Out of the Ordinary®

Investec

Investec plc silo (excluding Investec Limited) Annual Financial Statements

2009

Corporate information

Investec plc

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Registration number

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Reg. No. 3633621

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Refer to pages 114 to 117

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Refer to page 193

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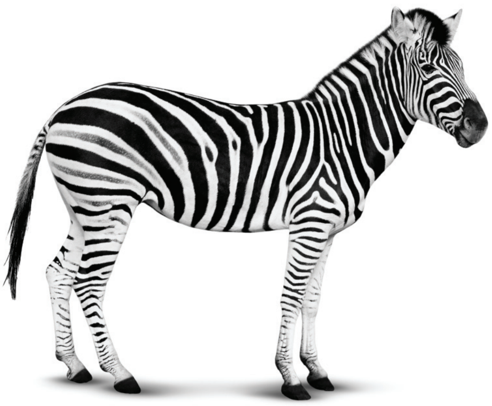


Investec in perspective 1

Overview of the activities of Investec

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

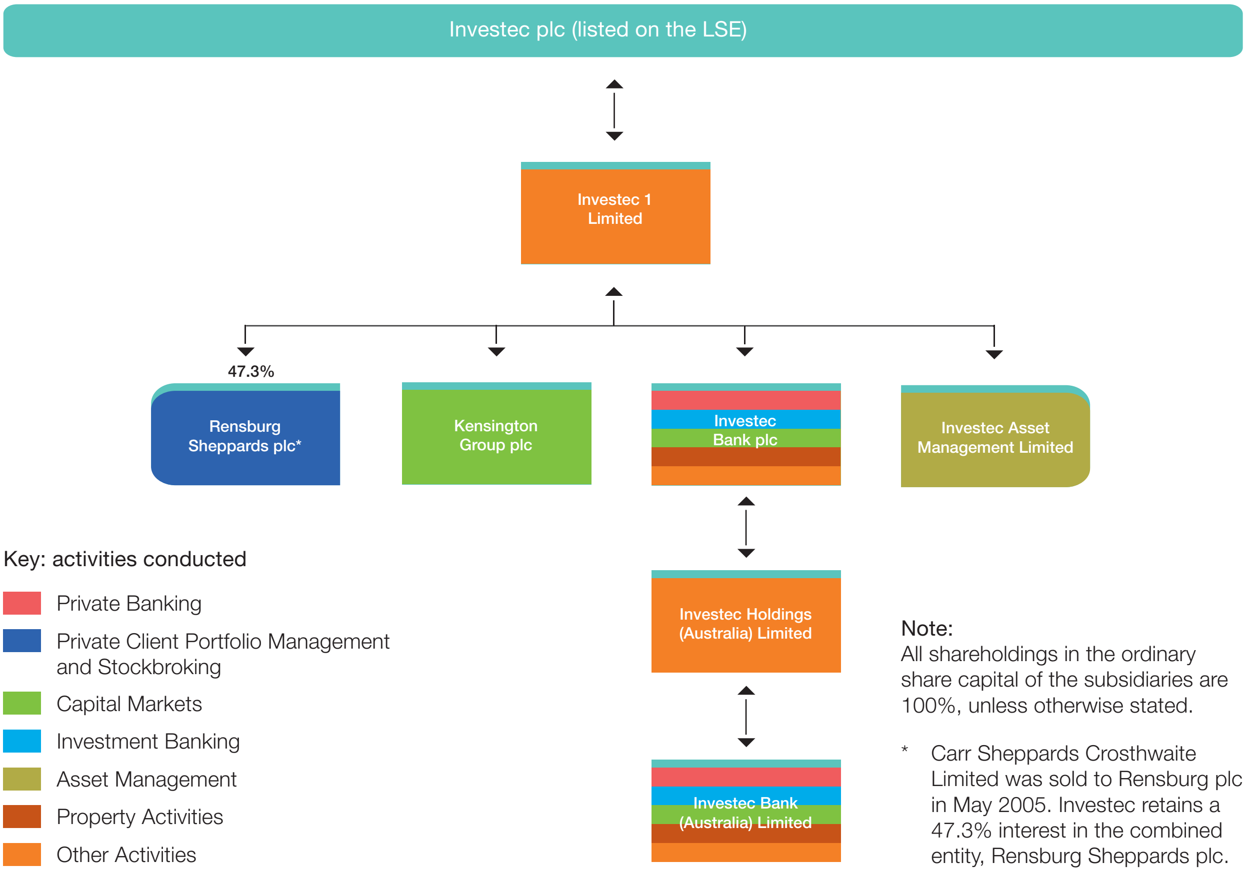
Philosophies

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

Investec plc organisational structure

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

As at 31 March 2009

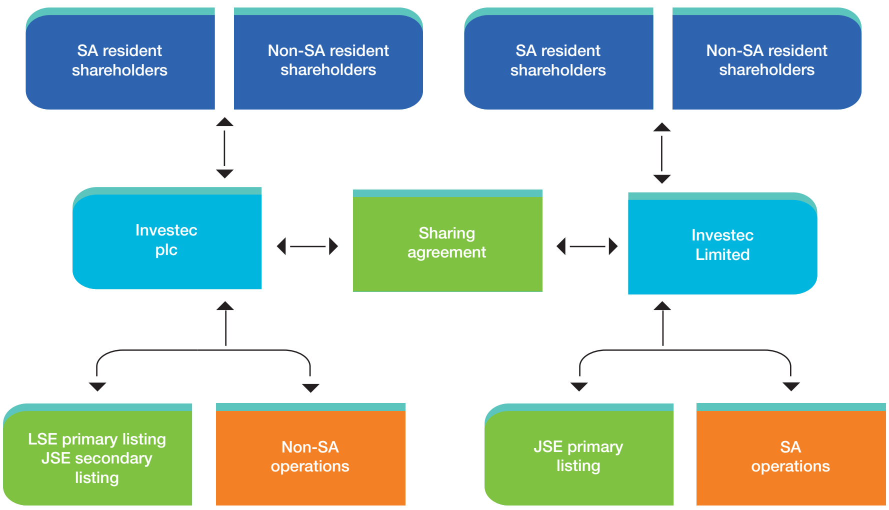


Note:
All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

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

DLC structure

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



Salient features:

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

Overview of the activities of Investec plc

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Overview of the activities of Investec plc

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

1. Investec Bank plc

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

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

Private Banking

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

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

Located in the UK, Channel Islands, Switzerland and Ireland, our areas of specialisation include:
- Wealth Management
- Structured Property Finance
- Specialised Lending
- Growth and Acquisition Finance
- Trust and Fiduciary Services
- Banking Services

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

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

Wealth Management

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

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

Structured Property Finance

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

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

Specialised Lending

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

Overview of the activities of Investec plc

Growth and Acquisition Finance

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

Trust and Fiduciary Services

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

Banking Services

Treasury and deposits

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

Mortgages

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

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

Capital Markets

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

We focus on the following activities:

Asset and liability management

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

Treasury products and distribution

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

Interest Rates

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

Foreign Exchange

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

Structured Equity

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

Overview of the activities of Investec plc

Financial Products

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

Fixed Income

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

Principal Finance

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

Structured and Asset Finance

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

Project Finance

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

Commodities and Resource Finance

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

Investment Banking

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

Corporate Finance

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

Institutional Broking

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

Private Equity

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

Property Activities

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

Overview of the activities of Investec plc

Group Services and Other Activities

Central Services

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

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

Central Funding

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

2. Investec Bank (Australia) Limited

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

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

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

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

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

3. Kensington Group plc

Kensington Mortage Company (Kensington) is a leading specialist lender, offering Prime, Self Certified and Buy to Let mortgages. Investec plc acquired the business in August 2007 as a platform to enhance the securitisation activities of the Capital Markets division in the UK. Unfortunately a shift in the market environment post the acquisition has constrained the ability of the Capital Markets division to securitise Kensington's assets. As a result, Kensington's business model has been reshaped to adapt to the challenging market environment. Restructuring efforts include a managed reduction in business volumes, tightening of lending criteria and a reduction in costs and overheads.

4. Rensburg Sheppards plc

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

5. Investec Asset Management

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

Our operation in the UK was launched in 1998, following Investec's acquisition of Guinness Flight Hambro. This provided us with, as at the date of the acquisition, approximately £7 billion of additional assets, and the infrastructure of Guinness Flight Hambro's operations. During 1999 and 2000, the product platform was redesigned to focus on the creation of a domestic franchise in the UK for both the institutional and mutual fund businesses. We emerged from the restructuring as a multi-specialist investment manager with key strengths in UK and global equities and UK and global fixed income. Today, we have a strong brand in the UK and European mutual funds market and continue to penetrate the UK institutional market. As at 31 March 2009, UK and international assets under management amounted to £13.1 billion.

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

Financial review 3

Snapshot of the year and strategic focus

Overview

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

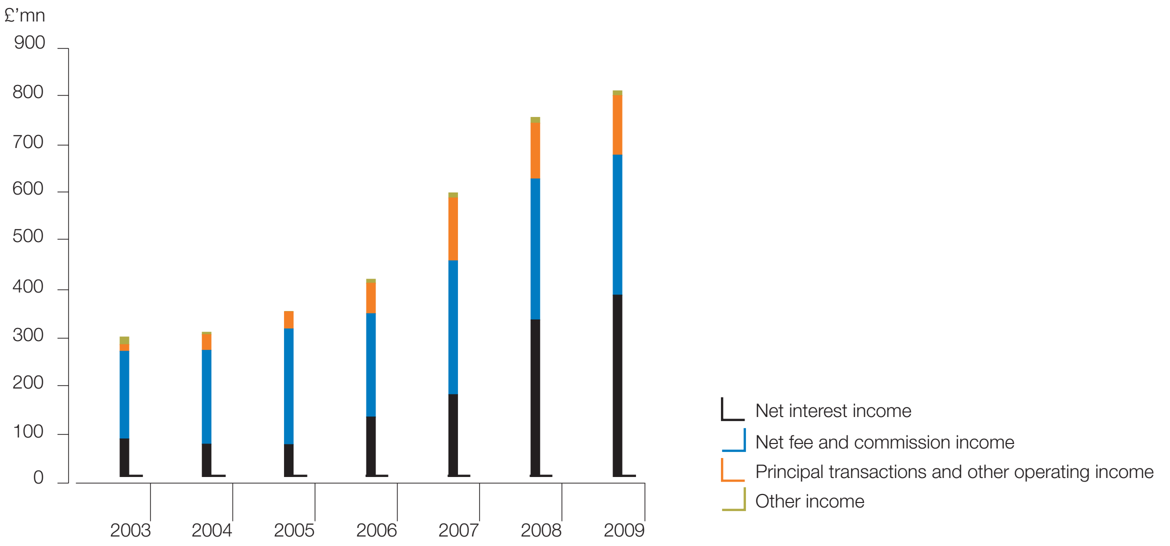
Financial highlights

	31 March 2009	31 March 2008	% change
Operating profit before impairments on loans and advances (£'000)	308 039	252 832	21.8%
Operating profit before goodwill, non-operating items, taxation and after minorities (£'000)	103 318	169 490	(39.0%)
Earnings attributable to ordinary shareholders (£'000)	79 434	72 627	9.4%
Cost to income ratio	62.6%	64.1%	–
Total capital resources (including subordinated liabilities) (£'000)	2 230 640	2 132 110	4.6%
Total shareholders' equity (£'000)	1 452 298	1 358 951	6.9%
Total assets (£'000)	19 406 387	19 128 349	*1.5%
Net core loans and advances (£'000)	7 370 700	6 578 278	*12.0%
Customer accounts (deposits) (£'000)	5 235 093	4 999 378	4.7%
Capital adequacy ratio	16.2%	15.3%	–
Tier 1 ratio	10.1%	9.2%	–

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

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

Total operating income



2003	2004	2005	2006	2007	2008	2009	
82%	73%	63%	64%	59%	70%	69%	Recurring income as a % of total income

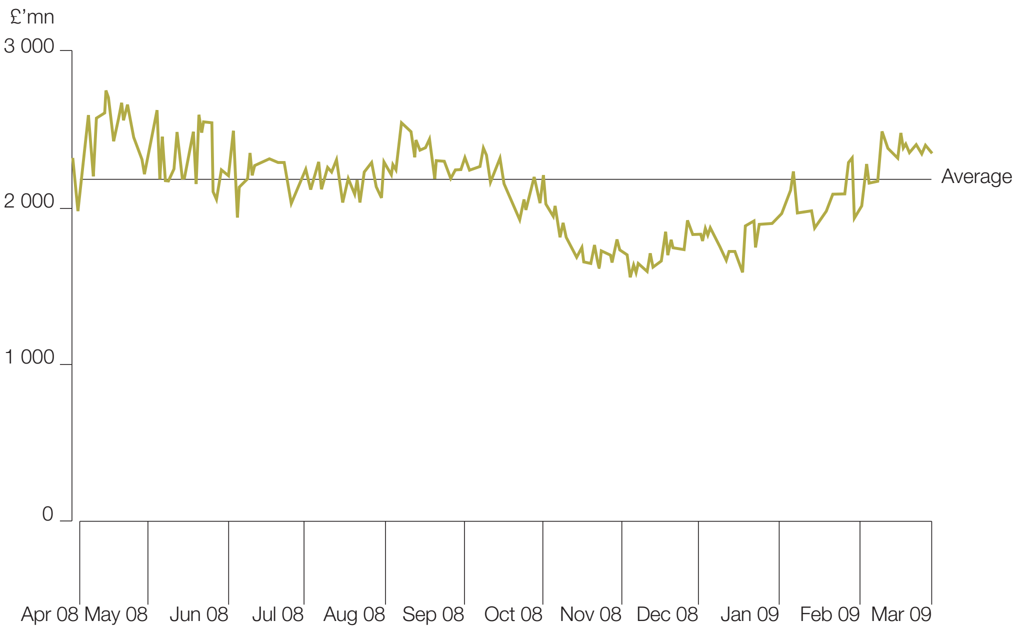
Financial review

Snapshot of the year and strategic focus

Balance sheet strength… stringent management of liquidity

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

Surplus cash and near cash



Balance sheet strength… good progress towards capital targets

- Our policy has always been to hold capital well in excess of regulatory requirements and we intend to perpetuate this philosophy.
- We maintained capital strength throughout the period without recourse to shareholders, new investors or government assistance.
- We are focusing on increasing our capital base and have revised our capital adequacy targets.
- We are targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio of 14% to 17% on a consolidated basis for Investec Limited and Investec plc.
- Investec plc has made good progress in achieving these targets and intends on meeting these targets by the end of calendar year 2010.
- As at 31 March 2009, the capital adequacy ratio of Investec plc was 16.2% and the tier 1 ratio was 10.1%.

Snapshot of the year and strategic focus

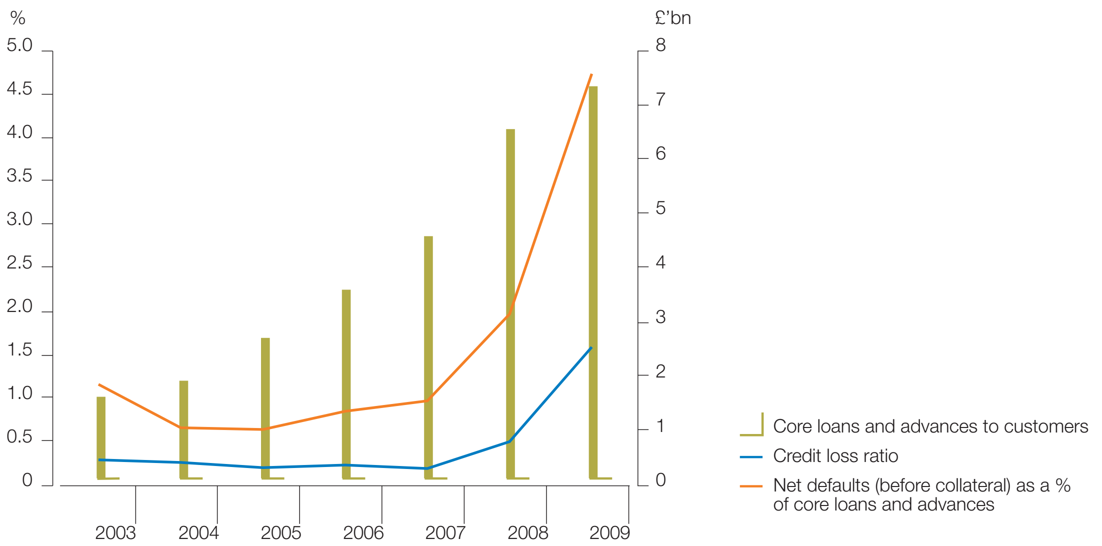
Balance sheet strength… low leverage ratios

	31 March 2009	31 March 2008
Core loans to equity ratio	5.1x	4.8x
Core loans (excluding own originated assets which have been securitised) to customer deposits	1.3x	1.3x
Total gearing (total assets to equity)	13.4x	14.1x
Total gearing (assets excluding securitised assets to equity)	11.5x	11.6x

Balance sheet strength… impairments and defaults have increased as expected

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

Defaults and core loans



Medium-term strategy continues

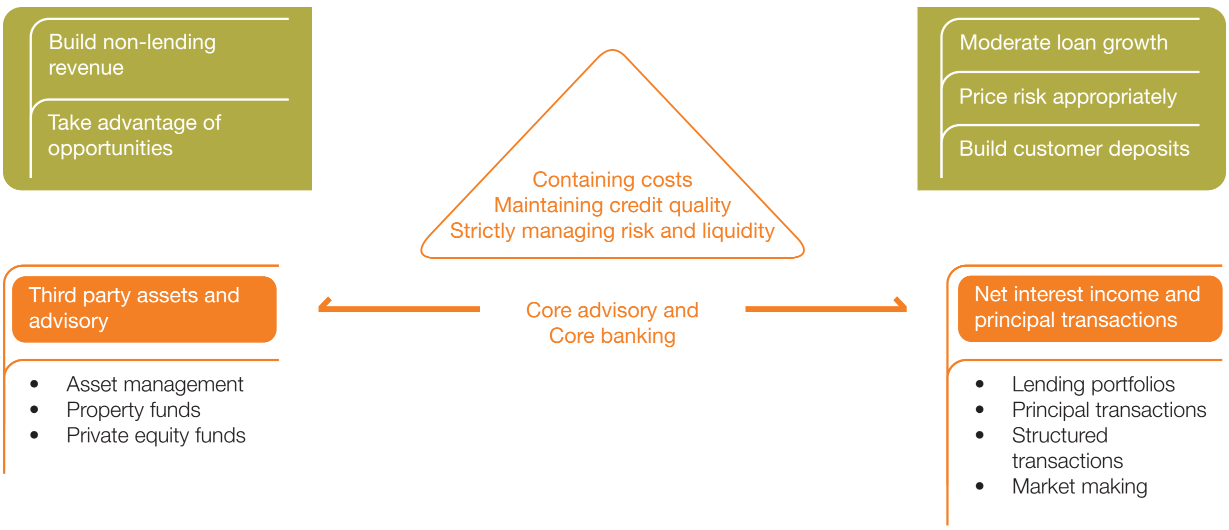
- We are a niched and focused specialist banking group constantly striving to be distinctive.
- We continue to focus on:
  - Moderating loan growth, shifting emphasis to increasing the proportion of non-lending revenue base
  - Maintaining credit quality
  - Strictly managing risk and liquidity
  - Creating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

Snapshot of the year and strategic focus

Maintaining efficiency… cost to income ratio has declined

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

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



Outlook

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

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

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

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

Introduction

Operating profit decreased to £103.3 million (2008: £169.5 million) mainly as a result of the consolidation of two private equity investments (discussed in more detail below) and an increase in impairments on loans and advances.

Segmental information

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Group Services and Other Activities	Total
2009							
Total operating income	242 811	386 638	28 471	97 548	5 467	44 696	805 631
Impairment losses on loans and advances	(72 395)	(132 326)	-	-	-	-	(204 721)
Net operating income	170 416	254 312	28 471	97 548	5 467	44 696	600 910
Operating expenses	(113 864)	(175 074)	(88 600)	(80 398)	(2 554)	(44 101)	(504 591)
Operating profit/(loss)	56 552	79 238	(60 129)	17 150	2 913	595	96 319
Operating loss/(profit) attributable to minorities	-	987	22 212	-	-	(16 200)	6 999
Operating profit/(loss) before goodwill after minorities	56 552	80 225	(37 917)	17 150	2 913	(15 605)	103 318
Cost to income ratio (%)	46.9	45.3	>100.0	82.4	46.7	98.7	62.6
2008							
Total operating income	267 455	261 642	103 550	105 904	1 959	42 653	783 163
Impairment losses on loans and advances	(22 940)	(60 402)	-	-	-	-	(83 342)
Net operating income	244 515	201 240	103 550	105 904	1 959	42 653	699 821
Operating expenses	(122 951)	(153 608)	(90 994)	(80 966)	(1 716)	(51 885)	(502 120)
Operating profit/(loss)	121 564	47 632	12 556	24 938	243	(9 232)	197 701
Operating (profit) attributable to minorities	-	(119)	(4 724)	-	-	(23 368)	(28 211)
Operating profit/(loss) before goodwill after minorities	121 564	47 513	7 832	24 938	243	(32 600)	169 490
Cost to income ratio (%)	46.0	58.7	87.9	76.5	87.6	>100.0	64.1

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

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

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

£'000	Year to 31 March 2009			Year to 31 March 2008		
	Total	Remainder of the group's businesses	Consolidated investments	Total	Remainder of the group's businesses	Consolidated investments
Total operating income	805 631	821 963	(16 332)	783 163	746 756	36 407
Impairment losses on loans and advances	(204 721)	(204 721)	-	(83 342)	(83 342)	-
Net operating income	600 910	617 242	(16 332)	699 821	663 414	36 407
Operating expenses	(504 591)	(474 980)	(29 611)	(502 120)	(466 820)	(35 300)
Operating profit/(loss) before goodwill	96 319	142 262	(45 943)	197 701	196 594	1 107
Operating profit/(loss) attributable to minorities	6 999	(15 213)	22 212	(28 211)	(23 487)	(4 724)
Operating profit/(loss) before goodwill after minorities	103 318	127 049	(23 731)	169 490	173 107	(3 617)
Goodwill impairment	(30 265)	(2 365)	(27 900)	(59 900)	(59 900)	-
Goodwill attributable to minorities	15 254	-	15 254	-	-	-
Operating profit/(loss) before taxation	88 307	124 684	(36 377)	109 590	113 207	(3 617)
Taxation	(8 873)	(14 282)	5 409	(36 963)	(35 286)	(1 677)
Profit/(loss) after taxation attributable to shareholders	79 434	110 402	(30 968)	72 627	77 921	(5 294)
Earnings/(losses)	109 699	112 767	(3 068)	132 527	137 821	(5 294)
Goodwill impairment	(30 265)	(2 365)	(27 900)	(59 900)	(59 900)	-

Income statement analysis

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

Total operating income

Total operating income before impairment losses on loans and advances of £805.6 million is 2.9% higher than the prior year. The various components of total operating income are analysed below.

£'000	31 March 2009	% of total income	31 March 2008	% of total income	% change
Net interest income	406 356	50.4%	352 840	45.1%	15.2%
Other income	399 275	49.6%	430 323	54.9%	(7.2%)
Net fee and commission income	293 901	36.5%	296 197	37.8%	(0.8%)
Principal transactions	115 930	14.5%	75 523	9.6%	53.5%
Operating income from associates	12 443	1.5%	12 150	1.6%	2.4%
Other operating (loss)/income	(22 999)	(2.9%)	46 453	5.9%	(>100.0%)
Total operating income before impairment losses on loans and advances	805 631	100.0%	783 163	100.0%	2.9%

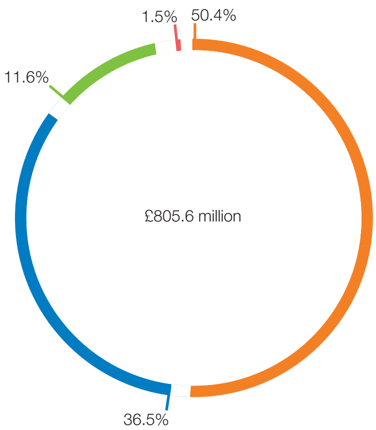
The following table sets out information on total operating income by division for the year under review.

£'000	31 March 2009	% of total income	31 March 2008	% of total income	% change
Private Client Activities	242 811	30.2%	267 455	34.1%	(9.2%)
Capital Markets	386 638	48.0%	261 642	33.4%	47.8%
Investment Banking	28 471	3.5%	103 550	13.2%	(72.5%)
Asset Management	97 548	12.1%	105 904	13.6%	(7.8%)
Property Activities	5 467	0.7%	1 959	0.3%	>100.0%
Group Services and Other Activities	44 696	5.5%	42 653	5.4%	4.8%
Total operating income before impairment losses on loans and advances	805 631	100.0%	783 163	100.0%	2.9%

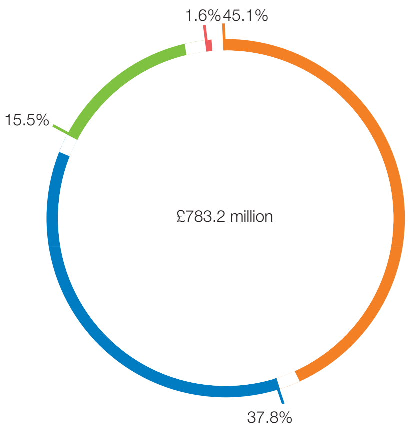
Commentary on the results of Investec plc for the year ended 31 March 2009

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

31 March 2009



31 March 2008



Net interest income
Operating income from associates
Net fee and commission income
Principal transactions and other income

Financial review

Net interest income

Net interest income increased by 15.2% to £406.4 million (2008: £352.8 million) as a result of growth in average advances and the acquisitions of Kensington and Experien in the prior year.

Net fee and commission income

Net fee and commission income decreased by 0.8% to £293.9 million (2008: £296.2 million). Transactional activity and asset levels have been impacted by the economic environment. The group has however, benefited from a solid performance from the Capital Markets advisory and structuring businesses.

Principal transactions

Income from principal transactions increased by 53.5% to £115.9 million (2008: £75.5 million) reflecting a strong contribution from our Capital Markets trading businesses and an improved performance from our Principal Finance businesses.

