menlo Park Pretoria 0081
PO Box 1882 Brooklyn Square 0075
Telephone (27 12) 427 8300
Facsimile (27 12) 427 8310

South Africa, Stellenbosch

Block D De Wagen Road Office Park
Stellentia Avenue Stellenbosch 7600
PO Box 19428 The Village 1218
Telephone (27 21) 809 0700
Facsimile (27 21) 809 0730