Impairment losses on loans and advances

As a result of the weaker credit cycle we have seen a decline in the performance of the loan portfolio resulting in an increase in impairment losses on loans and advances from £27.9 million to £111.5 million (excluding Kensington). The credit loss charge as a percentage of average gross core loans and advances has increased from 0.5% to 1.6% since 31 March 2008. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 2.0% to 4.7% since 31 March 2008. Further information on our asset quality is provided on page 52.

Impairment losses on loans and advances relating to the Kensington business amount to £93.2 million (2008: £55.4 million). The total Kensington book has been managed down to £5.2 billion from £6.1 billion at 31 March 2008. Arrears have increased as the book seasons in a weak environment. Further information is provided on pages 23 and 27.

Total expenses

The ratio of total operating expenses to total operating income improved to 62.6% from 64.1%.

Total expenses increased by 0.5% to £504.6 million (2008: £502.1 million) largely as a result of the acquisitions of Kensington and Experien and an increase in average headcount and associated costs in certain of the businesses.This was offset by a decline in variable remuneration. Total headcount is being tightly managed and expense growth (excluding variable remuneration) is targeted below the respective inflation rates in each of the group's core geographies. Investec plc has also introduced a non-cash deferred component to variable remuneration payments.

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

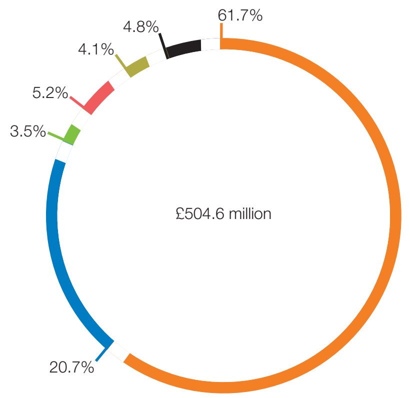
£'000	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Staff costs (including directors' remuneration)	311 097	61.7%	327 101	65.1%	(4.9%)
Business expenses	104 318	20.7%	95 755	19.1%	8.9%
Equipment (excluding depreciation)	17 799	3.5%	13 258	2.6%	34.3%
Premises (excluding depreciation)	26 395	5.2%	27 737	4.7%	(4.8%)
Marketing expenses	20 937	4.1%	20 030	4.9%	4.5%
Depreciation	24 045	4.8%	18 239	3.6%	31.8%
Total expenses	504 591	100.0%	502 120	100.0%	0.5%

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

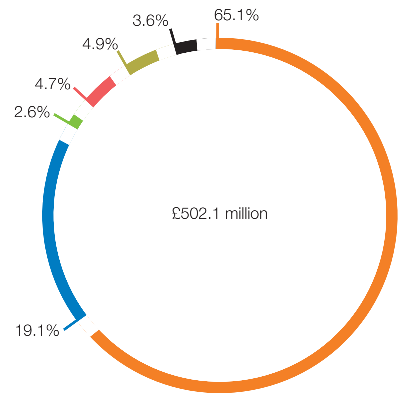
£'000	31 March 2009	% of total expenses	31 March 2008	% of total expenses	% change
Private Client Activities	113 864	22.6%	122 951	24.5%	(7.4%)
Capital Markets	175 074	34.7%	153 608	30.7%	14.0%
Investment Banking	88 600	17.6%	90 994	18.1%	(2.6%)
Asset Management	80 398	15.9%	80 966	16.1%	(0.7%)
Property Activities	2 554	0.5%	1 716	0.3%	48.8%
Group Services and Other Activities	44 101	8.7%	51 885	10.3%	(15.0%)
Total expenses	504 591	100.0%	502 120	100.0%	0.5%

% 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 6.9% largely as a result of the issue of equity shares and retained earnings.
- Total assets increased by 1.5% to £19.4 billion.

Business unit review

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

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

Private Client Activities

Private Client Activities comprising Private Banking and Private Client Portfolio Management and Stockbroking posted an operating profit of £56.6 million (2008: £ 121.6 million).

Private Banking

Overview of performance

The operating profit of the Private Bank decreased to £44.5 million (2008: £109.6 million). Higher average advances and a diversified set of revenues continued to drive operating income. However, activity levels have declined and impairment losses on loans and advances have increased in all geographies as a result of the weaker credit environment.

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

Developments

UK and Europe

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

Australia

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

Outlook

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

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

Private Client Portfolio Management and Stockbroking

Overview of performance

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

Rensburg Sheppards plc released its results for the year ended 31 March 2009 on 10 June 2009. Salient features of the results extracted directly from the announcement released by the company include:

"Key points:

- Profit before tax of £30.5 million (2008: £31.2 million).
- Adjusted* profit before tax of £36.6 million (2008: £41.5 million).
- Basic earnings per share of 49.0 pence (2008: 47.9 pence).
- Adjusted* basic earnings per share of 59.4 pence (2008: 65.4 pence).
- Recommended final dividend maintained at 17.0 pence, making an unchanged total dividend for the year of 25.5 pence.
- Group funds under management at 31 March 2009 of £10.01 billion (2008: £12.95 billion).

* Before amortisation of the client relationships intangible asset, share based charges relating to the Employee Benefit Trust ('EBT') and the loss on disposal of available for sale investments. These items amount to a net charge before tax of £6.1 million (2008: £10.3 million) and a net charge after tax of £4.5 million (2008: £7.7 million)".

Capital Markets

Overview of performance

Capital Markets posted an operating profit of £80.2 million (2008: £47.5 million). The division's advisory, structuring and trading activities performed well. The results of the Principal Finance division improved substantially as current year write downs on US structured credit investments of £13 million were significantly less than the prior period of £49 million. Core loans and advances increased by 12.6% to £2.4 billion.

Kensington produced a stable performance and reported operating profit of £37.1 million (2008: £24.3 million; the business was acquired on 8 August 2007). Salient information with respect to Kensington is provided below.

Developments

UK and Europe

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

Kensington

- The total value of mortgage assets on Kensington's balance sheet continues to decrease (as the book is been managed down) and as at 31 March 2009 was £5.2 billion. £3.3 billion of these assets have been securitised and the remaining £1.9 billion are in warehouse lines.
- Accounting conventions require the bank to consolidate all of these assets onto the bank's balance sheet. However, Investec plc has limited exposure to these assets.
- Kensington (and therefore Investec plc) carries risk exposure or an investment in a portion of the securitised assets and warehouse lines only. The value of this net investment as at 31 March 2009 was £516 million.
- The £1.9 billion of warehouse lines are largely provided by third party funders and these lines have recently been renewed and renegotiated and have a minimum remaining term of eighteen months to three years. These lines are non-recourse to Investec plc, other than the net investment we retain.
- The investment of £516 million would only be impaired if excess income earned and retained by the portfolio structure is not sufficient to cover costs and bad debts (as mentioned above Kensington however, remains profitable with sufficient excess spread). These exposures represent approximately 2.5% of Investec plc's assets.

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

Kensington – salient financial information

Summary income statement

£'000	Year ended 31 March 2009	Period 8 Aug 2007 to 31 March 2008
Total operating income	178 125	119 609
Impairment losses on loans and advances	(93 246)	(55 400)
Admin expenses and depreciation	(47 738)	(39 938)
Operating profit before goodwill, non-operating items and taxation	37 141	24 271

Key statistics

As at 31 March 2009	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 897	3 268	5 165	
IFRS adjustments (£'million)	12	47	59	
Mortgage assets under management (£'million)	1 885	3 221	5 106	
First charge % of total mortgage assets under management	92.8%	94.2%	93.7%	
Second charge % of total mortgage assets under management	7.2%	5.8%	6.3%	
Fixed rate loans % of total mortgage assets under management	57.8%	23.6%	36.2%	
Number of accounts	17 151	35 056	52 207	
Average loan balance (first charge)	£144 513	£111 444	£121 630	
Largest loan balance	£1 127 239	£1 224 368	£1 224 368	
Weighted average loan mature margin	3.8%	4.1%	4.0%	
Product mix (pre-IFRS adjustments) (£'million)	1 885	3 221	5 106	100.0%
Prime	11	-	11	0.2%
Near prime	656	536	1 192	23.4%
Prime Buy to Let	1	-	1	-
Adverse	478	2 174	2 652	51.9%
Adverse Buy to Let and Right to Buy	82	160	242	4.7%
Start - Irish operations	657	351	1 008	19.8%
Geographic distribution (£'million)	1 885	3 221	5 106	100.0%
UK - North	383	927	1 310	25.6%
UK - South West	95	201	296	5.8%
UK - South East	276	597	873	17.1%
Outer London	181	354	535	10.5%
Inner London	93	212	305	6.0%
Midlands	200	579	779	15.3%
Start - Irish operations	657	351	1 008	19.7%
Spread of value of properties	100.0%	100.0%	100.0%	
>£500 000	3.9%	1.5%	2.3%	
>£250 000 - <=£500 000	24.1%	12.6%	16.4%	
>£200 000 - <=£250 000	15.6%	11.7%	13.0%	
>£150 000 - <=£200 000	19.9%	19.4%	19.5%	
>£100 000 - <=£150 000	23.4%	28.6%	26.9%	
>£70 000 - <=£100 000	11.6%	19.6%	17.0%	
>£50 000 - <=£70 000	1.4%	5.3%	4.0%	
<£50 000	0.1%	1.3%	0.9%	
Asset quality statistics				
Weighted average current LTV of active portfolio (adjusted for house price deflation)*	87.5%	80.8%	83.3%	

* Bad debt provision is based on a house price decline assumption of circa -40% i.e. 2008: -15% 2009: -15%, and an extra -10% haircut to the price to reflect forced sale discount

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

Key statistics (continued)

As at 31 March 2009	Warehouse book	Securitised portfolio	Total	% of total
LTV spread - % of book	100.0%	100.0%	100.0%	
<= 65%	18.4%	22.3%	20.8%	
>65% - <70%	4.2%	5.3%	4.9%	
>70% - <75%	4.4%	6.2%	5.5%	
>75% - <80%	5.4%	7.6%	6.8%	
>80% - <85%	5.8%	9.5%	8.2%	
>85% - <90%	7.1%	11.8%	10.0%	
>90% - <95%	8.2%	12.5%	10.9%	
>95% - <100%	11.0%	11.7%	11.5%	
> 100%	35.5%	13.1%	21.4%	
% of accounts >90 days in arrears	19.8%	25.1%	23.4%	
Number of accounts >90 in arrears	3 404	8 793	12 197	
Total capital lent in arrears (£'million)	605	1 377	1 982	100.0%
Arrears 0 - 60 days	118	252	370	18.7%
Arrears 61 - 90 days	84	192	276	13.9%
Arrears >90 days	369	806	1 175	59.3%
Possession	34	127	161	8.1%
Debt to income ratio of clients	22.4%	24.3%	23.6%	
Investec investment/exposure to assets reflected above (£'million)	474	169	643	
On balance sheet provision (£'million)	(61)	(66)	(127)	
Investec net investment/exposure to assets reflected above (£'million)	413	103	516	

Financial review

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

Key statistics (continued)

As at 31 March 2008	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	2 035	4 063	6 098	
IFRS adjustments (£'million)	69	(59)	10	
Mortgage assets under management	1 966	4 122	6 088	
First charge % of total mortgage assets under management	91.5%	94.2%	93.3%	
Second charge % of total mortgage assets under management	8.5%	5.8%	6.7%	
Fixed rate loans % of total mortgage assets under management	60.9%	44.2%	49.6%	
Number of accounts	19 443	45 407	64 850	
Average loan balance (first charge)	£135 369	£109 793	£116 782	
Largest loan balance	£1 001 672	£1 075 835	£1 075 835	
Weighted average loan mature margin	3.5%	3.7%	3.6%	
Product mix (pre-IFRS adjustments) (£'million)	1 966	4 122	6 088	100.0%
Prime	67	-	67	1.1%
Near prime	690	694	1 384	22.7%
Prime Buy to Let	12	-	12	0.2%
Adverse	551	2 842	3 393	55.7%
Adverse Buy to Let and Right to Buy	87	212	299	4.9%
Start - Irish operations	559	374	933	15.4%
Geographic distribution (£'million)	1 966	4 122	6 088	100.0%
UK - North	438	1 216	1 654	27.1%
UK - South West	108	259	367	6.0%
UK - South East	317	781	1 098	18.0%
Outer London	207	464	671	11.0%
Inner London	106	277	383	6.3%
Midlands	231	751	982	16.2%
Start - Irish operations	559	374	933	15.4%
Spread of value of properties	100.0%	100.0%	100.0%	
>£500 000	3.0%	1.3%	1.8%	
>£250 000 - <£500 000	21.3%	11.7%	14.5%	
>£200 000 - <£250 000	16.1%	11.6%	13.0%	
>£150 000 - <£200 000	21.3%	20.0%	20.4%	
>£100 000 - <£150 000	24.7%	29.0%	27.7%	
>£70 000 - <£100 000	12.1%	19.8%	17.5%	
>£50 000 - <£70 000	1.4%	5.4%	4.2%	
<£50 000	0.1%	1.2%	0.9%	
Weighted average current LTV of active portfolio (adjusted for house price deflation)*	73.7%	68.1%	69.9%	
LTV spread - % of book	100.0%	100.0%	100.0%	
<= 65%	29.3%	24.7%	26.2%	
>65% - <70%	7.3%	6.8%	7.0%	
>70% - <75%	8.7%	10.5%	9.9%	
>75% - <80%	9.9%	13.4%	12.2%	
>80% - <85%	15.8%	17.8%	17.2%	
>85% - <90%	27.2%	24.3%	25.3%	
>90% - <95%	1.1%	2.4%	1.9%	
>95% - <100%	0.2%	0.1%	0.1%	
>100%	0.5%	-	0.2%	

* Bad debt provision is based on a house price decline assumption of circa -35% i.e. 2008: -10% 2009: -5%, and an extra -20% haircut to the price to reflect forced sale discount

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

Key statistics (continued)

As at 31 March 2008	Warehouse book	Securitised portfolio	Total	% of total
% of accounts > 90 days in arrears	5.4%	13.9%	11.3%	
Number of accounts > 90 in arrears	1 041	6 303	7 344	
Total capital lent in arrears (£'million)	269	1 267	1 536	100.0%
Arrears 0 - 60 days	98	377	475	30.9%
Arrears 61 - 90 days	50	215	265	17.3%
Arrears >90 days	113	551	664	43.2%
Possession	8	124	132	8.6%
Debt to income ratio of clients	23.4%	26.0%	25.1%	
Investec investment/exposure to assets reflected above (£'million)	162	172	334	
On balance sheet provision (£'million)	(34)	(70)	(104)	
Investec net investment/exposure to assets reflected above (£'million)	128	102	230	
Additional warehouse lines provided to Kensington (£'million)	-	-	238	

Financial review

Capital Markets developments (continued)

Australia

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

Outlook

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

Investment Banking

The Investment Banking division recorded an operating loss of £37.9 million (2008: profit of £7.8 million). The division was impacted by a much weaker performance from certain of the investments held within the Private Equity and Direct Investments division as discussed on pages 18 and 19. The agency business closed fewer deals in comparison to the prior year but reported higher trading revenues.

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

Developments

Corporate Finance

UK and Europe

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

Australia

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

Institutional Research, Sales and Trading

UK and Europe

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

Principal Investments

UK, Europe and Hong Kong

- Performance has been impacted by volatile market conditions.

Australia

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

Outlook

Corporate Finance

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

Institutional Research, Sales and Trading

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

Principal Investments

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

Asset Management

Overview of performance

Investec Asset Management reported a decrease in operating profit of 31.2% to £17.2 million (2008: £24.9 million) largely as a result of a tougher mutual fund environment and weak equity markets. The division continued to benefit from a shift in the mix of funds managed, good investment performance and solid net inflows, notably within its institutional portfolio. Assets under management decreased by 5.1% to £13.1 billion (2008: £13.8 billion).

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

Developments

- We continue to develop our portfolio of investment capabilities.
- Our wider distribution footprint is facilitating sales momentum and there was £978 million of net flows for the financial year. The institutional performance was gratifying with £1.6 billion of net flows.
- With our breadth of investment products and good performance across the range, we are receiving good traction:
  - 65% by value and 67% by number of our mutual funds are in the first or second quartile over three years
  - 82% of institutional propositions outperformed their benchmarks since 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 Property division posted an operating profit of £2.9 million (2008: £0.2 million).

Developments

UK and Europe

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

Australia

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

Outlook

UK and Europe

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

Australia

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

Group Services and Other Activities

The Group Services and Other Activities division posted an operating loss of £15.6 million compared to a loss of £32.6 million in the previous year. The Central Funding division benefitted from a debt purchase programme and the Central Services division posted a decline in costs.

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 32 to 103) with further disclosures provided within the financial statements section (pages 130 to 192). 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, quantifying, managing and mitigating the risks associated with each of our businesses.

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

Group Risk Management (part of Group Services) is independent from the business units and monitors, manages and reports on our risk to ensure it is within the stated appetite as mandated by the board of directors through the Board Risk and Capital Committee. Business units are ultimately responsible for managing risks that arise.

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

Group Risk Management's objectives

Group Risk Management's objectives are to:
- Be the custodian of our risk management culture
- Ensure the business operates within the board's stated appetite
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the board reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees, as mandated by the board.

Executive summary of the year in review from a risk perspective

As mentioned in the beginning of this report (refer to pages 14 to 29) Investec has maintained a sound balance sheet with low leverage and a diversified business model which has enabled it to navigate through the present challenging operating environment.

This has been supported by the following key operating fundamentals:
- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital.
- Strong risk and capital management culture; embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests.
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised Economic Value Added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years.
- Credit and counterparty exposures to a select target market; Our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. We have, however, experienced an increase in impairments and defaults as a result of weak economic conditions. The credit loss ratio has increased to 1.6% of core loans and advances, in line with our expectations.
- Limited exposure to rated and unrated structured credit investments; representing less than 2.5% of total assets.
- A low leverage ratio of approximately 13 times.
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with "level 3" assets amounting to 2% of total assets.
- Low equity (investment) risk exposure with total investments comprising less than 1.5% 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 1.5% of total operating income.
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately £2.1 billion, representing 20% to 30% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth.
- An increase in retail customer deposits and access to longer term funding initiatives.
- Healthy capital ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We have strengthened our capital base and increased our net tangible asset value during the period.
- A high level of recurring income which continues to support sustainability of operating profit, albeit at a lower level.

Risk management

The global financial market crisis has resulted in increasing risk levels and has impacted the markets in which we operate on a number of fronts. Our overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held us in good stead over the period. Detailed information on key developments during the financial year is provided in the sections that follow (refer to pages 43, 44, 68, 69, 74, 84, 85 and 89).

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.

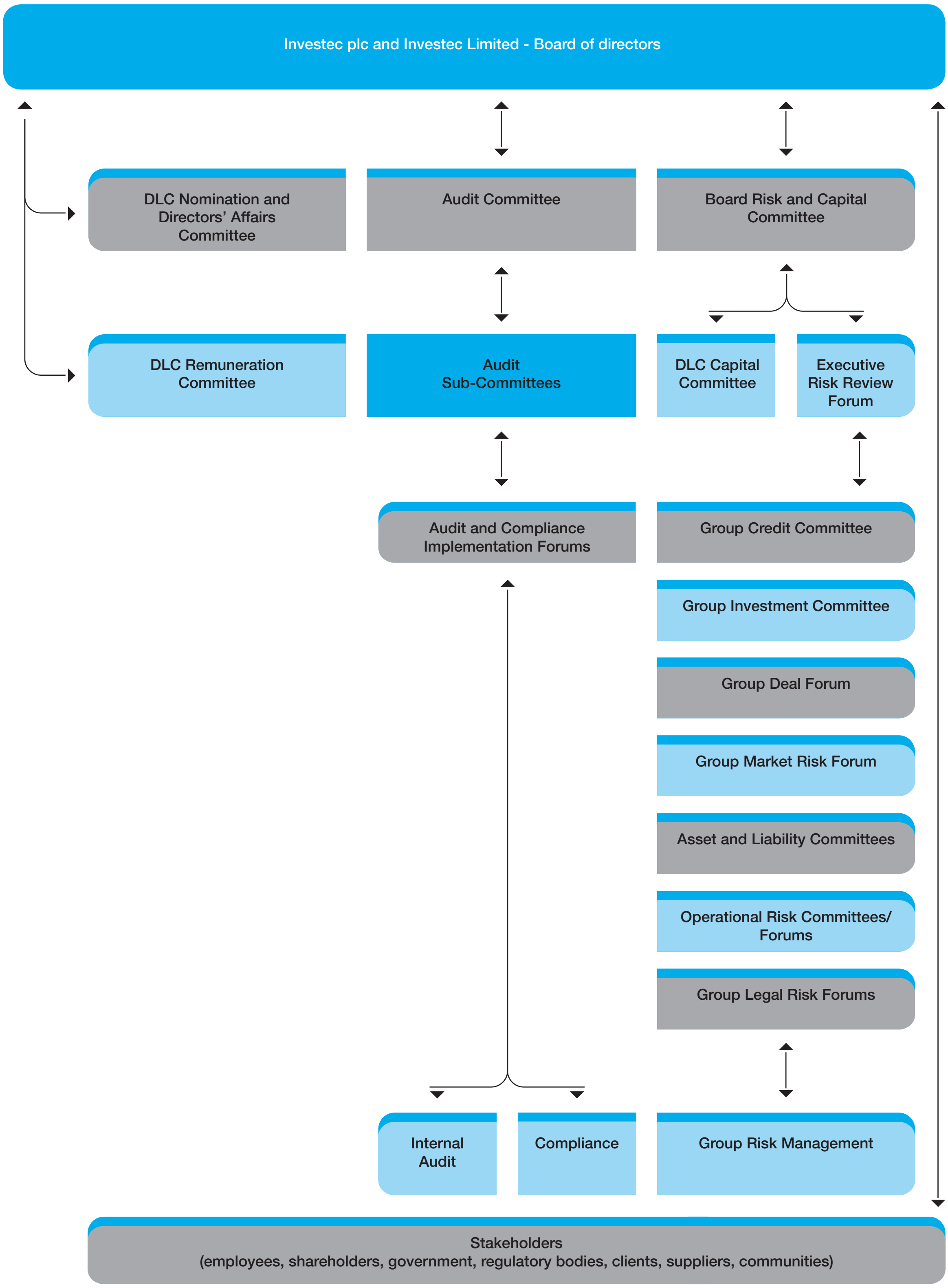
Key risks	Reference
• Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 38 to 66
• Liquidity risk may impair our ability to fund our operations	See pages 75 to 85
• Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 75 to 85
• Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 67 to 75
• 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 86 to 89
• Operational risk may disrupt our business or result in regulatory action	See pages 86 to 89
• We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 86 to 89
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 91 to 101
• The financial services industry in which we operate is intensely competitive	See pages 8 to 29
• Legal and regulatory risks are substantial in our businesses	See page 90
• Reputational, strategic and business risk	See page 90
• We may be exposed to pension risk in our UK operations	See page 90

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 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
FSA – Financial Service Authority
APRA – Australian Prudential Regulatory Authority

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level. These committees and forums operate together with Group Risk Management and are mandated by the board. A diagram of our governance and risk framework is provided below.



Key markets indicators

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

Audited	31 March 2009 period end	31 March 2008 period end	Average over the period
Market indicators			
FTSE all share	1 984	2 927	2 486
Australia all ords	3 532	5 410	4 491
S&P 500	798	1 323	1 090
Nikkei	8 110	12 526	10 866
Dow Jones	7 609	12 263	10 136
Exchange rates			
Euro/Pounds Sterling	1.08	1.25	1.21
Australian Dollar/Pounds Sterling	2.07	2.18	2.19
US Dollar/Pounds Sterling	1.43	1.99	1.73
US Dollar/Euro	1.33	1.58	1.42
Rates			
UK overnight	0.63%	5.55%	3.49%
UK 10 year	3.70%	4.34%	4.22%
UK Clearing Banks Base Rate	0.57%	5.25%	3.74%
LIBOR - 3 month	1.65%	6.01%	4.63%
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			
UK GDP (% change over the period)	(1.00%)	2.90%	n/c
UK per capita GDP (£)	23 496	22 712	
Australia GDP (% change over the period)	1.60%	4.20%	n/c
Australia per capita GDP (AUD)	55 260	51 985	

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

Securitisation/principal finance activities and exposures

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

UK and Europe

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

We retain residual net exposures amounting to £516 million to the assets originated, warehoused and securitised by Kensington. Further information is provided on pages 24 to 27.

Australia

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

Accounting treatment

Refer to page 168.

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 - £'mn	Exposure as at 31 March 2008 - £'mn	Credit analysis internal risk classification	Asset quality - relevant comments	Capital treatment
Structured credit investments	329	219	On-balance sheet securitisation/principal finance exposure.	During the year we wrote off approximately £20 million against these exposures.	Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	243	121			
Unrated	29	79			
Other	57	19			
Kensington - mortgage assets					
Net exposures (after impairments) to the securitised book (i.e. those assets that have been securitised)	103	101	On-balance sheet securitisation/principal finance exposure. Classified as 'unrated'. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures".	Refer to pages 24 and 25	Risk-weighted or supervisory deductions against primary and secondary capital
Net exposures (after impairments) to the warehouse book (i.e. those assets that have been originated and placed in special purpose vehicles awaiting securitisation)	413	128	On-balance sheet securitisation/principal finance exposure. Classified as 'other'. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures".	Refer to pages 24 and 25	Risk-weighted.
Direct funding warehouse facility (i.e. where we are the funding provider to the assets)	-	238			Risk-weighted.

Nature of exposure/activity	Exposure as at 31 March 2009 - £'mn	Exposure as at 31 March 2008 - £'mn	Credit analysis internal risk classification	Asset quality - relevant comments	Capital treatment
UK-residual investments in other assets which have been securitised by us (unrated)	29	29	On-balance sheet securitisation/principal finance exposure.We are required to fully consolidate these assets. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures".		Risk-weighted or supervisory deductions against primary and secondary capital.
Private Banking division assets	443	346	On-balance sheet which have been securitised exposure - reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes.	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 52.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.

Credit and counterparty risk management

Credit and counterparty risk description Audited

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

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

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

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

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

Credit and counterparty risk governance structure Audited

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

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

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

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

Credit and counterparty risk appetite

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

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 66 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 35 for further information).

Risk management

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

Management and measurement of credit and counterparty risk Audited

Fundamental principles employed in the management of credit and counterparty risk are:

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

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

Despite strict adherence to the above principles increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility.
Investec completes scenario tests on its loan portfolio with regards to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit/risk stress tests also play an integral part in the banks capital planning process.

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

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

Fitch, Standard and Poor's and Moody's have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

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

Credit and counterparty risk in the UK and Europe

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

Private Bank

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

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

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

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

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

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

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

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

Capital Markets

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

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

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

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

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

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

Investment Banking

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

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

Asset Management

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

Credit and counterparty risk in Australia

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

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

Asset quality analysis - credit risk classification and provisioning policy Audited

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

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 52). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the "International Convergence of Capital Measurement and Capital Standards" Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of assets with credit risk where a "loss trigger event" has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/ credit agreed payment due date, although management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil their credit obligation to the group (i.e. Credit Committee is concerned). For the following reasons: • Covenant breaches; • There is a slowdown in the counterparty's business activity; • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty; or • Any re-structured credit exposures until appropriate Credit Committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories • Credit exposures overdue 1- 60 days • Credit exposures overdue 61 – 90 days
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable; • The bank is relying, to a large extent, on available collateral; or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in "Sub-standard" (or a lower quality category).
		Doubtful	• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; 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 often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. In the year under review, there was downward pressure on the value of commercial and residential real estate as a result of the global economic slowdown in all our key operating jurisdictions. This has resulted in an increased focus on residential and commercial property valuations.

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

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

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

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:
- A legally enforceable right to set-off exists; and
- There is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:
- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances be denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk managed on a net basis.

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

An analysis of collateral is provided on page 66.

Credit and counterparty risk year in review

UK and Europe

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

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

Core loans and advances increased by 10.3% to £6.0 billion, primarily as a result of currency fluctuations rather than increased lending activity. Approximately 20% of the book is denominated in Euro which has strengthened against Pounds Sterling in the year under review.

Default loans (net of impairments) have increased from 2.2% to 3.6% of core loans and advances, but remain within tolerable levels. The credit loss ratio has increased from 0.5% to 1.6%. All accounts are proactively managed and customers have demonstrated ability to service loans where assets have not been sold. The relatively low interest rate environment has enabled clients to bear the fairly low interest burden attached to their debt for longer periods. Holding assets for longer periods has thus allowed customers to avoid forced sale scenarios which may have exacerbated already depressed asset values. The performance of all accounts is regularly reviewed by the independent credit function and impairments taken as necessary. As a risk management strategy, prudent account management is formulised over asset growth.

Within our Capital Markets division we have experienced increased defaults in our Acquisition Finance, Resource Finance and small ticket leasing businesses.
- Acquisition Finance: counterparties in the automotive, construction and leisure sectors in particular have experienced severe cash flow pressures. Our exposures are all senior secured facilities. We expect further difficulties to be experienced in this book as consumer facing counterparties' cash flows weaken.

Resource Finance: junior- to mid-cap mining operators have suffered from the collapse in commodity prices and the drying up of equity finance. We are in active negotiations regarding the refinancing of several of our larger facilities. We expect to receive repayment on a significant proportion of our book over the next few months.

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

The Kensington mortgage book continues to perform within expectations taking into account the economic landscape.

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

Australia

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

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

Credit and counterparty risk information

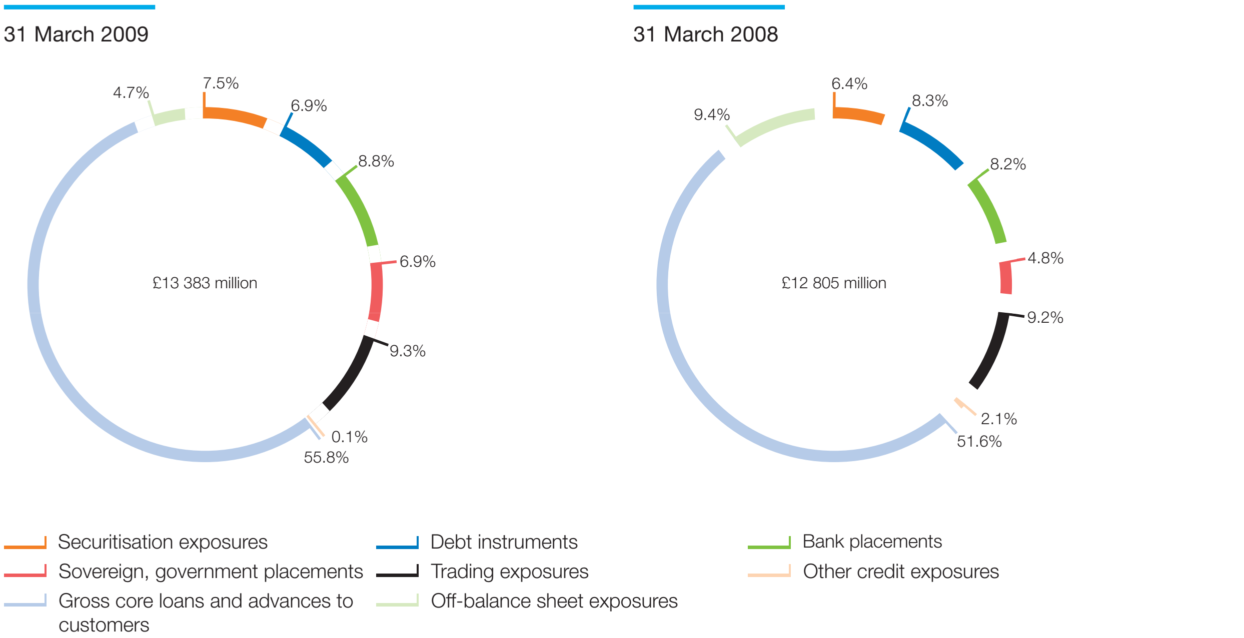
Pages 38 to 44 describe where and how credit and counterparty risk is exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

£'000 Audited	31 March 2009	31 March 2008	% change	Average*
On-balance sheet exposures	12 747 723	11 597 662	9.9%	12 172 693
Securitisation exposures arising from securitisation/principal finance activities	1 001 191	821 380	21.9%	911 286
Rated instruments	243 344	121 127	>100.0%	182 236
Unrated instruments	226 703	278 989	(18.7%)	252 846
Other	531 144	421 264	26.1%	476 204
Debt instruments (NCDs, bonds held, debentures)	922 974	1 063 722	(13.2%)	993 348
Bank placements	1 177 147	1 053 770	11.7%	1 115 459
Sovereign, government placements	916 748	616 122	48.8%	766 435
Trading exposures (positive fair value excluding potential future exposures)	1 254 697	1 164 907	7.7%	1 209 802
Other credit exposures	12 575	268 656	(95.3%)	140 615
Gross core loans and advances to customers**	7 462 391	6 609 105	12.9%	7 035 748
Off-balance sheet exposures	634 977	1 207 737	(47.4%)	921 357
Guarantees	62 250	96 989	(35.8%)	79 620
Contingent liabilities, committed facilities, other	572 727	1 110 748	(48.4%)	841 737
Total gross credit and counterparty exposures pre collateral or other credit enhancements	13 382 700	12 805 399	4.5%	13 094 050

* Where the average is based on a straight line average

** As calculated on page 52


31 March 2009
£13 383 million
7.5%
6.9%
8.8%
6.9%
9.3%
0.1%
55.8%
4.7%
31 March 2008
£12 805 million
6.4%
8.3%
8.2%
4.8%
9.2%
2.1%
51.6%
9.4%
Securitisation exposures
Debt instruments
Bank placements
Sovereign, government placements
Trading exposures
Other credit exposures
Gross core loans and advances to customers
Off-balance sheet exposures

Risk management

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

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

£'000 Audited	Securitisation exposures arising from securitisation/ principal finance activities				Debt instruments (NCDs, bonds held, debentures)
	Total	Rated instruments	Unrated instruments	Other	
As at 31 March 2009					
Cash and balances at central banks	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-
Cash equivalent advances to customers	-	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-
Trading securities	5 106	336	209	4 561	4 868
Derivative financial instruments	31 733	-	-	31 733	-
Investment securities	538	-	538	-	918 106
Loans and advances to customers	200 390	141 352	43 248	15 790	-
Loans and advances to customers - Kensington warehouse assets	474 302	-	-	474 302	-
Securitised assets	284 364	101 656	182 708	-	-
Interests in associated undertakings	-	-	-	-	-
Deferred taxation assets	-	-	-	-	-
Other assets	4 758	-	-	4 758	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total	1 001 191	243 344	226 703	531 144	922 974
As at 31 March 2008					
Cash and balances at central banks	-	-	-	-	-
Loans and advances to banks	-	-	-	-	712
Cash equivalent advances to customers	-	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-
Trading securities	142 196	57 563	74 656	9 977	17 963
Derivative financial instruments	8 995	-	-	8 995	-
Investment securities	3 850	-	3 850	-	1 045 047
Loans and advances to customers	415 528	13 236	-	402 292	-
Securitised assets	250 811	50 328	200 483	-	-
Deferred taxation assets	-	-	-	-	-
Other assets	-	-	-	-	-
Interests in associated undertakings	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Total	821 380	121 127	278 989	421 264	1 063 722

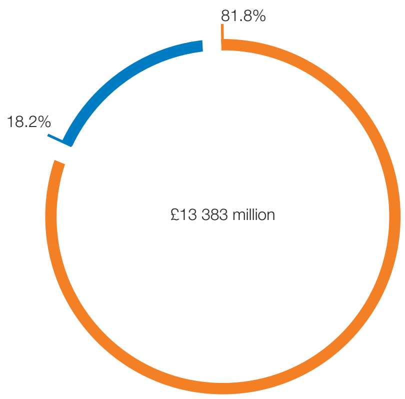
Notes:
1. Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on page 69.
2. Largely relates to impairments and the impact of hedge accounting.
3. Whilst the group manages all risks (including credit risk) from a day to day operational perspective, these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the "total credit and counterparty exposure" with the maximum credit exposure referenced to credit providers external to the group in the column headed "assets that we do not hold legal credit risk or have no credit risk".
4. Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 35 and 36.

Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
830	870 653	934	-	-	872 417	18		872 435
1 120 429	-	-	102	-	1 120 531	48 097		1 168 628
-	-	-	-	-	-	-		-
-	-	253 247	-	-	253 247	-		253 247
-	-	243 204	-	-	253 178	108 705	1	361 883
-	-	549 555	-	-	581 288	280 004	1	861 292
-	46 095	-	16	-	964 755	52 008	1	1 016 763
-	-	-	-	7 019 794	7 220 184	(74 065)	2	7 146 119
-	-	-	-	-	474 302	1 423 576	3	1 897 878
-	-	-	-	442 597	726 961	3 942 788	4	4 669 749
-	-	-	-	-	-	91 005		91 005
-	-	-	-	-	-	99 301		99 301
55 888	-	207 757	12 457	-	280 860	265 422		546 282
-	-	-	-	-	-	160 551		160 551
-	-	-	-	-	-	233 371		233 371
-	-	-	-	-	-	27 883		27 883
1 177 147	916 748	1 254 697	12 575	7 462 391	12 747 723	6 658 664		19 406 387
6 607	608 004	-	-	-	614 611	17		614 628
1 047 163	-	-	81 583	-	1 129 458	37 121		1 166 579
-	-	7 124	-	-	7 124	59		7 183
-	-	325 162	-	-	325 162	25 454		350 616
-	-	189 622	2 566	-	352 347	105 744	1	458 091
-	-	481 993	-	-	490 988	228 433	1	719 421
-	8 118	-	111	-	1 057 126	60 035	1	1 117 161
-	-	-	-	6 263 021	6 678 549	1 638 576	2/3	8 317 125
-	-	-	-	346 084	596 895	4 654 573	4	5 251 468
-	-	-	-	-	-	55 476		55 476
-	-	161 006	184 396	-	345 402	233 475		578 877
-	-	-	-	-	-	82 567		82 567
-	-	-	-	-	-	131 126		131 126
-	-	-	-	-	-	251 143		251 143
-	-	-	-	-	-	26 888		26 888
1 053 770	616 122	1 164 907	268 656	6 609 105	11 597 662	7 530 687		19 128 349

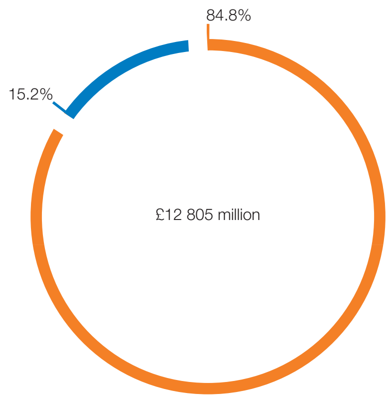
An analysis of gross credit and counterparty exposures by geography

£'000 Audited	UK and Europe 31 March 2009	UK and Europe 31 March 2008	Australia 31 March 2009	Australia 31 March 2008	Total 31 March 2009	Total 31 March 2008
On-balance sheet exposures	10 458 449	9 906 898	2 289 274	1 690 764	12 747 723	11 597 662
Securitisation exposures arising from securitisation/principal finance activities	1 001 191	821 380	-	-	1 001 191	821 380
Rated instruments	243 344	121 127	-	-	243 344	121 127
Unrated instruments	226 703	278 989	-	-	226 703	278 989
Other	531 144	421 264	-	-	531 144	421 264
Debt instruments (NCDs, bonds held, debentures)	289 838	762 531	633 136	301 191	922 974	1 063 722
Bank placements	1 044 213	909 837	132 934	143 933	1 177 147	1 053 770
Sovereign, government placements	916 748	616 122	-	-	916 748	616 122
Trading exposures (positive fair value excluding potential future exposures)	1 155 298	1 100 903	99 399	64 004	1 254 697	1 164 907
Other credit exposures	12 575	268 656	-	-	12 575	268 656
Gross core loans and advances to customers	6 038 586	5 427 469	1 423 805	1 181 636	7 462 391	6 609 105
Off-balance sheet exposures	486 136	948 130	148 841	259 607	634 977	1 207 737
Guarantees	32 909	50 246	29 341	46 743	62 250	96 989
Contingent liabilities, committed facilities, other	453 227	897 884	119 500	212 864	572 727	1 110 748
Total gross credit and counterparty exposures pre collateral or other credit enhancements	10 944 585	10 855 028	2 438 115	1 950 371	13 382 700	12 805 399

31 March 2009



31 March 2008



UK and Europe   Australia

Summary analysis of gross credit and counterparty exposures by industry

£'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008
HNW and professional individuals	4 937 450	3 690 474	473 719	891 683	5 411 169	4 582 157
Agriculture	47 901	47 029	8	857	47 909	47 886
Electricity, gas and water (utility services)	108 590	105 219	21 632	5 467	130 222	110 686
Public and non-business services	111 619	159 746	924 012	639 327	1 035 631	799 073
Business services	60 846	131 017	929	24 800	61 775	155 817
Finance and insurance	323 913	307 440	3 419 418	3 249 501	3 743 331	3 556 941
Retailers and wholesalers	119 323	189 607	3 573	21 308	122 896	210 915
Manufacturing and commerce	419 310	283 415	74 116	53 694	493 426	337 109
Real estate	781 127	1 212 794	762 941	871 533	1 544 068	2 084 327
Mining and resources	83 865	61 570	140 274	167 410	224 139	228 980
Leisure, entertainment and tourism	224 965	171 410	11 420	20 448	236 385	191 858
Transport and communication	243 482	249 384	6 312	33 052	249 794	282 436
Other*	-	-	81 955	217 214	81 955	217 214
Total	7 462 391	6 609 105	5 920 309	6 196 294	13 382 700	12 805 399

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

Detailed analysis of gross credit and counterparty exposures by industry

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
As at 31 March 2009						
On-balance sheet exposures	4 953 627	47 909	108 599	1 028 635	61 359	3 741 114
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	178 662
Rated instruments	-	-	-	-	-	122 966
Unrated instruments	-	-	-	-	-	43 248
Other	-	-	-	-	-	12 448
Debt instruments (NCDs, bonds held, debentures)	-	-	-	-	-	922 974
Bank placements	-	-	-	-	-	1 177 147
Sovereign, government placements	-	-	-	916 748	-	-
Trading exposures (positive fair value excluding potential future exposures)	6 866	-	-	186	498	1 137 460
Other credit exposures	9 311	8	9	82	15	958
Gross core loans and advances to customers	4 937 450	47 901	108 590	111 619	60 846	323 913
Off-balance sheet exposures	457 542	-	21 623	6 996	416	2 217
Guarantees	44 135	-	-	-	-	-
Contingent liabilities, committed facilities, other	413 407	-	21 623	6 996	416	2 217
Total gross credit and counterparty exposures pre collateral or other credit enhancements	5 411 169	47 909	130 222	1 035 631	61 775	3 743 331
As at 31 March 2008						
On-balance sheet exposures	3 957 374	47 029	105 219	776 088	131 853	3 446 763
Securitisation exposures arising from securitisation/principal finance activities	-	-	-	-	-	52 164
Rated instruments	-	-	-	-	-	-
Unrated instruments	-	-	-	-	-	-
Other	-	-	-	-	-	52 164
Debt instruments (NCDs, bonds held, debentures)	-	-	-	-	-	1 057 882
Bank placements	-	-	-	-	-	1 053 770
Sovereign, government placements	-	-	-	616 122	-	-
Trading exposures (positive fair value excluding potential future exposures)	28 485	-	-	-	26	973 618
Other credit exposures	238 415	-	-	220	810	1 889
Gross core loans and advances to customers	3 690 474	47 029	105 219	159 746	131 017	307 440
Off-balance sheet exposures	624 783	857	5 467	22 985	23 964	110 178
Guarantees	34 410	83	3 516	3 356	165	22 431
Contingent liabilities, committed facilities, other	590 373	774	1 951	19 629	23 799	87 747
Total gross credit and counterparty exposures pre collateral or other credit enhancements	4 582 157	47 886	110 686	799 073	155 817	3 556 941

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

Risk and governance

Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertainment and tourism	Transport and com-munication	Other*	Total
120 240	420 427	1 522 333	191 164	225 183	245 178	81 955	12 747 723
-	-	740 574	-	-	-	81 955	1 001 191
-	-	57 438	-	-	-	62 940	243 344
-	-	182 708	-	-	-	747	226 703
-	-	500 428	-	-	-	18 268	531 144
-	-	-	-	-	-	-	922 974
-	-	-	-	-	-	-	1 177 147
-	-	-	-	-	-	-	916 748
895	826	-	106 209	71	1 686	-	1 254 697
22	291	632	1 090	147	10	-	12 575
119 323	419 310	781 127	83 865	224 965	243 482	-	7 462 391
2 656	72 999	21 735	32 975	11 202	4 616	-	634 977
-	-	-	18 115	-	-	-	62 250
2 656	72 999	21 735	14 860	11 202	4 616	-	572 727
122 896	493 426	1 544 068	224 139	236 385	249 794	81 955	13 382 700
189 607	290 521	1 788 997	207 512	171 423	268 062	217 214	11 597 662
-	-	564 059	-	-	-	205 157	821 380
-	-	-	-	-	-	121 127	121 127
-	-	200 483	-	-	-	78 506	278 989
-	-	363 576	-	-	-	5 524	421 264
-	-	217	-	-	-	5 623	1 063 722
-	-	-	-	-	-	-	1 053 770
-	-	-	-	-	-	-	616 122
-	6 233	4 156	145 942	13	-	6 434	1 164 907
-	873	7 771	-	-	18 678	-	268 656
189 607	283 415	1 212 794	61 570	171 410	249 384	-	6 609 105
	-						
21 308	46 588	295 330	21 468	20 435	14 374	-	1 207 737
103	26	21 093	11 806	-	-	-	96 989
21 205	46 562	274 237	9 662	20 435	14 374	-	1 110 748
210 915	337 109	2 084 327	228 980	191 858	282 436	217 214	12 805 399

Risk management

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 "loans and advances to customers" as reflected on the IFRS consolidated balance sheet. We believe that these adjustments are necessary in order to derive a value that reflects actual core lending activities. In this regard the following methodology has been applied:

- Loans and advances which have been originated by us and securitised primarily to provide an alternative source of funding are added to loans and advances.
- Warehouse funding facilities and warehouse assets arising out of our securitisation and principal finance activities have been deducted. The risks associated with our securitisation and principle finance activities are discussed on page 35.

£'000 Audited	31 March 2009	31 March 2008
Loans (pre-impairments and intercompany loans) as per balance sheet	7 237 783	6 263 311
Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments)	(217 989)	(290)
Add: own-originated securitised assets	442 597	346 084
Gross core loans and advances to customers (pre impairments)	7 462 391	6 609 105

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

Overall asset quality

£'000 Audited	31 March 2009	31 March 2008
Gross core loans and advances to customers	7 462 391	6 609 105
Total impairments	(91 691)	(30 827)
Portfolio impairments	(3 032)	(2 236)
Specific impairments	(88 659)	(28 591)
Net core loans and advances to customers	7 370 700	6 578 278
Average gross core loans and advances to customers	7 035 749	5 628 433
Current loans and advances to customers	6 533 933	6 037 782
Total gross non-current loans and advances to customers	928 458	571 323
Past due loans and advances to customers (1-60 days)	459 609	327 545
Special mention loans and advances to customers	32 284	85 696
Default loans and advances to customers	436 565	158 082
Gross core loans and advances to customers	7 462 391	6 609 105
Total gross non-current core loans and advances to customers	928 458	571 323
Default loans that are current and not impaired	11 057	-
Gross core loans and advances to customers that are past due but not impaired	708 653	475 615
Gross core loans and advances to customers that are impaired	208 748	95 708
Total income statement charge for impairments against core loans	(111 474)	(27 941)
Gross default loans and advances to customers	436 565	158 082
Specific impairments	(88 659)	(28 591)
Defaults net of specific impairments	347 906	129 491
Collateral and other credit enhancements	381 452	126 373
Net default loans and advances to customers (limited to zero)	-	3 118
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	1.19%	0.43%
Portfolio impairments as a % of gross core loans and advances to customers	0.04%	0.03%
Total impairments as a % of gross core loans and advances to customers	1.23%	0.47%
Specific impairments as a % of gross default loans	20.31%	18.09%
Gross defaults as a % of gross core loans and advances to customers	5.85%	2.39%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.72%	1.97%
Net defaults as a % of gross core loans and advances to customers	-	0.05%
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	1.58%	0.50%

Risk management

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

£'000 Audited	31 March 2009	31 March 2008
Default loans that are current	26 411	-
1 - 60 days	484 702	356 944
61 - 90 days	38 024	59 833
91 - 180 days	192 696	154 546
181 - 365 days	110 086	-
>365 days	76 539	-
Total gross non-current loans and advances to customers (actual capital exposure)	928 458	571 323
1 - 60 days	15 795	14 911
61 - 90 days	6 999	942
91 - 180 days	17 657	17 911
181 - 365 days	50 043	-
>365 days	43 363	-
Total gross non-current loans and advances to customers (actual amount in arrears)	133 857	33 764

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

£'000 Audited	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
As at 31 March 2009							
Default loans that are current and not impaired							
Total capital exposure	11 057	-	-	-	-	-	11 057
Amount in arrears	-	-	-	-	-	-	-
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	461 278	33 209	78 184	86 988	48 994	708 653
Amount in arrears	-	5 663	5 025	13 784	37 369	23 711	85 552
Gross core loans and advances to customers that are impaired							
Total capital exposure	15 354	23 424	4 815	114 512	23 098	27 545	208 748
Amount in arrears	-	10 132	1 974	3 873	12 674	19 652	48 305
As at 31 March 2008							
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	354 300	59 313	62 002	-	-	475 615
Amount in arrears	-	14 731	937	1 033	-	-	16 701
Gross core loans and advances to customers that are impaired							
Total capital exposure	-	2 644	520	92 544	-	-	95 708
Amount in arrears	-	180	5	16 878	-	-	17 063

Risk management

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

£'000 Audited	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1-60 days)	-	459 609	-	-	-	-	459 609
Special mention	-	88	32 196	-	-	-	32 284
Special mention (1 - 60 days)	-	88	-	-	-	-	88
Special mention (61 - 90 days and well secured)	-	-	32 196	-	-	-	32 196
Default	26 411	25 005	5 828	192 696	110 086	76 539	436 565
Sub-standard	13 782	1 581	5 170	126 641	95 087	50 520	292 781
Doubtful	12 629	23 424	658	48 440	14 999	24 943	125 093
Loss	-	-	-	17 615	-	1 076	18 691
Total	26 411	484 702	38 024	192 696	110 086	76 539	928 458

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

£'000 Audited	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1-60 days)	-	5 650	-	-	-	-	5 650
Special mention	-	2	5 010	-	-	-	5 012
Special mention (1 - 60 days)	-	2	-	-	-	-	2
Special mention (61 - 90 days and well secured)	-	-	5 010	-	-	-	5 010
Default	-	10 143	1 989	17 657	50 043	43 363	123 195
Sub-standard	-	11	1 380	14 067	37 369	23 712	76 539
Doubtful	-	10 132	609	3 560	12 674	18 591	45 566
Loss	-	-	-	30	-	1 060	1 090
Total	-	15 795	6 999	17 657	50 043	43 363	133 857

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

£'000 Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1-60 days)	327 545	-	-	-	-	327 545
Special mention	26 383	59 313	-	-	-	85 696
Special mention (1 - 60 days)	26 383	-	-	-	-	26 383
Special mention (61 - 90 days and well secured)	-	59 313	-	-	-	59 313
Default	3 016	520	154 546	-	-	158 082
Sub-standard	-	-	132 525	-	-	132 525
Doubtful	2 830	520	5 932	-	-	9 282
Loss	186	-	16 089	-	-	16 275
Total	356 944	59 833	154 546	-	-	571 323

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

£'000 Audited	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
Past due (1-60 days)	14 731	-	-	-	-	14 731
Special mention	-	937	-	-	-	937
Special mention (1 - 60 days)	-	-	-	-	-	-
Special mention (61 - 90 days and well secured)	-	937	-	-	-	937
Default	180	5	17 911	-	-	18 096
Sub-standard	-	-	1 808	-	-	1 808
Doubtful	14	5	14	-	-	33
Loss	166	-	16 089	-	-	16 255
Total	14 911	942	17 911	-	-	33 764

An analysis of core loans and advances to customers

£'000 Audited	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)
As at 31 March 2009				
Current core loans and advances	6 533 933	-	-	6 533 933
Past due (1-60 days)	-	459 609	-	459 609
Special mention	-	32 284	-	32 284
Special mention (1 - 60 days)	-	88	-	88
Special mention (61 - 90 days and well secured)	-	32 196	-	32 196
Default	11 057	216 760	208 748	436 565
Sub-standard	11 057	216 760	64 964	292 781
Doubtful	-	-	125 093	125 093
Loss	-	-	18 691	18 691
Total	6 544 990	708 653	208 748	7 462 391
As at 31 March 2008				
Current core loans and advances	6 037 782	-	-	6 037 782
Past due (1-60 days)	-	327 545	-	327 545
Special mention	-	85 696	-	85 696
Special mention (1 - 60 days)	-	26 383	-	26 383
Special mention (61 - 90 days and well secured)	-	59 313	-	59 313
Default	-	62 374	95 708	158 082
Sub-standard	-	62 001	70 524	132 525
Doubtful	-	373	8 909	9 282
Loss	-	-	16 275	16 275
Total	6 037 782	475 615	95 708	6 609 105

Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
-	(3 032)	6 530 901	-
-	-	459 609	5 650
-	-	32 284	5 012
-	-	88	2
-	-	32 196	5 010
(88 659)	-	347 906	123 195
(46 061)	-	246 720	76 539
(34 203)	-	90 890	45 566
(8 395)	-	10 296	1 090
(88 659)	(3 032)	7 370 700	133 857
-	-	6 037 782	-
-	(2 236)	325 309	14 731
-	-	85 696	937
-	-	26 383	-
-	-	59 313	937
(28 591)	-	129 491	18 096
(16 422)	-	116 103	1 808
(3 904)	-	5 378	33
(8 265)	-	8 010	16 255
(28 591)	(2 236)	6 578 278	33 764

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

£'000 Audited	Current core loans and advances	Past due (1-60 days)	Special mention (1 - 60 days)	Special mention (61 - 90 days and well secured)	Sub-standard
As at 31 March 2009					
Private Banking professional and HNW individuals	4 210 867	402 821	88	16 291	194 540
Corporate sector	1 866 578	56 788	-	15 905	98 170
Banking, insurance, financial services (excluding sovereign)	323 692	-	-	-	-
Public and government sector (including central banks)	111 255	-	-	-	-
Trade Finance and other	21 541	-	-	-	71
Total gross core loans and advances to customers	6 533 933	459 609	88	32 196	292 781
As at 31 March 2008					
Private Banking professional and HNW individuals	3 391 826	307 061	26 383	56 949	96 184
Corporate sector	2 151 445	20 484	-	2 364	36 341
Banking, insurance, financial services (excluding sovereign)	307 440	-	-	-	-
Public and government sector (including central banks)	159 746	-	-	-	-
Trade Finance and other	27 325	-	-	-	-
Total gross core loans and advances to customers	6 037 782	327 545	26 383	59 313	132 525

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

£'000 Audited	31 March 2009	31 March 2008
Private Banking professional and HNW individuals	4 937 450	3 899 506
Corporate sector	2 067 504	2 214 715
Banking, insurance, financial services (excluding sovereign)	323 913	307 440
Public and government sector (including central banks)	111 619	159 746
Trade Finance and other	21 903	27 698
Total gross core loans and advances to customers	7 462 391	6 609 105

Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
94 847	17 996	4 937 450	(2 133)	(48 645)	(50 778)
29 368	695	2 067 504	(899)	(39 626)	(40 525)
220	-	323 913	-	(161)	(161)
364	-	111 619	-	(227)	(227)
294	-	21 903	-	-	-
125 093	18 691	7 462 391	(3 032)	(88 659)	(91 691)
4 952	16 151	3 899 506	(2 236)	(25 508)	(27 744)
3 957	124	2 214 715	-	(3 083)	(3 083)
-	-	307 440	-	-	-
-	-	159 746	-	-	-
373	-	27 698	-	-	-
9 282	16 275	6 609 105	(2 236)	(28 591)	(30 827)

Risk management

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

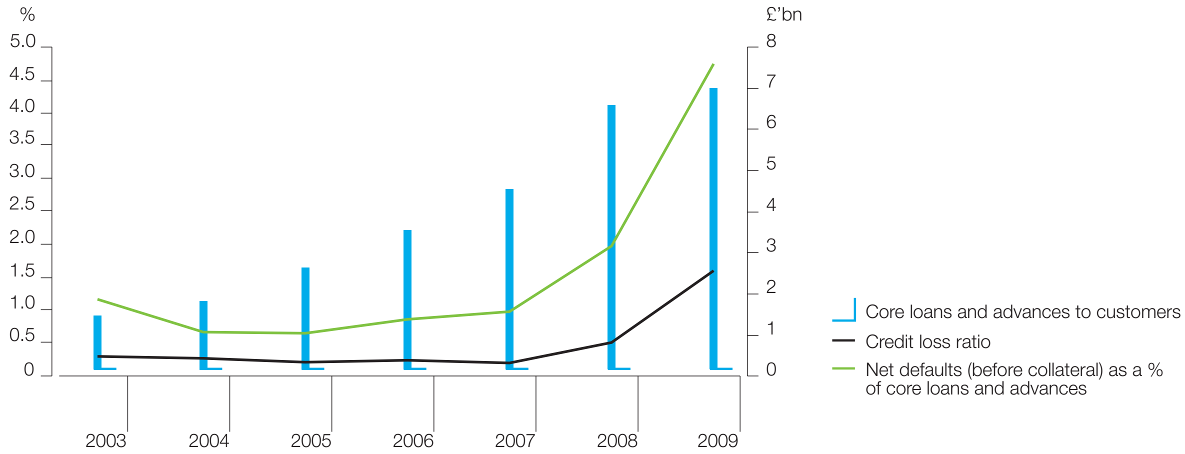
£'000 Audited	UK and Europe 31 March 2009	 31 March 2008	Australia 31 March 2009	 31 March 2008	Total 31 March 2009	 31 March 2008
Gross core loans and advances to customers	6 038 586	5 427 469	1 423 805	1 181 636	7 462 391	6 609 105
Total impairments	(76 057)	(22 037)	(15 634)	(8 790)	(91 691)	(30 827)
Portfolio impairments	(3 032)	(2 236)	-	-	(3 032)	(2 236)
Specific impairments	(73 025)	(19 801)	(15 634)	(8 790)	(88 659)	(28 591)
Net core loans and advances to customers	5 962 529	5 405 432	1 408 171	1 172 846	7 370 700	6 578 278
% of total	80.9%	82.2%	19.1%	17.8%	100.0%	100.0%
% change since 31 March 2008	10.3%	-	20.1%	-	12.0%	-
Average gross core loans and advances to customers	5 733 028	4 701 088	1 302 720	927 345	7 035 749	5 628 433
Current loans and advances to customers	5 287 745	4 948 696	1 246 188	1 089 086	6 533 933	6 037 782
Total gross non current loans and advances to customers	750 841	478 773	177 617	92 550	928 458	571 323
Past due loans and advances to customers (1-60 days)	442 966	283 445	16 643	44 100	459 609	327 545
Special mention loans and advances to customers	22 445	56 165	9 839	29 531	32 284	85 696
Default loans and advances to customers	285 430	139 163	151 135	18 919	436 565	158 082
Gross core loans and advances to customers	6 038 586	5 427 469	1 423 805	1 181 636	7 462 391	6 609 105
Total gross non-current loans and advances to customers	750 841	478 773	177 617	92 550	928 458	571 323
Default loans that are current and not impaired	11 057	-	-	-	11 057	-
Gross core loans and advances to customers that are past due but not impaired	590 725	399 966	117 928	75 649	708 653	475 615
Gross core loans and advances to customers that are impaired	149 059	78 807	59 689	16 901	208 748	95 708
Total income statement charge for impairments on core loans	(88 789)	(21 589)	(22 685)	(6 352)	(111 474)	(27 941)
Gross default loans and advances to customers	285 430	139 163	151 135	18 919	436 565	158 082
Specific impairments	(73 025)	(19 801)	(15 634)	(8 790)	(88 659)	(28 591)
Defaults net of specific impairments	212 405	119 362	135 501	10 129	347 906	129 491
Collateral and other credit enhancements	218 000	114 011	163 452	12 362	381 452	126 373
Net default loans and advances to customers (limited to zero)	-	5 351	-	-	-	3 118
Specific impairments as a % of gross core loans and advances to customers	1.21%	0.36%	1.10%	0.74%	1.19%	0.43%
Portfolio impairments as a % of gross core loans and advances to customers	0.05%	0.04%	-	-	0.04%	0.03%
Total impairments as a % of gross core loans and advances to customers	1.26%	0.41%	1.10%	0.74%	1.23%	0.47%
Specific impairments as a % of gross default loans	25.58%	14.23%	10.34%	46.46%	20.31%	18.09%
Gross defaults as a % of gross core loans and advances to customers	4.73%	2.56%	10.61%	1.60%	5.85%	2.39%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.56%	2.21%	9.62%	0.86%	4.72%	1.97%
Net defaults as a % of gross core loans and advances to customers	-	0.10%	-	-	-	0.05%
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	1.55%	0.46%	1.74%	0.69%	1.58%	0.50%

Risk and governance

Risk management

Defaults and core loans trend

UK, Europe and Australia



Risk and governance

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

As at 31 March 2009 £'000 Audited	UK and Europe	Private Bank Australia	Total
Gross core loans and advances to customers	3 682 761	1 252 814	4 935 575
Total impairments	(37 727)	(13 050)	(50 777)
Portfolio impairments	(2 133)	-	(2 133)
Specific impairments	(35 594)	(13 050)	(48 644)
Net core loans and advances to customers	3 645 035	1 239 764	4 884 798
Average gross core loans and advances to customers	3 513 898	1 145 563	4 659 461
		-	
Current loans and advances to customers	3 124 164	1 088 511	4 212 675
Total gross non current loans and advances to customers	558 597	164 303	722 900
Past due loans and advances to customers (1-60 days)	386 846	15 975	402 821
Special mention loans and advances to customers	3 087	9 611	12 698
Default loans and advances to customers	168 664	138 717	307 381
Gross core loans and advances to customers	3 682 761	1 252 814	4 935 575
Total gross non-current loans and advances to customers	558 597	164 303	722 900
Default loans that are current and not impaired	6 399	-	6 399
Gross core loans and advances to customers that are past due but not impaired	463 215	116 611	579 826
Gross core loans and advances to customers that are impaired	88 983	47 692	136 675
Total income statement charge for impairments on core loans	(52 194)	(20 200)	(72 394)
Gross default loans and advances to customers	168 664	138 717	307 381
Specific impairments	(35 594)	(13 050)	(48 644)
Defaults net of specific impairments	133 070	125 667	258 737
Collateral and other credit enhancements	136 986	153 617	290 603
Net default loans and advances to customers (limited to zero)	-	-	-
Specific impairments as a % of gross core loans and advances to customers	0.97%	1.04%	0.99%
Portfolio impairments as a % of gross core loans and advances to customers	0.06%	-	0.04%
Total impairments as a % of gross core loans and advances to customers	1.02%	1.04%	1.03%
Specific impairments as a % of gross default loans	21.10%	9.41%	15.83%
Gross defaults as a % of gross core loans and advances to customers	4.58%	11.07%	6.23%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.65%	10.14%	5.30%
Net defaults as a % of gross core loans and advances to customers	-	-	-
Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances)	1.49%	1.76%	1.55%

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

Capital Markets UK and Europe	Capital Markets Australia	Capital Markets Total	Other* UK and Europe	Other* Australia	Other* Total	Total
2 279 316	169 748	2 449 064	76 509	1 243	77 752	7 462 391
	-			-	-	
(38 331)	(2 583)	(40 914)	-	-	-	(91 691)
(899)	-	(899)	-	-	-	(3 032)
(37 432)	(2 583)	(40 015)	-	-	-	(88 659)
	-					
2 240 985	167 165	2 408 150	76 509	1 243	77 752	7 370 700
	-			-	-	
2 139 842	155 930	2 295 772	79 289	1 227	80 516	7 035 749
	-					
2 087 437	156 434	2 243 871	76 144	1 243	77 387	6 533 933
191 879	13 314	205 193	365	-	365	928 458
56 120	668	56 788	-	-	-	459 609
19 358	228	19 586	-	-	-	32 284
116 401	12 418	128 819	365	-	365	436 565
2 279 316	169 748	2 449 064	76 509	1 243	77 752	7 462 391
	-					
191 879	13 314	205 193	365	-	365	928 458
4 658	-	4 658	-	-	-	11 057
127 511	1 316	128 827	-	-	-	708 653
59 710	11 998	71 708	365	-	365	208 748
(36 596)	(2 484)	(39 080)	-	-	-	(111 474)
116 401	12 418	128 819	365	-	365	436 565
(37 432)	(2 583)	(40 015)	-	-	-	(88 659)
78 969	9 835	88 804	365	-	365	347 906
80 684	9 835	90 519	330	-	330	381 452
-	-	-	35	-	35	-
1.64%	1.52%	1.63%	-	-	-	1.19%
0.04%	-	0.04%	-	-	-	0.04%
1.68%	1.52%	1.67%	-	-	-	1.23%
32.16%	20.80%	31.06%	-	-	-	20.31%
5.11%	7.32%	5.26%	0.48%	-	0.47%	5.85%
3.52%	5.88%	3.69%	0.48%	-	0.47%	4.72%
-	-	-	0.05%	-	0.05%	-
1.71%	1.59%	1.70%	-	-	-	1.58%

Risk management

An analysis of default core loans and advances

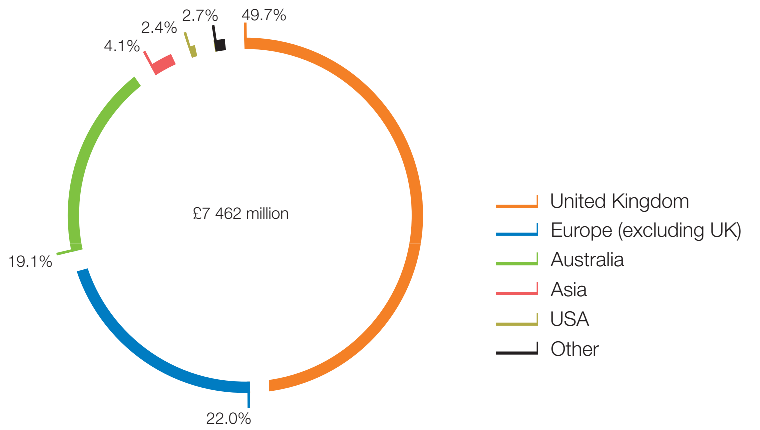
As at 31 March 2009 £'million	UK and Europe Gross defaults	 Collateral	 Specific impairments
Private Bank	168.7	137.0	35.6
Property planning projects	79.8	66.7	14.5
Residential developments	59.9	44.5	17.7
Residential investments	10.9	8.4	2.6
Commercial developments	0.6	0.6	-
Commercial investments	14.1	13.5	0.8
Lending to corporates	3.4	3.3	-
Professional and other	-	-	-
Capital Markets	116.4	80.7	37.4
Principal Finance (RMBS)	52.0	52.0	-
Acquisition Finance	33.4	14.6	19.6
Asset Finance	18.7	7.2	12.4
Project Finance	4.7	0.6	4.1
Resource Finance	4.2	3.4	0.8
Structured Finance	3.4	2.9	0.5
Other*	0.3	0.3	-
Total	285.4	218.0	73.0

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

Additional information

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

31 March 2009



Risk and governance

Australia Gross defaults	Australia Collateral	Australia Specific impairments	Total group Gross defaults	Total group Collateral	Total group Specific impairments
138.7	153.6	13.0	307.4	290.6	48.6
0.5	0.5	-	80.3	67.2	14.5
82.0	82.7	8.9	141.9	127.2	26.6
11.5	11.9	0.8	22.4	20.3	3.4
22.4	34.3	0.8	23.0	34.9	0.8
19.4	23.0	0.9	33.5	36.5	1.7
0.8	0.2	0.6	4.2	3.5	0.6
2.1	1.0	1.0	2.1	1.0	1.0
12.4	9.8	2.6	128.8	90.5	40.0
-	-	-	52.0	52.0	-
-	-	-	33.4	14.6	19.6
-	-	-	18.7	7.2	12.4
-	-	-	4.7	0.6	4.1
11.8	9.4	2.4	16.0	12.8	3.2
0.6	0.4	0.2	4.0	3.3	0.7
-	-	-	0.3	0.3	-
151.1	163.4	15.6	436.5	381.4	88.6

Risk and governance

Collateral

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

£'000	Collateral held against Gross core loans advances	Other credit counterparty exposures*	Total
As at 31 March 2009			
Eligible financial collateral	400 128	277 976	678 104
Listed shares	26 540	4 408	30 948
Cash	373 588	44 021	417 609
Debt securities issued by sovereigns	-	229 547	229 547
Mortgage bonds	7 161 107	18 391	7 179 498
Residential mortgages	1 628 857	4 259	1 633 116
Residential development	1 981 052	12 167	1 993 219
Commercial property development	1 009 930	1 954	1 011 884
Commercial property investments	2 541 268	11	2 541 279
Other collateral	3 030 853	10 715	3 041 568
Unlisted shares	125 844	4 788	130 632
Bonds other than mortgage bonds	25 252	-	25 252
Debtors, stock and other corporate assets	2 465 205	5 924	2 471 129
Guarantees	52 056	3	52 059
Other	362 496	-	362 496
Total collateral	10 592 088	307 082	10 899 170

* 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.
- 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.

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 and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit Risk Management Committees and ERRF
Investment and trading properties	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 133 to 141 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 "levels 3" assets amounting to 2% of total assets (refer to page 163 for further information).

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

Country/category £'000 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	(14 719)	(2 807)	(16 472)	(33 998)	(1 012)
UK and Europe	(13 373)	832	(16 829)	(29 370)	(572)
Australia	(1 346)	(3 639)	357	(4 628)	(440)
Listed equities	(11 708)	(1 538)	1 252	(11 994)	(5 366)
UK and Europe	(11 392)	(1 529)	1 588	(11 333)	(4 582)
Australia	(316)	(9)	(336)	(661)	(784)
Investment and trading properties	-	42	-	42	-
UK and Europe	-	42	-	42	-
Warrants, profit shares and other embedded derivatives	(1 083)	20 277	273	19 467	-
UK and Europe	1 868	20 277	273	22 418	-
Australia	(2 951)	-	-	(2 951)	-
Total	(27 510)	15 974	(14 947)	(26 483)	(6 378)
31 March 2008					
Unlisted investments	605	13 899	37 297	51 801	1 687
UK and Europe	(1 892)	12 854	36 981	47 943	1 687
Australia	2 497	1 045	316	3 858	-
Listed equities	2 890	15 550	1 257	19 697	(6 494)
UK and Europe	3 616	15 077	362	19 055	(4 705)
Australia	(726)	473	895	642	(1 789)
Warrants, profit shares and other embedded derivatives	(5 805)	39 070	5 064	38 329	-
UK and Europe	(5 805)	39 070	5 064	38 329	-
Total	(2 310)	68 519	43 618	109 827	(4 807)

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

Risk management

Summary of investments held and stress testing analyses

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

Country/category £'000 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	140 618	21 092	139 940	20 991
UK and Europe	120 689	18 103	120 872	18 131
Australia	19 929	2 989	19 068	2 860
Listed equities	38 235	8 239	42 251	10 563
UK and Europe	37 060	7 945	40 359	10 090
Australia	1 175	294	1 892	473
Investment and trading properties	8 480	1 696	-	-
UK and Europe	8 480	1 696	-	-
Warrants, profit shares and other embedded derivatives	64 333	22 517	41 879	14 658
UK and Europe	63 463	22 212	41 879	14 658
Australia	870	305	-	-
Total	251 666	53 544	224 070	46 212

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

Stress test values applied

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

Stress testing summary

Based on the information above we could have a £54 million reversal in revenue (which assumes a year in which there is a "worst case scenario").This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of "Equity Risk" and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 99 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 strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded market risk governance structure Audited

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

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

Management and measurement of traded market risk

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

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

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

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

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

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

VaR

Audited

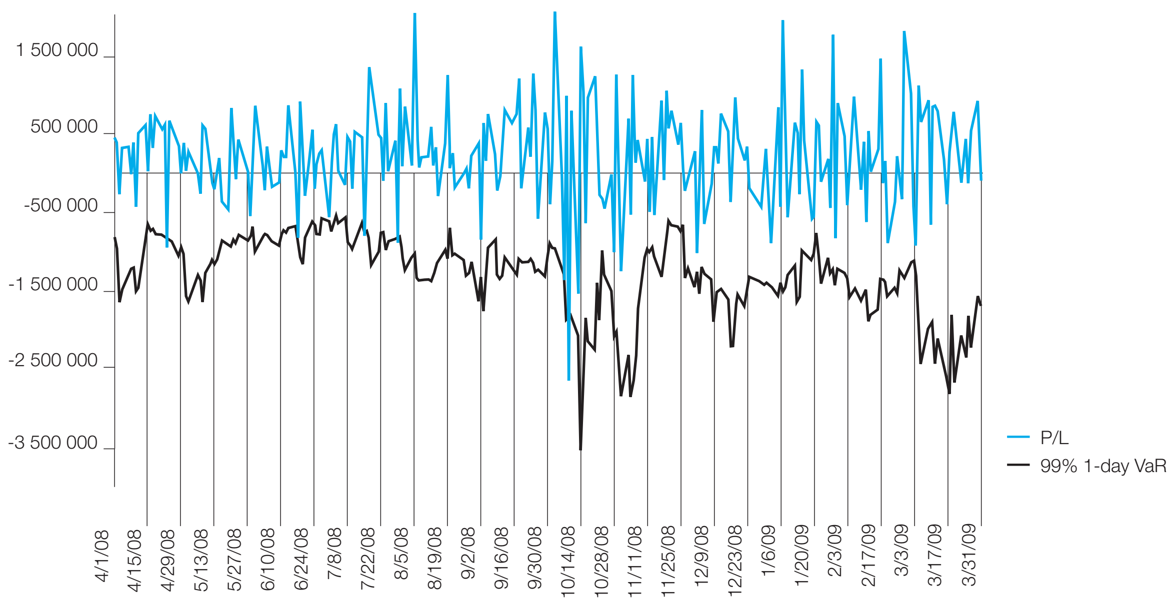
	UK and Europe 95% (one-day) £'000	Australia 99% (one-day) AUD'000
31 March 2009		
Commodities	42	-
Equity derivatives	629	-
Foreign exchange	25	14
Interest rates	759	52
Consolidated*	996	66
High	2 497	307
Low	341	60
Average	738	139
31 March 2008		
Commodities	93	-
Equity derivatives	275	-
Foreign exchange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

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

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

UK and Europe

99% 1-day VaR Backtesting (GBP)

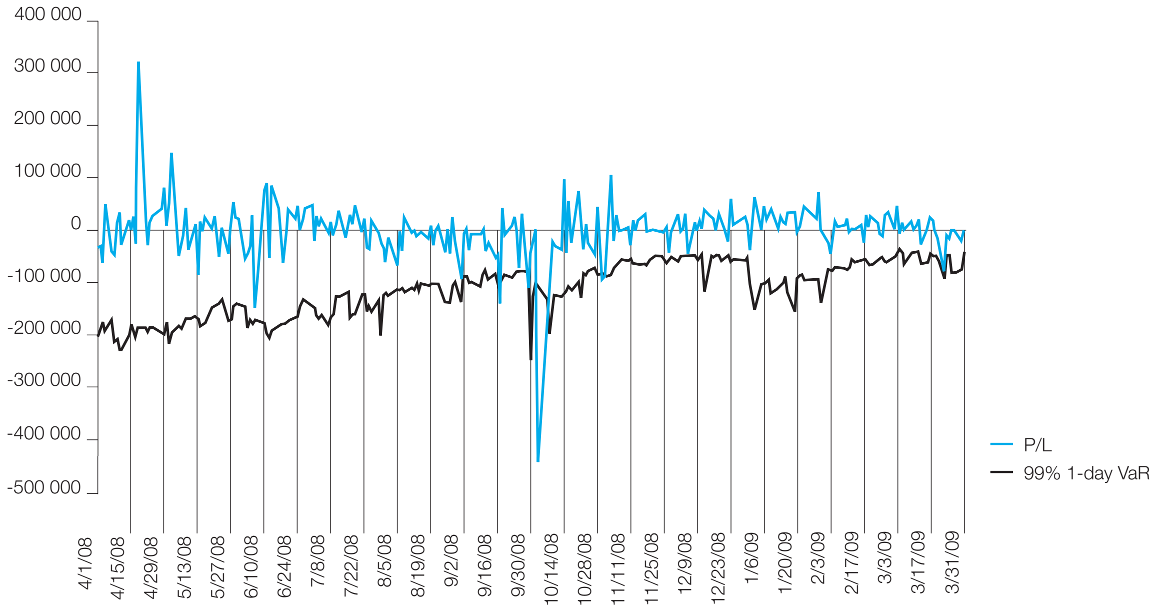


There have been five exceptions i.e. where the loss is greater than the VaR. This exceeds the exceptions at the 99% level. Most of these exceptions were marginal and arose due to significant volatility on the Fixed Income desk. The largest variance was due to an extreme rise in the implied volatility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

Risk and governance

Australia

99% 1-day VaR Backtesting (AUD)



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

ETL - 95% (one-day)

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

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

Risk management

Stress testing

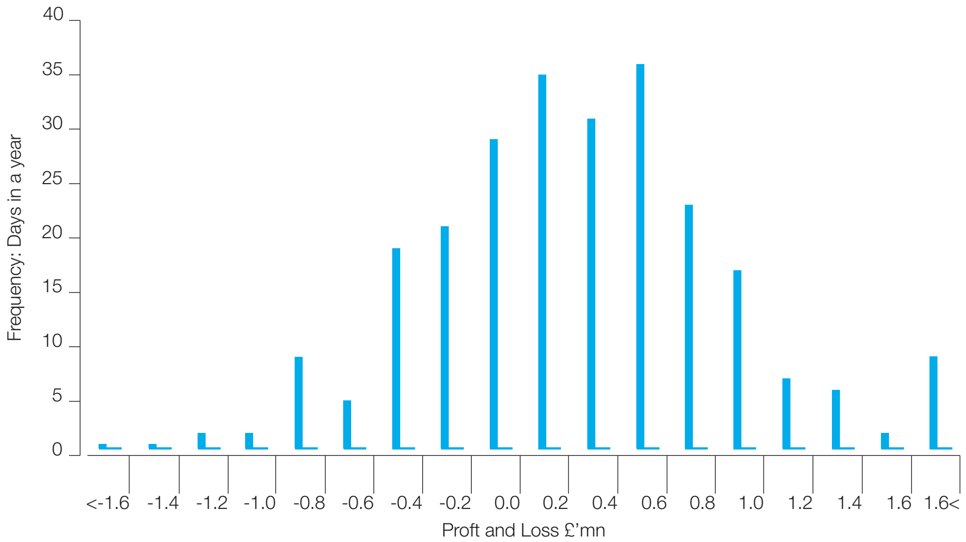
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. (15 standard deviations)

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

Profit and loss histograms

UK and Europe

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

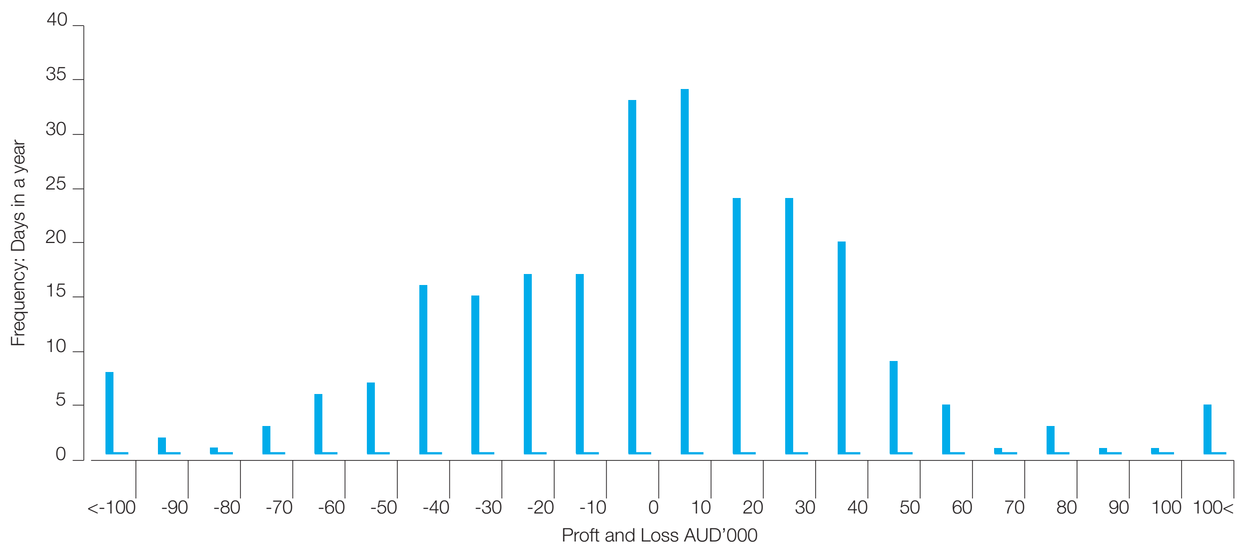


Risk and governance

Risk management

Australia

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



Traded market risk mitigation

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

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 500 days of 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.

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

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

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

Market risk - derivatives Audited

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 166.

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.

Risk management

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

UK and Europe - interest rate sensitivity

£'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short term funds - banks	1 698	-	-	-	-	-	1 698
Investment/trading assets	733	47	7	3	-	327	1 117
Securitised assets	4 136	83	10	-	-	-	4 229
Advances	6 401	837	303	414	123	-	8 078
Other assets	-	-	-	-	-	973	973
Assets	12 968	967	320	417	123	1 300	16 095
Deposits - banks	(3 697)	(137)	(197)	(59)	(65)	-	(4 155)
Deposits - non banks	(3 819)	(235)	(170)	(4)	(53)	(15)	(4 296)
Negotiable paper	(230)	(2)	-	(82)	-	-	(314)
Securitised liabilities	(3 947)	-	-	-	-	-	(3 947)
Investment/trading liabilities	(866)	(78)	-	-	-	(24)	(968)
Subordinated liabilities	(90)	-	(10)	(200)	(404)	(25)	(729)
Other liabilities	-	-	-	-	-	(534)	(534)
Liabilities	(12 649)	(452)	(377)	(345)	(522)	(598)	(14 943)
Shareholders' funds	-	-	-	-	-	(1 152)	(1 152)
Balance sheet	319	515	(57)	72	(399)	450	1 152
Off-balance sheet	135	(455)	(28)	(51)	399	-	-
Repricing gap	454	60	(85)	21	-	(450)	-
Cumulative repricing gap	454	514	429	450	450	-	

Australia - interest rate sensitivity

AUD'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short term funds - banks	275	-	-	-	-	-	275
Investment/trading assets	1 130	-	28	139	51	218	1 566
Securitised assets	251	59	110	484	8	-	912
Advances	1 732	71	43	134	16	-	1 996
Other assets	-	-	-	-	-	196	196
Assets	3 388	130	181	757	75	414	4 945
Deposits - banks	(211)	-	-	-	-	-	(211)
Deposits - non banks	(1 357)	(157)	(124)	(62)	(8)	(49)	(1 757)
Negotiable paper	(860)	(18)	(30)	(400)	-	7	(1 301)
Securitised liabilities	(907)	-	-	-	-	-	(907)
Investment/trading liabilities	-	-	-	(4)	(1)	(145)	(150)
Subordinated liabilities	(101)	-	-	-	-	-	(101)
Other liabilities	-	-	-	-	-	(28)	(28)
Liabilities	(3 436)	(175)	(154)	(466)	(9)	(215)	(4 455)
Intercompany loans	121	-	-	(4)	-	13	130
Shareholders' funds	-	-	-	-	-	(620)	(620)
Balance sheet	73	(45)	27	287	66	(408)	-
Off-balance sheet	538	(32)	(14)	(350)	(60)		82
Repricing gap	611	(77)	13	(63)	6	(408)	82
Cumulative repricing gap	611	534	547	484	490	82	-

Risk management

Economic value sensitivity

As discussed above our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise.

UK and Europe

’million	Sensitivity to the following interest rates (expressed in original currencies)				All
	GBP	USD	EUR	Other (GBP)	(GBP)
200bp Down	(0.5)	0.8	(0.6)	0.3	(0.2)
200bp Up	0.5	(0.8)	0.6	(0.3)	0.2

Australia

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

Liquidity risk description

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

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

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

Management and measurement of liquidity risk

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

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

We are an active participant in the global financial markets. Our relationship is continuously enhanced through regular investor presentations internationally. During the year we have instituted various unsecured term syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets during challenging conditions and global market dislocation. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

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

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

We acknowledge the importance of our private clients as the principal source of stable and well diversified funding for our Private Bank risk assets without recourse to the wholesale markets. We continue to develop products to attract and service the investment needs of our Private Bank clients. Although the contractual repayments of many customer accounts are on demand or at short notice, expected cash flows vary significantly from contractual maturity. For this reason, behavioural profiling is applied to liabilities with an indeterminable maturity. This process is used to identify sources of structural liquidity in the form of core deposits that exhibit stable behaviour.
Our Private Bank continued to successfully raise private client deposits through a period of dislocation in the financial markets with customer deposits increasing by 8.0% to £4.7 billion over the financial year.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures in connection with the sale of certain mortgages that provides our customers with access to the commercial paper market. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of liquidity. These entities form part of the consolidated group balance sheet as reported.

We maintain a liquidity buffer in the form of unencumbered cash, government, or bank paper (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. In aggregate, Investec is a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank 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 for Investec plc over the period amounted to £2.1 billion (£1.7 billion in UK and Europe and AUD1.0 billion in Australia).

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

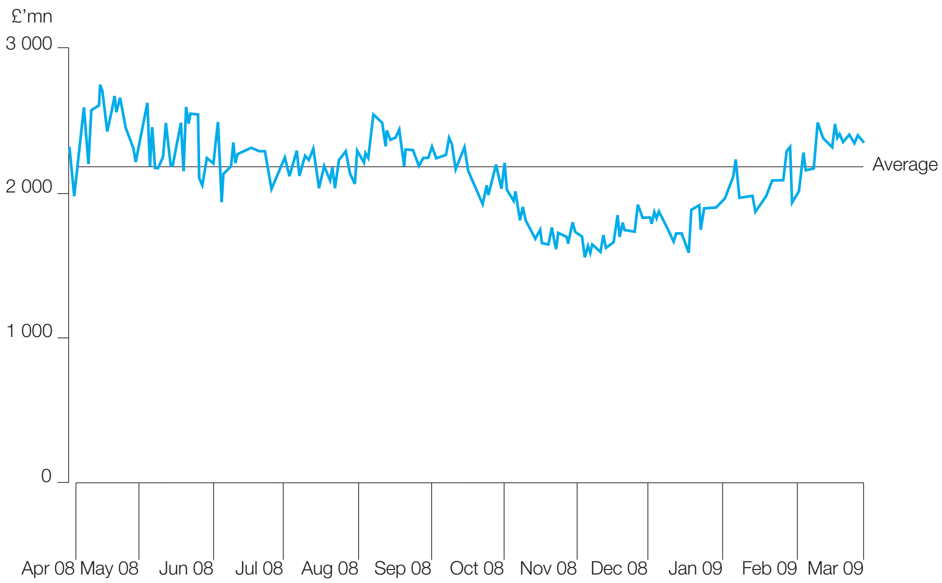
We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

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

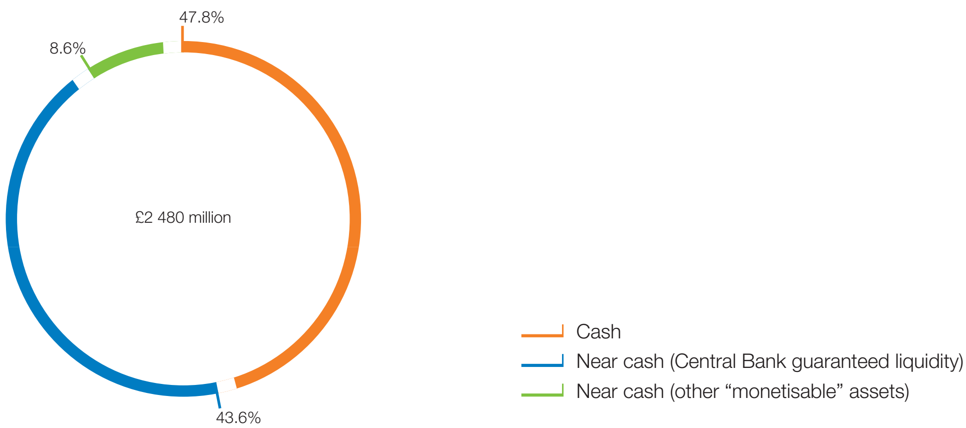
Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the FSA and APRA.

Risk management

Investec plc cash and near cash trend



An analysis of cash and near-cash

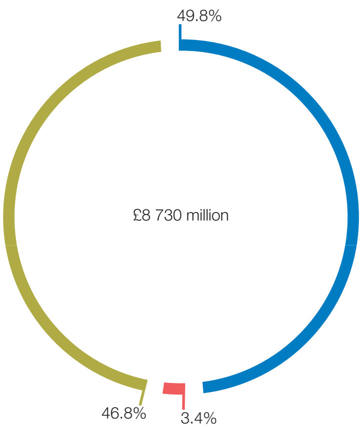


Risk and governance

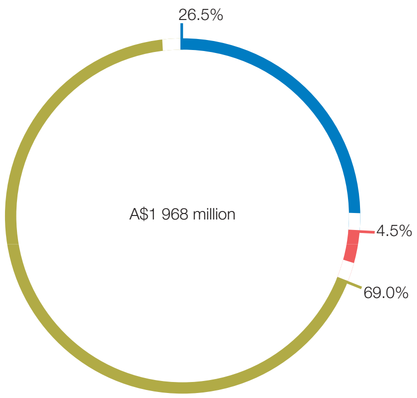
Risk management

Bank and non-bank depositor concentration by type

UK and Europe



Australia



Financial institutions/banks   Corporate   Private Banking clients

Liquidity mismatch

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

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered, cash, government, or bank paper (typically eligible for repurchase with the central bank), and near cash as a buffer against both expected and unexpected cash flows.
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by selling these securities. We have:
  - Set the time horizon to one month to monetise our cash and near cash portfolio of “available for sale” discretionary treasury assets, where there are deep secondary markets for this elective asset class.
  - Set the time horizon to “on demand” to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank.
  - Reported the “contractual” profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- The new funding we would require under normal business circumstances is shown in the “behavioural mismatch”. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products, which models the point of probable maturity. In addition, re-investment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

UK and Europe

Contractual liquidity

£’million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds - banks	1 338	541	-	-	-	14	15	1 908
Investment/trading assets	232	560	65	63	196	255	455	1 826
Securitised assets	15	4	4	-	1	5	4 199	4 228
Advances	68	716	419	448	902	2 004	3 520	8 077
Other assets	207	210	15	2	23	76	440	973
Assets	1 860	2 031	503	513	1 122	2 354	8 629	17 012
Deposits - banks	(183)	(732)	(218)	(362)	(631)	(1 962)	(258)	(4 346)
Deposits - non-banks	(554)	(898)	(1 692)	(867)	(204)	(111)	(58)	(4 384)
Negotiable paper	-	(5)	(207)	(2)	-	(100)	-	(314)
Securitised liabilities	-	-	-	-	-	-	(3 947)	(3 947)
Investment/trading liabilities	(272)	(985)	(212)	(15)	(18)	(43)	(57)	(1 602)
Subordinated liabilities	10	-	-	(6)	(10)	(208)	(515)	(729)
Other liabilities	(137)	(166)	(12)	(27)	(52)	(119)	(23)	(536)
Liabilities	(1 136)	(2 786)	(2 341)	(1 279)	(915)	(2 543)	(4 858)	(15 858)
Shareholders’ funds	-	-	-	-	-	-	(1 154)	(1 154)
Contractual liquidity gap	724	(755)	(1 838)	(766)	207	(189)	2 617	-
Cumulative liquidity gap	724	(31)	(1 869)	(2 635)	(2 428)	(2 617)	-	-

Behavioural liquidity (as discussed above)

£’million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	988	(755)	(1 230)	(766)	207	(783)	2 339	-
Cumulative	988	233	(997)	(1 763)	(1 556)	(2 339)	-	-

Australia

Contractual liquidity

AUD'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short term funds - banks	272	2	-	-	-	-	-	274
Investment/trading assets*	1 184	69	32	56	42	99	83	1 565
Securitised assets	1	26	69	93	175	540	8	912
Advances	-	118	225	280	557	682	135	1 997
Other assets	-	-	-	-	-	-	196	196
Assets	1 457	215	326	429	774	1 321	422	4 944
Deposits - banks	(211)	-	-	-	-	-	-	(211)
Deposits - non-banks	(523)	(473)	(398)	(95)	(137)	(123)	(8)	(1 757)
Negotiable paper	-	(179)	(62)	(30)	(75)	(945)	(11)	(1 302)
Securitised liabilities	(1)	(25)	(69)	(92)	(491)	(226)	(2)	(906)
Investment/trading liabilities	(12)	(1)	(2)	(49)	(9)	(50)	(27)	(150)
Subordinated liabilities	-	-	-	-	(76)	(25)	-	(101)
Other liabilities	-	-	-	-	-	-	(28)	(28)
Liabilities	(747)	(678)	(531)	(266)	(788)	(1 369)	(76)	(4 455)
Intercompany loans	23	102	-	1	6	(3)	2	131
Shareholders' funds	-	-	-	-	-	-	(620)	(620)
Contractual liquidity gap	733	(361)	(205)	164	(8)	(51)	(272)	-
Cumulative liquidity gap	733	372	167	331	323	272	-	-

Note: contractual liquidity adjustments (as discussed on page 82)

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

Behavioural liquidity (as discussed on page 82)

AUD'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	1 200	(423)	(423)	60	(91)	(51)	(272)	-
Cumulative	1 200	777	354	414	323	272	-	-

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.

- Pounds Sterling interest rates – The financial year began with a further modest easing in the Bank Rate, April's meeting reducing the rate by 0.25% to 5.0% in reaction to ongoing signs that the economy was continuing to slow and credit conditions were not improving. This followed a precipitous drop in equities at the start of 2008 and a savage interest rate response from the Federal Reserve. However, inflation concerns continued to balance the Monetary Policy Committee's (MPC) concerns for the economic outlook, with some members considering tightening policy over the summer as oil prices surged pushing inflation to peak at 5.2% in September 2008. However, the collapse of Lehman Brothers in September 2008 epitomised growing financial strains that spilt into the real economy in the final quarter of 2008, realising fears that many had held since the onset of the financial crisis. The MPC responded to growing signs of economic collapse, even after emergency measures were put in place to avert a financial meltdown that Bank of England (BoE) Governor admitted had been close in October 2008. The MPC reduced rates by a record 3% in the fourth quarter of 2008. Reductions continued in the first quarter of 2009 on a monthly basis (but smaller) until the Bank Rate reached 0.50% in March 2009. This is the lowest rates have been since the BoE's inception in 1694. In March, with rates effectively at zero, the BoE announced it would follow a path of quantitative easing by purchasing assets to expand the monetary base and hence, it is hoped, broad money. The BoE announced a plan to buy £75 billion of a variety of assets, but largely gilts.
- Euro interest rates – Despite signs of growing international economic turmoil and a significant weakening in survey evidence the European Central Bank (ECB) left its key refinancing rate on hold at 4.0% in the early stages of the financial year, only to raise the rate to 4.25% in July 2008. This reflected the continued surge in oil prices and its impact on Eurozone inflation, which rose to 4.0% in June. A significant rise in inflation expectations at this time probably proved the final straw. Nevertheless, the breaking of the financial tidal wave on the real economy in the wake of the Lehman Brothers collapse in September 2008 (particularly its impact on international trade, which saw German exports fall in November 2008 alone by 11.0%) prompted the ECB to reverse its policy sharply across the fourth quarter of 2008. The ECB cut the refinancing rate by 1.75% in the fourth quarter of 2008 to 2.5%, moving in each month. The final quarter of this financial year has additionally seen 0.5% rate cuts in January and March 2008, taking the refinancing rate to1.5%, with a further cut expected at the start of the next financial year. Moreover, the ECB initiated a more technical change in October 2008, allowing unlimited liquidity in its money market operations. This depressed overnight interest rates relative to the refinancing rate, driving them closer to the ECB deposit rate in what looked like a premeditated side effect. Following the subsequent lowering of the deposit rate relative to the refinancing rate in January 2009, overnight rates have traded between 0.5% to 0.75% lower than the refinancing rate.
- Australian interest rates – The Reserve Bank of Australia (RBA) had increased its Cash Rate Target to 7.25% at the close of the previous financial year, although comments from the central bank at the time suggested this could well prove the peak. For the first half of this financial year, the RBA was torn between growing signs of deteriorating domestic economic conditions, a worsening international outlook and a surge in oil and commodity prices driving inflation higher, which peaked at 5.0% in the third quarter of 2008. The RBA cut rates by 0.25% 'pre-emptively' in early September 2008 to 7.0%, but September's financial meltdown caused a collapse in international activity and the domestic economy slowed alarmingly. The RBA began cutting its policy rate aggressively, down to 4.25% by the end of 2008. Since then it has cut rates by a further 1.0% in February to 3.25% and we suspect this is close to the bottom of its cycle.
- USD interest rates – The Federal Reserve (Fed) ended the previous financial year with a savage round of rate cuts, the Fed Funds Target started this financial year at just 2.25%. Although the Fed reduced the target further to 2.0% in April 2008, rates held at this level until September 2008 and the Lehman Brothers collapse. This prompted a further round of significant monetary policy easing. The Fed slashed the Fed Funds target to a range of 0-0.25% in December 2008, exhausting conventional policy moves. However, from September 2008 it engaged in a series of operations that significantly expanded its balance sheet, with a view to providing support for key asset markets, initially commercial paper markets which rose in the immediate wake of Lehman Brothers and money market funds. Fed Chairman Bernanke indicated that this policy differed from the more traditional quantitative easing as its focus was not pre-defined targets for central bank liabilities, but on the composition of loans and securities on the asset side of the Fed's balance sheet. The Fed Chairman referred to this as "credit easing". This process continued to evolve with the Fed committing to buying mortgage securities and agency debt, although the differences between Fed's policy and quantitative easing became less distinct towards the end of the financial year, when the central bank announced that it would commence purchasing US Treasuries as well.

Balance sheet risk year in review

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

In the UK, The government was forced to take action to inject liquidity back into financial markets and restore confidence through various schemes including:

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

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

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

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

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

Operational risk management

Operational risk description

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

We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of sound operational risk management practices.

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

Operational risk governance structure

The governance structure for operational risk management is outlined below.

Board

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

Group Operational Risk Management

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

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

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

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

Business units

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

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

Assurance

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

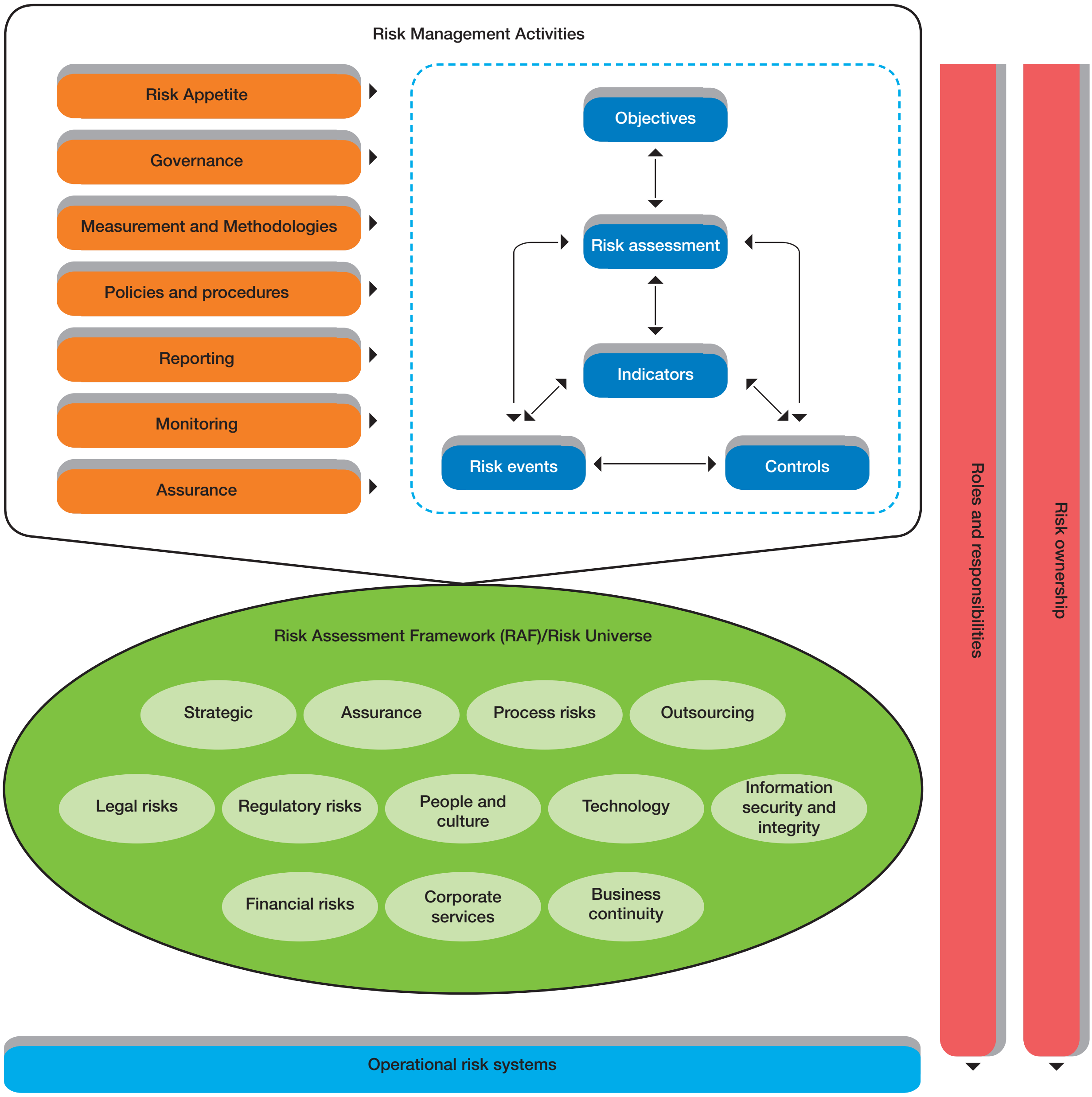
Operational risk management framework

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

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

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 indicators

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

Operational risk measurement

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

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

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

Reporting

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

Other key operational risks

Business continuity risk

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

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

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

Financial crime

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

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

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

Developments

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

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

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

Areas of focus:

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

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

Insurance

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

Reputational risk

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

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

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

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

Legal risk management

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

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

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

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

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

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

Pension risk

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

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

Investec plc monitors the position of the funds closely, regularly assessing potential adverse movements in the schemes. Further information is provided on pages 176 to178.

Capital management and allocation

Although Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries) are managed independently, the approach to capital management of each group is consistently applied. The DLC structure requires the two groups to be considered independent from a capital perspective and hence capital is managed on this basis. This approach is exercised through the BRCC (via the Investec DLC Capital Committee) which is a board sub-committee with ultimate responsibility for the capital sufficiency of both Investec plc and Investec Limited.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Invested Limited were a single unified enterprise. Investec plc is regulated by the FSA in the UK and Investec Limited is regulated by the SARB. In addition, a number of subsidiaries are subject to the capital regulations of the regulators for the jurisdictions in which they operate.

Philosophy and approach

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

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

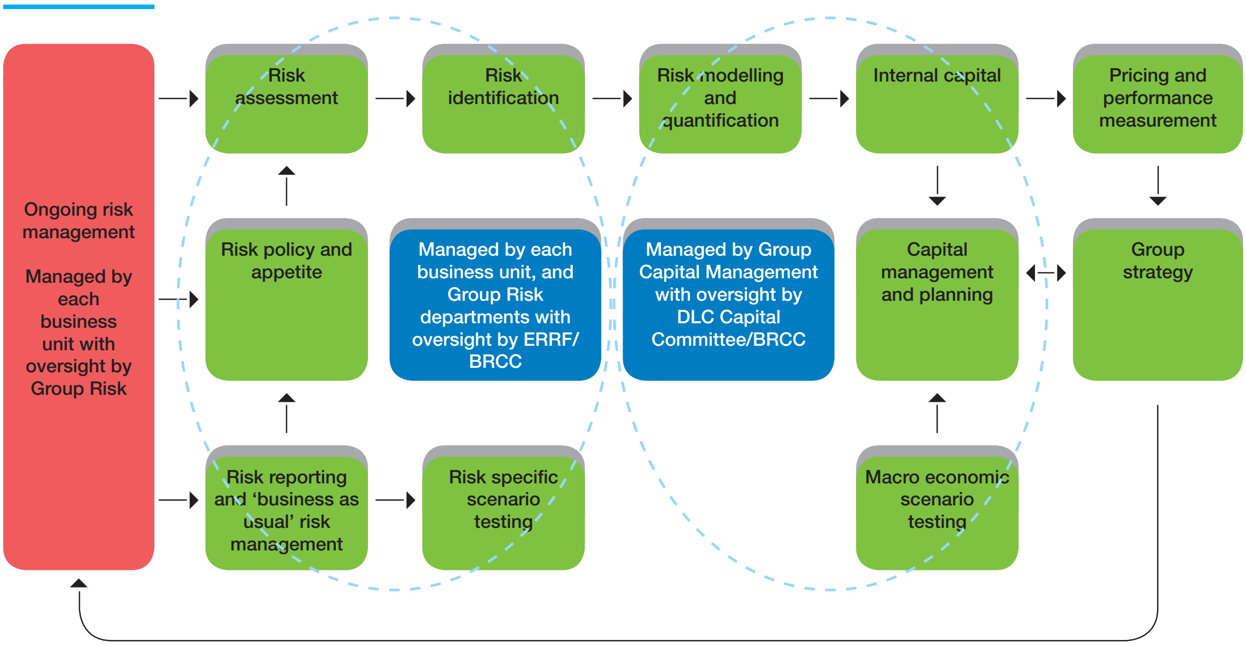
Our internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is tied to group-wide disciplines surrounding:
- Capital allocation and structuring
- Investment decision making and pricing
- Risk management, especially as it relates to the selection of deals, markets, and investment opportunities
- Performance measurement
- Risk-based incentive compensation.

Consequently the objectives of the internal capital framework are to:
- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Support a target level of financial strength aligned with a long-term rating of at least A
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions and support growth in assets
- Maintain sufficient capital to meet regulatory requirements across each regulated entity
- Support our growth strategy
- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite
- Facilitate pricing that is commensurate with the risk being taken
- Allocate capital according to the greatest expected marginal risk based return, and track performance on this basis
- Reward performance taking into account the relative levels of risk adopted.

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

Risk management

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



Risk assessment and identification

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

Risk reporting

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

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

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

Role of regulatory capital in capital management

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

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

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

Therefore, while capital requirements under "Pillar 1" form the minimum capital 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 property reputational risks;
- Business risk;
- Operational risk; and
- Pension risk (UK only).

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

Capital management, planning and scenario testing

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

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

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

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

At a minimum level, each capital plan assesses the impact on our capital adequacy of a range of scenarios based on an expected case, upturn and downturn scenarios. On the basis of the results of this analysis the DLC Capital Committee, and the BRCC, are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

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

- Determining transactional risk based returns on capital
- Establishing break even pricing
- Optimising capital allocation
- Comparing risk based performance across business areas
- Forming a basis for the determination of Economic Value Added at a transactional level, and hence the basis for discretionary variable remuneration.

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to risk adjusted return on capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

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

Responsibility for the risk and capital management process

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

In order to feed into this forum, Investec plc convenes a separate capital committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted capital management committee also exists in Australia. 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 its detailed individual strategies into a 'bottom-up" capital usage projection for incorporation into the group capital plan. These plans assist senior management with prioritising the use of our available capital.
- Risk Management:
  - 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.

Risk management

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 consolidated	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 plc	Subject to consolidated supervision				UK	None
Investec 1 Limited	Subject to consolidated supervision	100%	Yes		UK	None
Regulated subsidiaries						
Banking and securities trading						
Investec Bank (Australia) Limited	Australian Prudential Regulation Authority	100%	Yes		Australia	Subject to regulatory rules
Investec Bank plc	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Bank (Channel Islands) Limited	Guernsey Financial Services Commission/ Jersey Financial Services Commission	100%	Yes		Guernsey and Jersey	Subject to regulatory rules
Investec Bank (Switzerland) AG	Swiss Federal Banking Commission	100%	Yes		Switzerland	Subject to regulatory rules
Investec Ireland Limited	Irish Financial Services Regulatory Authority	100%	Yes		Ireland	Subject to regulatory rules
Investec Trust (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Trust (Jersey) Limited	Jersey Financial Services Commission	100%	Yes		Jersey	Subject to regulatory rules
Investec Securities (US) LLC	Securities and Exchange Commission and Financial Industry Regulatory Authority	100%	Yes		USA	Subject to regulatory rules
Kensington Mortgage Company Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Kensington Personal Loans Limited	FSA	100%	Yes		UK	Subject to regulatory rules
NUA Homeloans Limited	Irish Financial Services Regulatory Authority	100%	Yes		Ireland	Subject to regulatory rules
NUA Mortgages Limited	Irish Financial Services Regulatory Authority	100%	Yes		Ireland	Subject to regulatory rules
Start Mortgages Limitited	Irish Financial Services Regulatory Authority	65.1%	Yes		Ireland	Subject to regulatory rules
Rensburg Sheppards Investment Management Limited	FSA	47.3%	Proportion-ately Con-solidated		UK	Subject to regulatory rules
Rensburg Fund Management Limited	FSA	47.3%	Proportion-ately Con-solidated		UK	Subject to regulatory rules
Rensburg Sheppards Trustees Limited	FSA	47.3%	Proportion-ately Con-solidated		UK	Subject to regulatory rules
Mayflower Management Limited	FSA	47.3%	Proportion-ately Con-solidated		UK	Subject to regulatory rules
Hargreave Hale Limited	FSA	35.0%	Proportion-ately Con-solidated		UK	Subject to regulatory rules

Identity of investment/interest held	Regulator	% interest held	Regulatory treatment Fully con-solidated	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
Asset Management						
Investec Asset Management Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management US Limited	FSA Securities and Futures Commission	100%	Yes		UK	Subject to regulatory rules
Investec Management Ltd	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Fund Managers Ltd	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Investment Management Ltd	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management Asia Ltd	Hong Kong Securities and Futures Commission	100%	Yes		Hong Kong	Subject to regulatory rules
Investec Asset Management Australia Limited	Australian Securities and Futures Commission	100%	Yes		Australian	Subject to regulatory rules
Investec Asset Management (Channel Islands) Limited	Guernsey Financial Services Commission	100%	Yes		Ireland	Subject to regulatory rules
Investec Asset Management (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Asset Management (Ireland) Limited	Irish Financial Services Regulatory Authority	100%	Yes		Ireland	Subject to regulatory rules
Investec Asset Management Taiwan Limited	Taiwan Securities and Futures Commission	100%	Yes		Taiwan	Subject to regulatory rules
Unregulated subsidiaries	Not regulated subject to consolidated supervision					
Investec Holdings Company Limited		100%	Yes		UK	None
Investec Group (UK) plc		100%	Yes		UK	None
Investec Asset Finance plc		100%	Yes		UK	None
Investec Finance plc		100%	Yes		UK	None
Investec Group Investments (UK) Limited		100%	Yes		UK	None
Investec Investment Holdings AG		100%	Yes		Switzerland	None
Investec Trust (Switzerland) S.A.		100%	Yes		Switzerland	None
Kensington Group plc		100%	Yes		UK	None
Kensington Mortgages Limited		100%	Yes		UK	None
Newbury Park Mortgage Funding Limited		100%	Yes		UK	None
St James's Park Mortgage Funding Limited		100%	Yes		UK	None
Experien Pty Limited		100%	Yes		Australia	None
Guinness Mahon & Co Limited		100%	Yes		UK	None
Unregulated subsidiaries	Not regulated and not subject to consolidated supervision					
Global Ethanol Holdings Limited		44.4%	No	Deduction	USA	Minority interests
Global Ethanol LLC		26.6%	No	Deduction	USA	Minority interests
Ida Tech plc		73.1%	No	Deduction	USA	Minority interests

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

Risk and governance

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 180 to 182.

As at 31 March 2009	Investec plc £'mn	IBP* £'mn	IBAL* AUD'mn
Regulatory capital			
Tier 1			
Called up share capital	-	655	292
Share premium	839	37	-
Retained income	340	275	336
Treasury shares	(39)	-	-
Other reserves	115	50	(7)
Minority interests in subsidiaries	156	(11)	-
Goodwill	(296)	(72)	(89)
Total Tier 1	1 115	934	532
Less: deductions	(41)	(18)	(94)
	1 074	916	438
Tier 2 capital			
Aggregate amount	745	604	134
Less: deductions	(41)	(18)	(17)
	704	586	117
Tier 3 capital			
Aggregate amount	10	10	-
Other deductions from Tier 1 and Tier 2	(67)	(105)	-
Total capital	1 721	1 407	555

As at 31 March 2008	Investec plc £'mn	IBP* £'mn	IBAL* AUD'mn
Regulatory capital			
Tier 1			
Called up share capital	-	555	292
Share premium	781	37	-
Retained income	299	275	345
Treasury shares	(16)	-	-
Other reserves	90	27	(2)
Minority interests in subsidiaries	159	-	-
Goodwill	(308)	(74)	(84)
Total Tier 1	1 005	820	551
Less: deductions	(69)	(29)	(90)
	936	791	461
Tier 2 capital			
Aggregate amount	736	602	118
Less: deductions	(69)	(29)	(26)
	667	573	92
Tier 3 capital			
Aggregate amount	18	18	-
Other deductions from Tier 1 and Tier 2	(67)	(116)	
Total capital	1 554	1 266	553

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

Capital requirements

As at 31 March 2009	Investec plc £'mn	IBP* £'mn	IBAL* AUD'mn
Capital requirements	852	709	394
Credit risk - prescribed standardised exposure classes	680	578	340
Corporates	211	216	245
Secured on real estate property	245	197	6
Counterparty risk on trading positions	25	25	18
Short-term claims on institutions and corporates	29	25	23
Retail	41	41	16
Institutions	17	14	11
Other exposure classes	112	60	21
Securitisation exposures	17	16	-
Equity risk - standardised approach	16	16	11
Listed equities	2	2	1
Unlisted equities	14	14	10
Market risk - portfolios subject to internal models approach	29	29	1
Interest rate	14	14	1
Foreign Exchange	1	1	-
Commodities	-	-	-
Equities	14	14	-
Operational risk - standardised approach	110	70	42

As at 31 March 2008	Investec plc £'mn	IBP* £'mn	IBAL* AUD'mn
Capital requirements	813	695	442
Credit risk - prescribed standardised exposure classes	669	584	378
Corporates	239	236	296
Secured on real estate property	249	196	11
Counterparty risk on trading positions	40	40	13
Short-term claims on institutions and corporates	33	20	24
Retail	28	28	25
Institutions	27	22	3
Other exposure classes	53	42	6
Securitisation exposures	6	5	-
Equity risk - standardised approach	11	11	15
Listed equities	3	3	4
Unlisted equities	8	8	11
Market risk - portfolios subject to internal models approach	30	30	3
Interest rate	20	20	3
Foreign Exchange	1	1	-
Commodities	3	3	-
Equities	6	6	-
Operational risk - standardised approach	97	65	46

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

Risk management

Capital adequacy

As at 31 March 2009	Investec plc £'mn	IBP* £'mn	IBAL* AUD'mn
Tier 1 capital	1 115	934	621
Less: deductions	(41)	(18)	(183)
	1 074	916	438
Tier 2 capital	745	604	134
Less: deductions	(41)	(18)	(17)
	704	586	117
Tier 3 capital			
Aggregate amount	10	10	-
Other deductions from Tier 1 and Tier 2	(67)	(105)	-
Total capital	1 721	1 407	555
Risk-weighted assets (banking and trading)	10 645	8 855	3 028
Credit risk - prescribed standardised exposure classes	8 492	7 220	2 612
Corporates	2 641	2 701	1 882
Secured on real estate property	3 060	2 459	44
Counterparty risk on trading positions	308	308	136
Short-term claims on institutions and corporates	365	312	176
Retail	514	514	126
Institutions	199	175	83
Other exposure classes	1 405	751	165
Securitisation exposures	218	206	-
Equity risk - standardised approach	199	197	83
Listed equities	29	27	7
Unlisted equities	170	170	76
Market risk - portfolios subject to internal models approach	359	359	11
Interest rate	171	171	10
Foreign Exchange	12	12	1
Commodities	2	2	-
Equities	174	174	-
Operational risk - standardised approach	1 377	873	322
Capital adequacy ratio	16.2%	15.9%	18.3%
Tier 1 ratio	10.1%	10.3%	14.4%
Capital adequacy ratio - pre operational risk	18.6%	17.6%	20.5%
Tier 1 ratio - pre operational risk	11.6%	11.5%	16.2%

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

Risk and governance

Capital adequacy (continued)

As at 31 March 2008	Investec plc £'mn	IBP* £'mn	IBAL* AUD'mn
Tier 1 capital	1 005	820	635
Less: deductions	(69)	(29)	(174)
	936	791	461
Tier 2 capital	736	602	118
Less: deductions	(69)	(29)	(26)
	667	573	92
Tier 3 capital			
Aggregate amount	18	18	-
Other deductions from Tier 1 and Tier 2	(67)	(116)	-
Total capital	1 554	1 266	553
Risk-weighted assets (banking and trading)	10 162	8 688	2 944
Credit risk - prescribed standardised exposure classes	8 364	7 301	2 521
Corporates	2 991	2 953	1 973
Secured on real estate property	3 108	2 441	73
Counterparty risk on trading positions	504	504	87
Short-term claims on institutions and corporates	406	247	163
Retail	355	355	164
Institutions	343	279	22
Other exposure classes	657	522	39
Securitisation exposures	75	63	-
Equity risk - standardised approach	142	138	100
Listed equities	38	34	24
Unlisted equities	104	104	76
Market risk - portfolios subject to internal models approach	372	372	19
Interest rate	255	255	17
Foreign Exchange	13	13	2
Commodities	33	33	-
Equities	71	71	-
Operational risk - standardised approach	1 209	814	304
Capital adequacy ratio	15.3%	14.6%	18.8%
Tier 1 ratio	9.2%	9.1%	15.7%
Capital adequacy ratio - pre operational risk	17.4%	16.1%	21.0%
Tier 1 ratio - pre operational risk	10.5%	10.0%	17.5%

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

Analysis of rated counterparties in each standardised credit risk exposure class

The tables 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 £'mn	Exposure after credit risk risk mitigation £'mn
Central Banks and Sovereigns:			
1	0%	1 117	1 117
2	20%	-	-
3	50%	-	-
4	100%	-	-
5	100%	-	-
6	150%	-	-
Institutions original effective maturity of more than three months:			
1	20%	657	492
2	50%	173	173
3	50%	85	57
4	100%	-	-
5	100%	-	-
6	150%	-	-
Short term claims on institutions:			
1	20%	680	680
2	20%	497	497
3	20%	36	36
4	50%	-	-
5	50%	-	-
6	150%	-	-
Corporates:			
1	20%	2	2
2	50%	-	-
3	100%	-	-
4	100%	5	5
5	150%	-	-
6	150%	-	-
Securitisation positions:			
1	20%	113	113
2	50%	15	15
3	100%	66	66
4	350%	14	14
5	1250%	4	4
Total rated counterparty exposure		3 464	3 271

Credit ratings

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

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

Internal Audit

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

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

As a result of the silo specific regulatory responsibilities arising from our DLC structure, there are two group Internal Audit departments 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.

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

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

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

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

UK and Europe - year in review

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

During the period under review regulatory activity in the UK has focused on:
- Liquidity and stress testing
- Banking Conduct of Business
- Payment Services
- Treating Customers Fairly
- Various market conduct measures (including civil and criminal prosecutions)

Liquidity and stress testing

The FSA is conducting a comprehensive review and restructuring of its liquidity regime and is taking part in various liquidity work streams both in Europe and globally. The FSA published a consultation paper in this regard in December 2008. Whilst it remains the responsibility of firms' senior management to adopt a sound approach to liquidity risk management, the FSA is proposing the following:
- A new, quantitative framework for liquidity risk management which places greater emphasis on firms' ability to assess liquidity risks and develop policies to tackle them;
- A strengthened qualitative framework for liquidity risk management, with an increased focus on firms' stress testing and contingency funding plans; new liquidity reporting requirements; and
- A new approach to firms operating in the UK which are part of a wider UK or international group.

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

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

Compliance

Banking Conduct of Business/Payment Services

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

This year the FSA will become responsible for regulating banks and building societies payment transactions under the Payment Services Directive. The FSA is proposing an extension of its regulation to include all aspects of banks' relationships with their retail customers and is looking to introduce the following framework:
- Full application of the FSA's Principles for Businesses to the regulated activities of accepting deposits and issuing electronic-money;
- New high-level rules applying to retail banking services outside PSD scope in a Banking Conduct of Business Sourcebook (BCOBS);
- Transfer of existing COBS rules and guidance applying to deposit taking to BCOBS; and
- Monitoring and enforcement by the FSA, integrated into the wider risk-based approach to the supervision of the relevant firms and groups.

Treating Customers Fairly (TCF)

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

Market abuse measures

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

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

Australia – year in review

The main areas of regulatory focus were:

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

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

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

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

Licensing

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

Corporate governance

Introduction

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2009 Annual Report.

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

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

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

Board statement

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

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

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

Financial reporting and going concern

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

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

Board of directors

The composition of the board of Investec plc is set out on pages 114 to 117.

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

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

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

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, independent non-executive director membership, senior management participation and access to specialist advice when necessary.

Management and succession planning

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

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

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

Internal control

We have adopted the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed these principles throughout the group during the year under review. Cognisance has also been taken of the King 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 Ernst & Young LLP. The independence of the external auditors is reviewed with the auditors by the Audit Committees each year.

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

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

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

Communication, public disclosure obligations and stakeholder relations

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

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We 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 www.investec.com/en_za/#home/our_business_responsibility.html

Additional information 5

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).

As at 31 March 2009 Investec plc had 444.9 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2009

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
6 713	1 to 500	32.6	1 934 528	0.4
4 779	501 to 1 000	23.2	3 817 360	0.9
6 171	1 001 to 5 000	30.0	14 499 833	3.3
1 092	5 001 to 10 000	5.3	8 157 375	1.8
1 683	10 001 to 50 000	8.2	112 228 388	25.2
68	50 001 to 100 000	0.4	49 770 375	11.2
64	100 001 and over	0.3	254 529 379	57.2
20 570		100.0	444 937 238	100.0

Shareholder classification as at 31 March 2009

	Investec plc number of shares	% holding
Public*	411 826 051	92.6
Non-public	33 111 187	7.4
Non-executive directors of Investec plc	3 359 165	0.7
Executive directors of Investec plc	7 045 943	1.6
Investec staff share schemes	22 706 079	5.1
Total	444 937 238	100.0

* As per the JSE listing requirements

Additional information

Share statistics

Investec plc ordinary shares in issue

For the year ended 31 March	2009	2008	2007	2006	2005	2004	2003
Closing market price per share (Pounds Sterling)[1]							
- year end	2.92	3.39	6.58	5.88	3.11	2.18	1.23
- highest	4.21	7.65	6.76	6.07	3.47	2.36	1.92
- lowest	1.69	2.94	4.95	3.04	1.84	1.22	1.21
Number of ordinary shares in issue (million)[1]	444.9	423.3	381.6	373.0	373.0	373.0	373.0
Market capitalisation (£'million)[2]	1 299	1 435	2 511	2 194	1 160	812	459
Daily average volume of shares traded ('000)	2 603.6	3 925.9	2 832.5	1 489.0	741.0	498.0	349.5

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 LSE only include the shares in issue for Investec plc i.e. 444.9 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK

Shareholder analysis

Largest shareholders as at 31 March 2009

In accordance with the terms provided for in Section 793 of the UK Companies Act 2006 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 plc

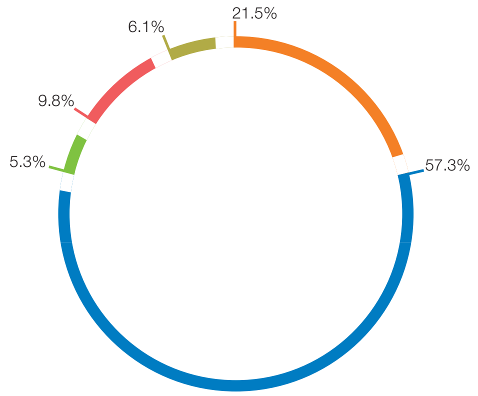
Shareholder analysis by manager group	Number of shares	% holding
1 PIC (ZA)	37 643 896	8.5
2 Old Mutual Asset Managers (ZA)	33 107 398	7.4
3 Investec Securities (Pty) Limited (ZA)*	24 363 100	5.5
4 Investec Staff Share Schemes (ZA and UK)	22 706 079	5.1
5 Legal & General Investment Mgmt Ltd (UK)	18 356 041	4.1
6 RMB Asset Management (ZA)	18 116 305	4.1
7 J.P. Morgan Asset Management (UK)	15 411 731	3.5
8 Coronation Fund Managers (ZA)	14 108 806	3.2
9 Polaris Capital (Pty) Limited (ZA)	13 556 175	3.0
10 Schroder Investments (UK)	10 360 243	2.3
Cumulative total	207 729 774	46.7

The top 10 shareholders account for 46.7% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* Managed on behalf of clients

Geographic holding by beneficial owner as at 31 March 2009

Investec plc



UK — South Africa — USA and Canada — Rest of Europe — Other countries

Directorate Investec plc

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 plc

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 plc

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 plc and 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.

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Directors' Responsibility Statement

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

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

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

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

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

Signed on behalf of the board

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

30 June 2009

Independent Auditors' Report to the members of Investec plc

We have audited these special purpose financial statements of Investec plc for the year ended 31 March 2009 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expenses, consolidated cash flow statement and the related notes 1 to 46. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

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

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with International standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements have been properly prepared, in all material aspects, in accordance with the accounting policies as set out in note 1.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements for the year ended 31 March 2009 have been properly prepared, in all material aspects, in accordance with the accounting policies as set out in note 1.

Restriction on use of the Auditors' Report

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

Ernst & Young LLP

Ernst & Young LLP
Registered auditors
London
Date: 30 June 2009

Directors' Report

Business review

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

A review of the operations for the year can be found on pages 14 to 29.

Authorised and issued share capital

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

During the year the following shares were issued:
- 854 869 ordinary shares on 23 May 2008 at 256 pence per share.
- 1 109 184 special converting shares on 23 May 2008 at par.
- 9 300 000 special converting shares on 27 June 2008 at par.
- 17 869 970 special converting shares on 1 August 2008 at par.
- 1 147 258 special converting shares on 21 November 2008 at par.
- 762 870 ordinary shares on 21 November 2008 at 206 pence per share.
- 4 422 478 special converting shares on 20 March 2009 at par.
- 175 053 special converting shares on 31 March 2009 at par.
- 10 000 000 ordinary shares on 31 March 2009 at 279 pence per share.
- 10 000 000 ordinary shares on 31 March 2009 at 268 pence per share.

Financial results

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

Ordinary dividends

An interim dividend was declared to shareholders as follows:
- 8.0 pence per ordinary share to non-South African resident shareholders (2008: 11.5 pence) registered on 12 December 2008.
- to South African resident shareholders registered on 12 December 2008, a dividend paid by Investec Limited on the SA DAS share, equivalent to 128.0 cents per ordinary share and 8.0 pence per ordinary share paid by Investec plc.

The dividends were paid on 12 December 2008.

The directors have proposed a final dividend to shareholders registered on 31 July 2009, which is subject to the approval of the members of Investec plc at the Annual General Meeting which is scheduled to take place on 13 August 2009 and, if approved, will be paid on 18 August 2009 as follows:
- 5.0 pence per ordinary share to non-South African resident shareholders (2008: 13.5 pence) registered on 31 July 2009.
- to South African resident shareholders registered on 31 July 2009, a dividend paid by Investec Limited on the SA DAS share, equivalent to 66.0 cents per ordinary share and 5.0 pence per ordinary share paid by Investec plc.

Shareholders in Investec plc will receive a distribution of 5.0 pence (2008: 13.5 pence) per ordinary share.

Preference dividends

Perpetual preference shares

Preference dividend number 5 for the period 1 April 2008 to 30 September 2008, amounting to 30.14 pence per share, was declared to members holding preference shares registered on 28 November 2008 and was paid on 9 December 2008.

Preference dividend number 6 for the period 1 October 2008 to 31 March 2009, amounting to 16.03 pence per share was declared to members holding preference shares registered on 19 June 2009 and will be paid on 2 July 2009.

Preferred securities

The fourth annual distribution, fixed at 7.075 per cent, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005, was due and was paid on 24 June 2009.

Directors' Report

Directors and secretary

Details of directors and the secretary of Investec plc are reflected on pages 114 to 117 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 in the Investec group's 2009 Annual Report.

Audit Committee

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

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc. A resolution to reappoint them as auditors will be proposed at the next Annual General Meeting scheduled to take place on 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 189.

Major shareholders

The largest shareholders of Investec plc are reflected on page 113.

Special resolutions

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

- A renewable authority was granted to Investec plc to acquire its own shares in terms of Section 166 of the Companies Act, 1985.
- Authority to increase the number of authorised special converting shares of £0.0002 each in the authorised share capital of Investec plc to 300 000 000.
- Amendments to the Articles of Association to reflect provisions of the Companies Act 2006 that are already in force since 1 October 2008.

Directors' Report

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and International Financial Reporting Standards. These policies are set out on pages 133 to 141.

Creditor payment policy

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

Employees

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

Donations

During the year, Investec plc made donations for charitable purposes, totalling £ 1.4 million.

Environment

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

Additional information for shareholders

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

David Miller
Company Secretary
Investec plc

30 June 2009

Schedule A to the Directors' Report

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the "Articles") and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together the "Companies Acts"). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required. Certain amendments will be proposed to the Articles at the Annual General Meeting to be held on 13 August 2009.

Share capital

The share capital of Investec plc at 12 June 2009 consists of 560 000 000 plc ordinary shares of £0.0002 each, 1 000 000 plc preference shares of €0.01 each, 100 000 000 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 300 000 000 plc special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

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

Dividends and distributions

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

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

Voting rights

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

Restrictions on voting

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

Deadlines for exercising voting rights

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

Schedule A to the Directors' Report

Variation of rights

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

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

Transfer of shares

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

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

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

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

plc preference shares

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

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

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

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

Shares required for the DLC structure

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

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

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

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

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

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

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

Schedule A to the Directors' Report

Powers of directors

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

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

Significant agreements: change of control

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

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

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

Consolidated income statement

For the year to 31 March £'000	Notes	2009	2008
Interest income		1 199 548	989 927
Interest expense		(793 192)	(637 087)
Net interest income		406 356	352 840
Fee and commission income		343 520	349 173
Fee and commission expense		(49 619)	(52 976)
Principal transactions	4	115 930	75 523
Operating income from associates	24	12 443	12 150
Other operating (loss)/income	5	(22 999)	46 453
Other income		399 275	430 323
Total operating income		805 631	783 163
Impairment losses on loans and advances	21/22	(204 721)	(83 342)
Operating income		600 910	699 821
Administrative expenses	6	(480 546)	(483 881)
Depreciation, amortisation and impairment of property, equipment and intangible assets	26/28	(24 045)	(18 239)
Operating profit before goodwill impairment		96 319	197 701
Goodwill	27	(30 265)	(59 900)
Profit before taxation		66 054	137 801
Taxation	8	(8 873)	(36 963)
Profit after taxation		57 181	100 838
(Losses)/earnings attributable to minority interests		(22 253)	28 211
Earnings attributable to shareholders		79 434	72 627
Dividends per share (pence)			
- Interim	9	8.0	11.5
- Final	9	5.0	13.5

Consolidated statement of total recognised income and expenses

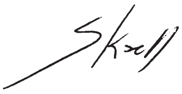
For the year to 31 March £'000	Notes	2009	2008
Profit after taxation		57 181	100 838
Total gains and losses recognised directly in equity		23 259	13 707
Fair value movements on cash flow hedges		(16 201)	-
Fair value movements on available for sale assets		2 844	(23 667)
Foreign currency movements		46 338	29 755
Pension fund actuarial (losses)/gains	33	(9 722)	7 619
Total recognised income and expenses		80 440	114 545
Total recognised income and expenses attributable to minority shareholders		(8 022)	27 683
Total recognised income and expenses attributable to ordinary shareholders		67 796	69 164
Total recognised income and expenses attributable to perpetual preferred securities		20 666	17 698
		80 440	114 545

Financial statements

Consolidated balance sheet

At 31 March £'000	Notes	2009	2008
Assets			
Cash and balances at central banks		872 435	614 628
Loans and advances to banks		1 168 628	1 166 579
Cash equivalent advances to customers		-	7 183
Reverse repurchase agreements and cash collateral on securities borrowed	17	253 247	350 616
Trading securities	18	361 883	458 091
Derivative financial instruments	19	861 292	719 421
Investment securities	20	1 016 763	1 117 161
Loans and advances to customers	21	7 146 119	6 282 251
Loans and advances to customers - Kensington warehouse assets	21	1 897 878	2 034 874
Securitised assets	22	4 669 749	5 251 468
Interests in associated undertakings	23	91 005	82 567
Deferred taxation assets	24	99 301	55 476
Other assets	25	546 282	578 877
Property and equipment	26	160 551	131 126
Goodwill	27	233 371	251 143
Intangible assets	28	27 883	26 888
		19 406 387	19 128 349
Liabilities			
Deposits by banks		2 971 745	3 094 624
Deposits by banks - Kensington warehouse funding		1 412 961	1 778 438
Derivative financial instruments	19	434 987	256 123
Other trading liabilities	30	191 897	192 987
Repurchase agreements and cash collateral on securities lent		1 048 550	287 585
Customer accounts		5 235 093	4 999 378
Debt securities in issue	31	944 619	621 672
Liabilities arising on securitisation	22	4 385 818	4 976 656
Current taxation liabilities		61 267	53 993
Deferred taxation liabilities	24	50 022	41 856
Other liabilities	32	437 576	692 927
Pension fund liabilities	33	1 212	-
		17 175 747	16 996 239
Subordinated liabilities	34	778 342	773 159
		17 954 089	17 769 398
Equity			
Called up share capital	2/35	143	131
Perpetual preference share capital	2/36	151	151
Share premium	2	838 911	780 430
Treasury shares	2/37	(39 292)	(16 511)
Other reserves	2	91 882	79 127
Profit and loss account	2	356 274	306 858
Shareholders' equity excluding minority interests		1 248 069	1 150 186
Minority interests	2/38	204 229	208 765
- Perpetual preferred securities issued by subsidiaries		185 251	159 420
- Minority interests in partially held subsidiaries		18 978	49 345
Total shareholders' equity		1 452 298	1 358 951
Total liabilities and shareholders' equity		19 406 387	19 128 349

Approved and authorised for issue by the Board of Directors on 30 June 2009 and signed on its behalf by:



Stephen Koseff
Chief Executive Officer

Consolidated cash flow statement

For the year to 31 March £'000	Notes	2009	2008
Operating profit adjusted for non cash items	40	341 367	311 879
Taxation paid		(15 269)	(28 790)
(Increase)/decrease in operating assets		(432 335)	1 554 593
Increase/(decrease) in operating liabilities		212 832	(582 022)
Net cash inflow from operating activities		106 595	1 255 660
Cash flow on acquisition of group operations	29	-	(32 419)
Cash flow on net acquisition of associates	23	(1 224)	(1 563)
Cash flow on acquisition and disposal of property, equipment and intangible assets	26/28	(11 894)	(28 911)
Net cash outflow from investing activities		(13 118)	(62 893)
Dividends paid to ordinary shareholders		(48 293)	(85 022)
Dividends paid to other equity holders		(20 666)	(20 610)
Proceeds on issue of shares, net of issue costs		61 807	10 390
Proceeds on issue of other equity instruments*		(31 507)	6 777
(Reduction)/increase in subordinated debt		(43 470)	4 094
Net cash inflow from financing activities		(82 129)	(84 371)
Effects of exchange rates on cash and cash equivalents		(22 391)	1 290
Net increase in cash and cash equivalents		(11 043)	1 109 686
Cash and cash equivalents at the beginning of the year		1 496 158	386 472
Cash and cash equivalents at the end of the year		1 485 115	1 496 158
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		872 435	614 628
On demand loans and advances to banks		612 680	874 347
Cash equivalent advances to customers		-	7 183
Cash and cash equivalents at the end of the year		1 485 115	1 496 158

* Includes equity instruments issued by subsidiaries

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

Financial statements

Accounting policies

Basis of presentation

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

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

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

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

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.

Reclassifications

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 or liabilities.

Basis of consolidation

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

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

The combined 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.

Accounting policies

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 segmental reporting is presented in the form of a business analysis and a geographical analysis.

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

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

Goodwill

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

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

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

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

Share based payments to employees

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

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

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

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

Foreign currency transactions and foreign operations

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

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

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

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:
- Foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in profit and loss;
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment; and

- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

Revenue recognition

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

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

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

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

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

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

Financial instruments

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

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

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

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

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

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

Held-to-maturity assets

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

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

Loans and receivables

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

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

Loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected 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 assets

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

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

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

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

Financial liabilities

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

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

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

Valuation of financial instruments

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

Subsequent to initial recognition the following financial instruments are measured at fair value:

- Fixed maturity securities classified as trading, held at fair value through profit or loss and available for sale;
- equity securities;
- private equity investments;
- derivative positions;
- loans and advances designated as held at fair value through profit and loss;
- loans and advances designated as available for sale; and
- financial liabilities classified as trading or designated as held at fair value through profit and loss.

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

Impairments of financial assets held at amortised cost

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

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

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

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

Derecognition of financial assets and liabilities

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

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

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 are attributable to the hedged risk are also recognised in the income statement.

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

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

Trading derivatives

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

Embedded derivatives

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

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

Offsetting of financial assets and liabilities

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

Issued debt and equity financial instruments

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

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

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

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

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders.

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 the Investec is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

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

Property and equipment

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

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

Accounting policies

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

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

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

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

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

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

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

Taxation and deferred taxation

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

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

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

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

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

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

Employee benefits

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

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

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

The group has no liabilities for other post retirement benefits.

Intangible assets

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

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

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

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations not yet effective

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

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

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

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

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

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

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

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

These amendments will have no impact on the group.

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

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

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

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

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

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

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

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

Key management assumptions

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

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 18, trading securities and note, 20 investment securities.
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available for sale financial assets involves the assessment of future cash flows which is judgemental in nature.
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

£'000	Called up share capital	Perpetual preference share capital	Share premium account	Treasury shares
2. Consolidated statement of changes in equity				
1 April 2007	122	151	551 636	(23 870)
Movement in reserves 1 April 2007 - 31 March 2008				
Foreign currency adjustments	-	-	-	-
Profit for the year	-	-	-	-
Pension fund actuarial gains	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-
Profit on realisation of available for sale assets recycled through income				
Total recognised income and expenses for the year	-	-	-	-
Share based payments adjustments	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Dividends paid to perpetual preferred securities	-	-	-	-
Issue of ordinary shares	9	-	228 859	(12 524)
Issue of equity by subsidiaries	-	-	-	-
Minorities arising on acquisition of subsidiaries	-	-	-	-
Share issue expenses	-	-	(65)	-
Movement of treasury shares	-	-	-	19 883
Transfer from capital reserves	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-
Dividends paid to minorities	-	-	-	-
At 31 March 2008	131	151	780 430	(16 511)
Movement in reserves 1 April 2008 - 31 March 2009				
Foreign currency adjustments	-	-	-	-
Profit for the year	-	-	-	-
Pension fund actuarial losses	-	-	-	-
Fair value movements on cash flow hedges	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-
Losses on realisation or impairment of available for sale assets recycled through income	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-
Share based payments adjustments	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
Dividends paid to perpetual preferred securities	-	-	-	-
Issue of ordinary shares	12	-	58 481	-
Issue of equity by subsidiaries	-	-	-	-
Movement of treasury shares	-	-	-	(22 781)
Transfer to capital reserves	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-
At 31 March 2009	143	151	838 911	(39 292)

Other reserves								
Capital reserve account	Available for sale reserves	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserve	Profit and loss account	Share-holders' equity excluding minority interests	Minority interests	Total equity
77 202	11 301	9 240	-	(4 399)	302 555	923 938	176 552	1 100 490
-	-	742	-	29 541	-	30 283	(528)	29 755
-	-	-	-	-	72 627	72 627	28 211	100 838
-	-	-	-	-	7 619	7 619	-	7 619
-	(9 963)	-	-	-	-	(9 963)	-	(9 963)
-	(13 704)	-	-	-	-	(13 704)	-	(13 704)
-	(23 667)	742	-	29 541	80 246	86 862	27 683	114 545
-	-	-	-	-	18 037	18 037	-	18 037
-	-	-	-	-	(85 022)	(85 022)	-	(85 022)
-	-	-	-	-	(8 170)	(8 170)	-	(8 170)
-	-	-	-	-	(9 528)	(9 528)	-	(9 528)
-	-	-	-	-	-	216 344	-	216 344
-	-	-	-	-	-	-	6 777	6 777
-	-	-	-	-	-	-	665	665
-	-	-	-	-	-	(65)	-	(65)
(12 093)	-	-	-	-	-	7 790	-	7 790
(9 397)	-	-	-	-	9 397	-	-	-
-	-	657	-	-	(657)	-	-	-
-	-	-	-	-	-	-	(2 912)	(2 912)
55 712	(12 366)	10 639	-	25 142	306 858	1 150 186	208 765	1 358 951
-	2	468	-	28 773	2 864	32 107	14 231	46 338
-	-	-	-	-	79 434	79 434	(22 253)	57 181
-	-	-	-	-	(9 722)	(9 722)	-	(9 722)
-	-	-	(16 201)	-	-	(16 201)	-	(16 201)
-	1 537	-	-	-	-	1 537	-	1 537
-	1 307	-	-	-	-	1 307	-	1 307
-	2 846	468	(16 201)	28 773	72 576	88 462	(8 022)	80 440
-	-	-	-	-	51 394	51 394	-	51 394
-	-	-	-	-	(48 293)	(48 293)	-	(48 293)
-	-	-	-	-	(9 472)	(9 472)	-	(9 472)
-	-	-	-	-	(11 194)	(11 194)	-	(11 194)
-	-	-	-	-	-	58 493	-	58 493
-	-	-	-	-	-	-	3 486	3 486
(8 726)	-	-	-	-	-	(31 507)	-	(31 507)
252	-	-	-	-	(252)	-	-	-
-	-	5 343	-	-	(5 343)	-	-	-
47 238	(9 520)	16 450	(16 201)	53 915	356 274	1 248 069	204 229	1 452 298

Notes to the financial statements

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Manage-ment	Property Activities	Group Services and Other Activities	Total
3. Segmental analysis							
Business analysis 2009							
Net interest income	160 564	205 235	(1 249)	(4 201)	(472)	38 077	406 356
Fee and commission income	68 884	84 587	48 310	133 985	5 783	1 971	343 520
Fee and commission expense	(3 349)	(775)	(4 164)	(40 638)	(692)	(1)	(49 619)
Principal transactions	4 518	97 591	10 100	-	848	2 873	115 930
Operating income from associates	11 864	-	248	-	-	331	12 443
Other operating income/(loss)	330	-	(24 774)	-	-	1 445	(22 999)
Other income	82 247	181 403	29 720	93 347	5 939	6 619	399 275
Total operating income	242 811	386 638	28 471	97 548	5 467	44 696	805 631
Impairment losses on loans and advances	(72 395)	(132 326)	-	-	-	-	(204 721)
Operating income	170 416	254 312	28 471	97 548	5 467	44 696	600 910
Administrative expenses	(112 218)	(166 947)	(77 681)	(80 237)	(2 554)	(40 909)	(480 546)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 646)	(8 127)	(10 919)	(161)	-	(3 192)	(24 045)
Operating profit before goodwill	56 552	79 238	(60 129)	17 150	2 913	595	96 319
Operating loss/(profit) before goodwill attributable to minorities	-	987	22 212	-	-	(16 200)	6 999
Operating profit/(loss) before goodwill and after minorities	56 552	80 225	(37 917)	17 150	2 913	(15 605)	103 318
Goodwill	-	(2 365)	(27 900)	-	-	-	(30 265)
Goodwill attributable to minority interests	-	-	15 254	-	-	-	15 254
Operating profit after minorities	56 552	77 860	(50 563)	17 150	2 913	(15 605)	88 307
Reconciliation to profit before taxation:							
Operating profit after minorities							88 307
Operating (loss) before goodwill attributable to minorities							(6 999)
Goodwill attributable to minority interests							(15 254)
Profit before taxation							66 054
Net intersegment revenue	(31 558)	(12 563)	(6 163)	-	(454)	50 738	-
Cost to income ratio	46.9%	45.3%	311.2%	82.4%	46.7%	98.7%	62.6%
Number of permanent employees	702	584	197	273	13	313	2 082
Total assets (£'million)	5 632	12 612	446	195	17	504	19 406

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

Notes to the financial statements

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Manage-ment	Property Activities	Group Services and Other Activities	Total
3. Segmental analysis (continued)							
Business analysis 2008							
Net interest income	155 441	165 804	(11 184)	4 455	485	38 809	352 840
Fee and commission income	81 363	57 514	59 691	147 351	1 206	2 048	349 173
Fee and commission expense	(3 762)	(526)	(2 690)	(45 902)	-	(96)	(52 976)
Principal transactions	22 459	39 116	12 717	-	1 238	(7)	75 523
Operating income from associates	11 954	(266)	215	-	-	247	12 150
Other operating income	-	-	44 801	-	-	1 652	46 453
Other income	112 014	95 838	114 734	101 449	2 444	3 844	430 323
Total operating income	267 455	261 642	103 550	105 904	1 959	42 653	783 163
Impairment losses on loans and advances	(22 940)	(60 402)	-	-	-	-	(83 342)
Operating income	244 515	201 240	103 550	105 904	1 959	42 653	699 821
Administrative expenses	(121 745)	(146 987)	(83 091)	(80 847)	(1 716)	(49 495)	(483 881)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(1 206)	(6 621)	(7 903)	(119)	-	(2 390)	(18 239)
Operating profit/(loss) before goodwill	121 564	47 632	12 556	24 938	243	(9 232)	197 701
Operating profit before goodwill attributable to minorities	-	(119)	(4 724)	-	-	(23 368)	(28 211)
Operating profit/(loss) before goodwill and after minorities	121 564	47 513	7 832	24 938	243	(32 600)	169 490
Goodwill	-	(59 900)	-	-	-	-	(59 900)
Operating profit/(loss) after minorities	121 564	(12 387)	7 832	24 938	243	(32 600)	109 590
Reconciliation to profit before taxation:							
Operating profit after minorities							109 590
Operating profit before goodwill attributable to minorities							28 211
Goodwill attributable to minority interests							-
Profit before taxation							137 801
Net intersegment revenue	(15 774)	(34 830)	(6 506)	-	(62)	59 147	1 975
Cost to income ratio	46.0%	58.7%	87.9%	76.5%	87.6%	121.6%	64.1%
Number of permanent employees	747	744	192	312	11	393	2 399
Total assets (£'million)	4 950	12 869	507	269	6	527	19 128

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For the year to 31 March £'000	UK and Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2009			
Net interest income	352 188	54 168	406 356
Fee and commission income	319 629	23 891	343 520
Fee and commission expense	(48 270)	(1 349)	(49 619)
Principal transactions	114 650	1 280	115 930
Operating income from associates	12 624	(181)	12 443
Other operating loss	(18 013)	(4 986)	(22 999)
Other income	380 620	18 655	399 275
Total operating income	732 808	72 823	805 631
Impairment losses on loans and advances	(182 036)	(22 685)	(204 721)
Net operating income	550 772	50 138	600 910
Administrative expenses	(431 478)	(49 068)	(480 546)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(22 978)	(1 067)	(24 045)
Operating profit before goodwill impairment	96 316	3	96 319
Operating loss before goodwill attributable to minorities	4 554	2 445	6 999
Operating profit before goodwill after minorities	100 870	2 448	103 318
Goodwill	(24 825)	(5 440)	(30 265)
Goodwill attributable to minority interests	12 127	3 127	15 254
Operating profit	88 172	135	88 307
Taxation	(13 203)	4 330	(8 873)
Earnings attributable to shareholders	74 969	4 465	79 434
Net intersegment revenue	(193)	193	-
Cost to income ratio	62.0%	68.8%	62.6%
Effective operational tax rate	15.8%	n/a	10.6%
Number of permanent employees	1 760	352	2 112

Notes to the financial statements

At 31 March £'000	UK and Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2009			
Assets			
Cash and balances at central banks	872 101	334	872 435
Loans and advances to banks	1 035 957	132 671	1 168 628
Cash equivalent advances to customers	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	253 247	-	253 247
Trading securities	356 147	5 736	361 883
Derivative financial instruments	761 962	99 330	861 292
Investment securities	367 456	649 307	1 016 763
Loans and advances to customers	6 179 534	966 585	7 146 119
Loans and advances to customers - Kensington warehouse assets	1 897 878	-	1 897 878
Securitised assets	4 228 165	441 584	4 669 749
Interests in associated undertakings	87 164	3 841	91 005
Deferred taxation assets	74 325	24 976	99 301
Other assets	527 553	18 729	546 282
Property, plant and equipment	156 495	4 056	160 551
Goodwill	200 215	33 156	233 371
Intangible assets	24 024	3 859	27 883
Total assets	17 022 223	2 384 164	19 406 387
Liabilities			
Deposits by banks	2 869 633	102 112	2 971 745
Deposits by banks - Kensington warehouse funding	1 412 961	-	1 412 961
Derivative financial instruments	361 930	73 057	434 987
Other trading liabilities	191 897	-	191 897
Repurchase agreements and cash collateral on securities lent	1 048 550	-	1 048 550
Customer accounts	4 384 373	850 720	5 235 093
Debt securities in issue	314 429	630 190	944 619
Liabilities arising on securitisation	3 946 872	438 946	4 385 818
Current taxation liabilities	68 641	-7 374	61 267
Deferred taxation liabilities	50 022	-	50 022
Other liabilities	416 449	21 127	437 576
Pension fund liabilities	1 212	-	1 212
	15 066 969	2 108 778	17 175 747
Subordinated liabilities	739 819	38 523	778 342
Total liabilities	15 806 788	2 147 301	17 954 089

Notes to the financial statements

For the year to 31 March £'000	UK and Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2008			
Net interest income	296 362	56 478	352 840
Fee and commission income	324 375	24 798	349 173
Fee and commission expense	(51 916)	(1 060)	(52 976)
Principal transactions	60 855	14 668	75 523
Operating income from associates	12 201	(51)	12 150
Other operating income	44 953	1 500	46 453
Other income	390 468	39 855	430 323
Total operating income	686 830	96 333	783 163
Impairment losses on loans and advances	(76 989)	(6 353)	(83 342)
Net operating income	609 841	89 980	699 821
Administrative expenses	(427 688)	(56 193)	(483 881)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(17 525)	(714)	(18 239)
Operating profit before goodwill	164 628	33 073	197 701
Operating profit before goodwill attributable to minorities	(27 019)	(1 192)	(28 211)
Operating profit before goodwill after minorities	137 609	31 881	169 490
Goodwill	(59 900)	-	(59 900)
Operating profit	77 709	31 881	109 590
Taxation	(30 967)	(5 996)	(36 963)
Earnings attributable to shareholders	46 742	25 885	72 627
Net intersegment revenue	(1 398)	3 373	1 975
Cost to income ratio	64.8%	59.1%	64.1%
Effective operational tax rate	20.3%	18.1%	19.9%
Number of permanent employees	1 992	407	2 399

Notes to the financial statements

At 31 March £'000	UK and Europe	Australia	Total group
3. Segmental analysis (continued)			
Geographical analysis 2008			
Assets			
Cash and balances at central banks	608 439	6 189	614 628
Loans and advances to banks	1 028 829	137 750	1 166 579
Cash equivalent advances to customers	7 183	-	7 183
Reverse repurchase agreements and cash collateral on securities borrowed	350 616	-	350 616
Trading securities	441 750	16 341	458 091
Derivative financial instruments	651 208	68 213	719 421
Investment securities	809 113	308 048	1 117 161
Loans and advances to customers	5 454 953	827 298	6 282 251
Loans and advances to customers - Kensington warehouse assets	2 034 874	-	2 034 874
Securitised assets	4 905 922	345 546	5 251 468
Interests in associated undertakings	79 794	2 773	82 567
Deferred taxation assets	44 649	10 827	55 476
Other assets	570 823	8 054	578 877
Property, plant and equipment	127 586	3 540	131 126
Goodwill	214 432	36 711	251 143
Intangible assets	25 044	1 844	26 888
Total assets	17 355 215	1 773 134	19 128 349
Liabilities			
Deposits by banks	3 045 006	49 618	3 094 624
Deposits by banks - Kensington warehouse funding	1 778 438	-	1 778 438
Derivative financial instruments	200 051	56 072	256 123
Other trading liabilities	192 987	-	192 987
Repurchase agreements and cash collateral on securities lent	287 585	0	287 585
Customer accounts	4 451 468	547 910	4 999 378
Debt securities in issue	222 963	398 709	621 672
Liabilities arising on securitisation	4 627 586	349 070	4 976 656
Current taxation liabilities	52 496	1 497	53 993
Deferred taxation liabilities	41 856	-	41 856
Other liabilities	661 186	31 741	692 927
Pension fund liabilities	-	-	-
	15 561 622	1 434 617	16 996 239
Subordinated liabilities	737 212	35 947	773 159
Total liabilities	16 298 834	1 470 564	17 769 398

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For the year to 31 March £'000	UK and Europe	Australia	Total group
3. Segmental analysis (continued)			
A geographical breakdown of business operating profit before goodwill non-operating items, taxation and after minorities is shown below:			
2009			
Private Client Activities	54 077	2 475	56 552
Capital Markets	78 016	2 209	80 225
Investment Banking	(30 828)	(7 089)	(37 917)
Asset Management	17 150	-	17 150
Property Activities	775	2 138	2 913
Group Services and Other Activities	(18 320)	2 715	(15 605)
	100 870	2 448	103 318
Minority interest - equity			(6 999)
Operating profit before goodwill			96 319
2008			
Private Client Activities	103 549	18 015	121 564
Capital Markets	39 187	8 326	47 513
Investment Banking	4 076	3 756	7 832
Asset Management	24 938	-	24 938
Property Activities	144	99	243
Group Services and Other Activities	(34 285)	1 685	(32 600)
	137 609	31 881	169 490
Minority interest - equity			28 211
Operating profit before goodwill			197 701

A further analysis of business line operating profit before goodwill, non-operating items, taxation and after minorities is shown below:

For the year to 31 March £'000	2009	2008
Private Client Activities		
Private Banking	44 508	109 635
Private Client Portfolio Management and Stockbroking	12 044	11 929
	56 552	121 564
Capital Markets	80 225	47 513
Investment Banking		
Corporate Finance	109	6 470
Institutional Research, Sales and Trading	4 719	4 460
Direct Investments	(5 237)	(1 310)
Private Equity	(37 508)	(1 788)
	(37 917)	7 832
Asset Management	17 150	24 938
Property Activities	2 913	243
Group Services and Other Activities		
International Trade Finance	3 026	3 229
Central Funding	17 366	7 901
Central Costs	(35 997)	(43 730)
	(15 605)	(32 600)
Total group	103 318	169 490

Notes to the financial statements

For the year to 31 March £'000	2009	2008
4. Principal transactions		
Principal transaction income includes:		
Gross trading income	143 018	42 774
Funding cost against trading income	(4 909)	(3 430)
Net trading income	138 109	39 344
Fair value movement from financial instruments designated as held at fair value	(22 721)	19 338
Gains on available for sale instruments	2 212	13 704
Impairments on available for sale instruments	(3 519)	-
Dividend income	1 782	1 888
Other income	67	1 249
	115 930	75 523
Fair value movement from financial instruments designated as held at fair value includes:		
Fair value movement of designated equity positions	(31 775)	15 547
Fair value movement of designated loans and receivables net of associated derivative instruments	38 433	31 388
Fair value movement of other designated securities	(29 379)	(27 597)
	(22 721)	19 338
5. Other operating income		
Rental income from properties	1 445	1 321
Sale of property	330	-
Operating profit of non core businesses*	(24 774)	45 132
	(22 999)	46 453
* Includes net operating income of certain private equity investments that have been consolidated. Operating income includes gross income of £192.7 million (2008: £147.1 million) net of all direct cost of sales. Their other indirect costs are included in administrative expenses		
6. Administrative expenses		
Staff costs	311 097	327 101
- Salaries and wages (including directors' remuneration)	276 089	293 136
- Social security costs	22 329	23 758
- Pensions and provident fund contributions	12 679	10 207
Premises expenses (excluding depreciation)	26 395	27 737
Equipment expenses (excluding depreciation)	17 799	13 258
Business expenses*	104 318	95 755
Marketing expenses	20 937	20 030
	480 546	483 881
The following amounts were paid to the auditors:		
Audit fees	4 505	3 812
Audit related fees	33	115
Other services	321	191
Total audit fees	4 859	4 118
Audit fees by audit firm:		
Ernst & Young	4 416	3 848
KPMG Inc	398	271
Other	45	-
	4 859	4 118

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

7. Share based payments

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

Expense charged to the income statement (included in administrative expenses) £'000	PC*	CM*	IB*	AM*	PA*	GSO*	Total group
2009							
Equity settled	4 184	3 353	4 660	2 444	35	8 472	23 148
Cash settled	(4)	(23)	9	-	-	3	(15)
Total income statement charge	4 180	3 330	4 669	2 444	35	8 475	23 133
2008							
Equity settled	3 129	2 772	4 112	1 888	19	8 359	20 279
Cash settled	64	60	100	-	-	194	418
Total income statement charge	3 193	2 832	4 212	1 888	19	8 553	20 697

Included in the above income statement charge is an accelerated share based payment charge as a result of modifications to certain options granted. The accelerated expense for the year was £1 002 361 (2008: Nil).

An additional amount of £27.9 million, charged to the income statement as part of the variable remuneration expense within personnel costs, has a corresponding credit to equity as it forms part of a share based payment. This arises from the group introducing a non-cash deferred component to variable remuneration payments. The number of shares to be delivered in lieu of cash payments is the value of the award divided by the value per share applicable to the awards.

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

	2009	2008
Liabilities on cash settled options		
Total liability included in other liabilities	-	6
Total fair value for vested appreciation rights	-	13
Weighted average fair value of options granted in the year	9 018	25 136

Details of options outstanding during the year	UK schemes 2009 Number of share options	UK schemes 2009 Weighted average exercise price £	UK schemes 2008 Number of share options	UK schemes 2008 Weighted average exercise price £
Outstanding at the beginning of the year	28 304 271	0.53	29 029 906	0.84
Granted during the year	6 251 281	0.07	7 290 269	0.21
Exercised during the year**	(2 592 134)	0.88	(5 790 269)	1.63
Expired during the year	(1 075 426)	3.69	(2 225 861)	1.12
Outstanding at the end of the year	30 887 992	0.89	28 304 271	0.53
Exercisable at the end of the year	866 078	3.13	910 733	2.98

** Weighted average share price during the year was £3.01 (2008: £5.81)

Notes to the financial statements

7. Share based payments

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

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

Expected volatility was determined based on 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. The expected attrition rates used were determined based on historical group data, with an adjustment to actual attrition on final vesting.

For the year to 31 March £'000	2009	2008
8. Taxation		
UK		
Current tax on income for the year	25 324	34 895
Adjustments in respect of prior years	(2 930)	(5 474)
Corporation tax before double tax relief	22 394	29 421
- Double tax relief	(23 461)	(3 045)
	(1 067)	26 376
Europe	8 846	11 742
Australia	(6 062)	4 994
Other	19 251	2 928
	22 035	19 664
Total current taxation	20 968	46 040
Deferred taxation		
UK	(7 395)	(10 087)
Europe	-	7
Australia	1 732	1 003
Other	(6 432)	-
Total deferred taxation	(12 095)	11 097
Total taxation charge for the year	8 873	36 963
Deferred taxation comprises:		
Origination and reversal of temporary differences	(16 199)	(6 456)
Change in tax rates	0	1 965
Adjustment in respect of prior years	4 104	(4 586)
	(12 095)	(9 077)

Notes to the financial statements

For the year to 31 March £'000	2009	2008
8. Taxation (continued)		
Items which affect the tax rate going forward are:		
Estimated tax losses, arising from trading activities, available for relief against future taxable income		
- UK	Nil	Nil
- Europe	Nil	Nil
The rates of corporation tax for the relevant years are:		
- UK	28	30
- Europe (average)	10	20
- Australia	30	30
- USA	35	35
Profit on ordinary activities before taxation	66 054	137 801
Taxation on profit on ordinary activities	8 873	36 963
Effective tax rate	13.4%	26.8%
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation, at UK rate of 28% (2008: 30%)	18 495	41 340
Tax calculated at a rate of 28% (2008: 30%)		
Tax adjustments relating to foreign earnings	(2 962)	(4 458)
Taxation relating to prior years	1 175	(10 060)
Goodwill and non operating items	-	17 970
Share options accounting expense	4 353	4 458
Share options exercised during the year	(1 228)	(5 092)
Unexpired share options future tax deduction	(1 091)	2 308
Non-taxable income	(24 708)	(18 897)
Net other permanent differences	9 916	12 238
Unrealised capital losses	5 748	-
Utilisation of brought forward capital losses/SSE	(825)	(2 719)
Utilisation of brought forward trading losses	-	(2 090)
Change in rate	-	1 965
Total tax charge	8 873	36 963

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

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For the year to 31 March	2009 Pence per share	2009 Total £'000	2008 Pence per share	2008 Total £'000
9. Dividends				
Ordinary dividend				
Final dividend in prior year	13.5*	33 683	13.0	49 304
Interim dividend for current year	8.0^	14 610	11.5	35 718
Total dividend attributable to ordinary shareholders recognised in current financial year	21.5	48 293	24.5	85 022
Perpetual preference dividend				
Final dividend in prior year	32.67	4 927	30.20**	3 204
Interim dividend for current year	30.14	4 545	32.93	4 966
Total dividend attributable to perpetual preference shareholders recognised in current financial year	62.81	9 472	63.13	8 170

* For South African resident shareholders of Investec plc the prior year final dividend was satisfied through a dividend payment by Investec plc of 4.5 pence per ordinary share and through a dividend paid on the South African Dividend Access share equivalent to 9.0 pence per ordinary share.

^ For South African resident shareholders of Investec plc the interim dividend was satisfied through a dividend payment on the South African Dividend Access share equivalent to 8.0 pence per ordinary share.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2009 of 5.0 pence (2008: 13.5 pence) per ordinary share. This will be paid as follows:

- For non-South African resident shareholders, through a dividend payment by Investec plc of 5.0 pence per ordinary share.
- For South African resident shareholders through a dividend payment on the South African Dividend Access share equivalent to 5.0 pence 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.

** A final dividend of 30.2 pence per share for the period October 2006 to 31 March 2008 was paid in respect of shares trading on the JSE Limited and 6.51 pence per share in respect of the further tranche of preference shares issued on 22 February 2008 trading on the Channel Island Stock Exchange in respect of the period 22 February to 31 March 2008.

The directors have declared a final dividend in respect of the financial year ended 31 March 2009 of 16.03 pence (Investec plc shares traded on the JSE Limited) and 16.03 pence (Investec plc shares traded on the Channel Island Stock Exchange) per perpetual preference share. The final dividend will be payable on 2 July 2009 to shareholders on the register at the close of business on 19 June 2009.

For the year to 31 March £'000	2009	2008
10. Miscellaneous income statement items		
Total foreign currency gains recognised in income except for trading income	44 551	24 275
Operating lease expenses recognised in administrative expenses split as follows:		
Minimum lease payments	20 769	18 476
Contingent rents	-	1
Sublease payments	-	2 186
	20 769	20 663
Operating lease income recognised in income split as follows:		
Minimum lease payments	17 236	8 199
Sublease payments	865	3 754
	18 101	11 953

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Notes to the financial statements

For the year to 31 March £'000	At fair value through profit and loss Trading	At fair value through profit and loss Designated at inception	Held-to-maturity	Loans and receivables
11. Analysis of income and expenses by category of financial instrument				
2009				
Net interest income	26 505	48 173	43 245	1 029 852
Fee and commission income	68 922	10 427	451	55 806
Fee and commission expense	-	(3 394)	(166)	(1 398)
Principal transactions	143 018	(22 721)	-	-
Operating income from associates	-	-	-	-
Other operating income	-	-	-	-
Other income	238 445	32 485	43 530	1 084 260
Impairment losses on loans and advances	-	-	(19 332)	(185 389)
Operating income	238 445	32 485	24 198	898 871
2008				
Net interest income	26 877	5 605	23 721	716 678
Fee and commission income	1 848	15 049	182	82 120
Fee and commission expense	-	(1 538)	(56)	(1 144)
Principal transactions	43 966	19 338	-	-
Operating income from associates	-	-	-	-
Other operating income	-	-	-	-
Other income	72 691	38 454	23 847	797 654
Impairment losses on loans and advances	-	-	87	(83 429)
Operating income	72 691	38 454	23 934	714 225

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
45 154	(786 573)	-	-	406 356
-	238	22 093	185 583	343 520
-	(82)	(782)	(43 797)	(49 619)
(1 308)	(4 909)	68	1 782	115 930
-	-	12 443	-	12 443
-	-	330	(23 329)	(22 999)
43 846	(791 326)	34 152	120 239	805 631
-	-	-	-	(204 721)
43 846	(791 326)	34 152	120 239	600 910
98 475	(520 198)	1 682	-	352 840
-	(232)	1 897	248 309	349 173
(820)	(404)	-	(49 014)	(52 976)
13 594	(3 430)	-	2 055	75 523
-	-	12 150	-	12 150
1 440	-	192	44 821	46 453
112 689	(524 264)	15 921	246 171	783 163
-	-	-	-	(83 342)
112 689	(524 264)	15 921	246 171	699 821

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At 31 March 2009 £'000	At fair value through profit and loss Trading	 Designated at inception	Held-to-maturity	Loans and receivables
12. Analysis of financial assets and liabilities by financial instrument classification				
Assets				
Cash and balances at central banks	-	-	-	872 435
Loans and advances to banks	11 520	-	-	1 157 108
Cash equivalent advances to customers	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	170 835	-	-	82 412
Trading securities	280 587	81 296	-	-
Derivative financial instruments	861 292	-	-	-
Investment securities	-	-	-	-
Loans and advances to customers	-	221 302	641 288	6 275 732
Loans and advances to customers - Kensington warehouse	-	-	-	1 897 878
Securitised assets	-	77 434	-	4 592 315
Interests in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	174 196	-	-	111 600
Property plant and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	1 498 430	380 032	641 288	14 989 480
Liabilities				
Deposits by banks	5 546	-	-	-
Deposits by banks - Kensington warehouse funding	-	-	-	-
Derivative financial instruments	434 987	-	-	-
Other trading liabilities	191 897	-	-	-
Repurchase agreements and cash collateral on securities lent	213 365	-	-	-
Customer accounts	17 684	-	-	-
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	-	-	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	142 109	-	-	-
Pension fund liabilities	-	-	-	-
	1 005 588	-	-	-
Subordinated liabilities	-	-	-	-
	1 005 588	-	-	-

Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total
-	-	-	872 435
-	-	-	1 168 628
-	-	-	-
-	-	-	253 247
-	-	-	361 883
-	-	-	861 292
1 016 763	-	-	1 016 763
7 797	-	-	7 146 119
-	-	-	1 897 878
-	-	-	4 669 749
-	-	91 005	91 005
-	-	99 301	99 301
-	-	260 486	546 282
-	-	160 551	160 551
-	-	233 371	233 371
-	-	27 883	27 883
1 024 560	-	872 597	19 406 387
-	2 966 199	-	2 971 745
-	1 412 961	-	1 412 961
-	-	-	434 987
-	-	-	191 897
-	835 185	-	1 048 550
-	5 217 409	-	5 235 093
-	944 619	-	944 619
-	4 385 818	-	4 385 818
-	-	61 267	61 267
-	-	50 022	50 022
-	66 366	229 101	437 576
-	-	1 212	1 212
-	15 828 557	341 602	17 175 747
-	778 342	-	778 342
-	16 606 899	341 602	17 954 089

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Notes to the financial statements

At 31 March 2008 £'000	At fair value through profit and loss Trading	 Designated at inception	Held-to-maturity	Loans and receivables
12. Analysis of financial assets and liabilities by financial instrument classification (continued)				
Assets				
Cash and balances at central banks	-	-	-	614 628
Loans and advances to banks	7 650	-	-	1 158 929
Cash equivalent advances to customers	7 183	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	133 594	-	-	217 022
Trading securities	373 264	84 827	-	-
Derivative financial instruments	719 421	-	-	-
Investment securities	-	-	77 749	
Loans and advances to customers	-	212 883	580 436	5 488 932
Loans and advances to customers - Kensington warehouse	-	-	-	2 034 874
Securitised assets	50 328	27 928	-	5 173 212
Interests in associated undertakings	-	-	-	-
Deferred taxation assets	-	-	-	-
Other assets	-	-	-	323 907
Property, plant and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	1 291 440	325 638	658 185	15 011 504
Liabilities				
Deposits by banks	5 104	-	-	-
Deposits by banks - Kensington warehouse funding	-	-	-	-
Derivative financial instruments	256 123	-	-	-
Other trading liabilities	192 987	-	-	-
Repurchase agreements and cash collateral on securities lent	156 382	-	-	-
Customer accounts	125 636	-	-	-
Debt securities in issue	-	-	-	-
Liabilities arising on securitisation	-	-	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	-	-	-	-
Pension fund liabilities	-	-	-	-
	736 232	-	-	-
Subordinated liabilities	-	-	-	-
	736 232			

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Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total
-	-	-	614 628
-	-	-	1 166 579
-	-	-	7 183
-	-	-	350 616
-	-	-	458 091
-	-	-	719 421
1 039 412	-	-	1 117 161
-	-	-	6 282 251
-	-	-	2 034 874
-	-	-	5 251 468
-	-	82 567	82 567
-	-	55 476	55 476
-	-	254 970	578 877
-	-	131 126	131 126
-	-	251 143	251 143
-	-	26 888	26 888
1 039 412	-	802 170	19 128 349
-	3 089 520	-	3 094 624
-	1 778 438	-	1 778 438
-	-	-	256 123
-	-	-	192 987
-	131 203	-	287 585
-	4 873 742	-	4 999 378
-	621 672	-	621 672
-	4 976 656	-	4 976 656
-	-	53 993	53 993
-	-	41 856	41 856
-	309 771	383 156	692 927
-	-		
-	15 781 002	479 005	16 996 239
-	773 159	-	773 159
	16 554 161	479 005	17 769 398

13. Reclassifications of financial instruments

2009

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

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

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

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

£'000	Carrying value as at date of transfer	Carrying value as at 31 March 2009	Fair value as at 31 March 2009
Trading assets reclassified to loans and receivables	112 250	112 402	106 189
Trading assets reclassified to available for sale	7 797	7 797	7 797
Total financial assets reclassified	120 047	120 199	113 986

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

2008

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

14. Fair value hierarchy

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

Level 1 - The use of quoted market prices for identical instruments in an active market;

Level 2 - The use of a valuation technique using observable inputs. This may include:

- using quoted prices for similar instruments; or
- using models where all significant inputs are observable.

Level 3 - Using models where one or more significant inputs are not observable.

At 31 March £'000	Total instruments at fair value	Valuation technique applied Level 1	Level 2	Level 3
2009				
Assets				
Loans and advances to banks	11 520	11 520	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	170 835	-	170 835	-
Trading securities	361 883	275 154	76 914	9 815
Derivative financial instruments	861 292	60 451	712 884	87 957
Investment securities	1 016 763	835 311	155 344	26 108
Loans and advances to customers	229 099	-	4 214	224 885
Securitised assets	77 434	15 239	17 896	44 299
Other assets	174 196	174 196	-	-
	2 903 022	1 371 871	1 138 087	393 064
Liabilities				
Deposits by banks	5 546	5 546	-	-
Derivative financial instruments	434 987	75 085	359 902	-
Other trading liabilities	191 897	191 897	-	-
Repurchase agreements and cash collateral on securities lent	213 365	-	213 365	-
Customer accounts	17 684	-	17 684	-
Other liabilities	142 109	132 252	9 857	-
	1 005 588	404 780	600 808	-
2008				
Assets				
Loans and advances to banks	7 650	7 650	-	-
Cash equivalent advances to customers	7 183	7 183	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	133 594	68 594	65 000	-
Trading securities	458 091	240 290	201 630	16 171
Derivative financial instruments	719 421	-	676 127	43 294
Investment securities	1 039 412	16 146	1 023 266	-
Loans and advances to customers	212 883	-	-	212 883
Securitised assets	78 256	-	-	78 256
	2 656 490	339 863	1 966 023	350 603
Liabilities				
Deposits by banks	5 104	5 104	-	-
Derivative financial instruments	256 123	-	256 123	-
Other trading liabilities	192 987	192 987	-	-
Repurchase agreements and cash collateral on securities lent	156 382	53 382	103 000	-
Customer accounts	125 636	-	125 636	-
	736 232	251 473	484 759	-

15. Fair value of financial instruments

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

At 31 March £'000	2009 Carrying value	2009 Fair value	2008 Carrying value	2008 Fair value
Financial assets				
Cash and balances at central banks	872 435	872 435	614 628	614 628
Loans and advances to banks	1 168 628	1 168 628	1 166 579	1 166 579
Cash equivalent advances to customers	-	-	7 183	7 183
Reverse repurchase agreements and cash collateral on securities borrowed	253 247	253 247	350 616	350 616
Trading securities	361 883	361 883	458 091	458 091
Derivative financial instruments	861 292	861 292	719 421	719 421
Investment securities	1 016 763	1 016 763	1 117 161	1 117 161
Loans and advances to customers	7 146 119	7 105 642	6 282 251	6 201 830
Loans and advances to customers - Kensington warehouse assets	1 897 878	1 897 878	2 034 874	2 034 874
Securitised assets	4 669 749	4 685 898	5 251 468	5 246 463
Other assets	111 600	111 600	323 907	323 907
Financial liabilities				
Deposits by banks	2 971 745	2 962 995	3 094 624	3 104 911
Deposits by banks - Kensington warehouse funding	1 412 961	1 412 961	1 778 438	1 778 438
Derivative financial instruments	434 987	434 987	256 123	256 123
Other trading liabilities	191 897	191 897	192 987	192 987
Repurchase agreements and cash collateral on securities lent	1 048 550	1 048 550	287 585	287 585
Customer accounts	5 235 093	5 233 515	4 999 378	5 007 890
Debt securities in issue	944 619	941 361	621 672	622 636
Liabilities arising on securitisation	4 385 818	4 414 354	4 976 656	4 976 656
Other liabilities	66 366	66 366	309 771	309 771
Subordinated liabilities	778 342	410 209	773 159	629 586

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 whch fair value approximates carrying value

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

Fixed rate financial instruments

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

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

At 31 March Loans and receivables £'000	Carrying value	Fair value adjustment Year to date	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Year to date	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit risk	Carrying value of related credit derivatives or similar instrument	Change in fair value of credit derivative since designation of loan or receivable Year to date	Change in fair value of credit derivative since designation of loan or receivable Cumulative
2009									
Loans and advances to customers	221 302	13 270	11 056			221 302	-	-	-
Securitised assets	77 434	(2 854)	7 188	(5 927)	8 629	77 434	18 267	15 725	18 267
	298 736	10 416	18 244	(5 927)	8 629	298 736	18 267	15 725	18 267
2008									
Loans and advances to customers	212 883	4 767	4 767	-	-	212 883	-	-	-
Securitised assets	27 928	15 063	15 063	-	-	27 928	-	-	-
	240 811	19 830	19 830	-	-	240 811	-	-	-

At 31 March £'000	2009	2008
17. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	169 392	133 594
Cash collateral on securities borrowed	83 855	217 022
	253 247	350 616

As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or pledge. £266 million (2008 : £250 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.

	2009	2008
Liabilities		
Repurchase agreements	1 041 807	267 976
Cash collateral on securities lent	6 743	19 609
	1 048 550	287 585

At 31 March £'000	2009 Fair value	2009 Cumulative unrealised gains/ (losses)	2008 Fair value	2008 Cumulative unrealised gains/ (losses)
18. Trading securities				
Listed equities	25 247	(2 225)	97 288	12 105
Unlisted equities	69 795	(11 816)	32 641	-
Bonds	266 841	(16 366)	328 162	(20 570)
	361 883	(30 407)	458 091	(8 465)

19. Derivative financial instruments

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

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

At 31 March £'000	2009 Notional principal amounts	2009 Positive fair value	2009 Negative fair value	2008 Notional principal amounts	2008 Positive fair value	2008 Negative fair value
Foreign exchange derivatives						
Forward foreign exchange	2 680 939	112 835	(59 343)	3 479 995	78 026	(56 861)
Currency swaps	2 742 281	273 628	(33 133)	2 577 052	243 883	(26 571)
OTC options bought and sold	73 139	2 016	(1 856)	63 473	516	(69)
Other foreign exchange contracts	618 038	18 807	(17 826)	-	-	-
	6 114 397	407 286	(112 158)	6 120 520	322 425	(83 501)
Interest rate derivatives						
Caps and floors	244 194	104	(523)	1 790 063	246	(26)
Swaps	14 337 138	198 658	(188 157)	18 332 097	88 874	(57 249)
Forward rate agreements	200 000	37	(58)	-	-	-
OTC options bought and sold	1 702	27	(27)	5 623	4	-
Other interest rate contracts	2 859 905	2 224	(910)	-	-	-
OTC derivatives	17 642 939	201 050	(189 675)	20 127 783	89 124	(57 275)
Exchange traded futures	28 817 996	844	-	22 359 770	494	(1 027)
Exchange traded options	720 391 308	2 107	(3 384)	594 783 497	13 668	(14 730)
	766 852 243	204 001	(193 059)	637 271 050	103 286	(73 032)
Equity and stock index derivatives						
OTC options bought and sold	356 462	15 881	(39 097)	15 931	3 122	(1 126)
Equity swaps and forwards	-	165	(134)	76 770	717	(1 070)
OTC derivatives	356 462	16 046	(39 231)	92 701	3 839	(2 196)
Exchange traded futures	13	-	-	35 463	-	(535)
Exchange traded options	141 767	11 060	(22 402)	97 923	6 917	(6 758)
Warrants	-	819	-	35 227	8 912	-
	498 242	27 925	(61 633)	261 314	19 668	(9 489)
Commodity derivatives						
OTC options bought and sold	229 529	4 955	(18 274)	423 191	29 650	(13 035)
Commodity swaps and forwards	3 028 662	398 236	(447 438)	2 347 049	278 474	(175 145)
OTC derivatives	3 258 191	403 191	(465 712)	2 770 240	308 124	(188 181)
Exchange traded futures	2 071 590	294 340	(170 617)	1 519 836	172 769	(146 229)
Exchange traded options	35 544	9 110	(1 138)	271 205	21 285	(27 552)
	5 365 325	706 641	(637 467)	4 561 281	502 178	(361 962)
Credit derivatives						
Credit linked notes bought and sold				-		
Credit swaps bought and sold	78 614	26 232	(4 107)	79 835	8 645	(6 209)
	78 614	26 232	(4 107)	79 835	8 645	(6 209)
Embedded derivatives*		62 644	-		41 289	-
Gross fair values		1 434 729	(1 008 424)		997 491	(534 193)
Effect of on balance sheet netting		(573 437)	573 437		(278 070)	278 070
Derivatives per balance sheet		861 292	(434 987)		719 421	(256 123)

* Mainly includes profit shares received as part of lending transactions

At 31 March £'000	2009	2008
20. Investment securities		
Listed equities	6 627	16 146
Unlisted equities	43 873	44 044
Commercial paper	344 853	649 801
Floating rate notes	488 618	405 387
Bonds	132 627	1 610
Other investments	165	173
	1 016 763	1 117 161
21. Loans and advances to customers		
Loans and advances to customers	7 146 119	6 282 251
Loans and advances to customers - Kensington warehouse assets	1 897 878	2 034 874
Specific and portfolio impairments included above	154 042	52 163
Gross loans and advances to customers	9 198 039	8 369 288
Less: warehouse facilities and warehouse assets arising from securitisation and principal finance activities*	(2 176 980)	(2 103 853)
Less: intergroup loans	(1 265)	(2 414)
Own originated securitised assets (refer to note 22)	442 597	346 084
Gross core loans and advances to customers	7 462 391	6 609 105

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

Specific and portfolio impairments

Reconciliation of movements in group specific and portfolio impairments:

	2009	2008
Loans and advances to customers		
Specific impairment		
Balance at beginning of year	28 053	16 229
Charge to the income statement	109 635	27 157
Utilised	(49 780)	(17 023)
Exchange adjustment	2 006	1 690
Balance at end of year	89 914	28 053
Portfolio impairment		
Balance at beginning of year	2 236	1 540
Charge to the income statement	700	676
Utilised	–	–
Exchange adjustment	96	20
Balance at end of year	3 032	2 236
Kensington warehouse loans		
Specific impairment		
Balance at beginning of year	21 874	-
Charge to the income statement	8 100	21 874
Utilised	(3 327)	-
Exchange adjustment	-	-
Balance at end of year	26 647	21 874
Portfolio impairment		
Balance at beginning of year	-	-
Charge to the income statement	34 449	-
Utilised	-	-
Exchange adjustment	-	-
Balance at end of year	34 449	-
Total specific impairments	116 561	49 927
Total portfolio impairments	37 481	2 236
Total impairments	154 042	52 163
Interest income recognised on loans that have been impaired	15 789	5 278

Notes to the financial statements

At 31 March £'000	2009	2008
21. Loans and advances to customers (continued)		
Amounts charged to income statement:		
Loans and advances	110 335	27 833
Specific impairment charged to income statement	109 635	27 157
Portfolio impairment charged to income statement	700	676
Securitised assets	51 837	33 635
Specific impairment charged to income statement	24 138	33 635
Portfolio impairment charged to income statement	27 699	-
Kensington	42 549	21 874
Specific impairment charged to income statement	8 100	21 874
Portfolio impairment charged to income statement	34 449	-
Bad debts written off directly to the income statement	-	-
Total income statement charge	204 721	83 342
22. Securitised assets		
Securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	567 449	4 742 944
Loans and advances to customers	4 092 067	464 034
Other financial instruments at fair value	77 435	78 256
	4 736 951	5 285 234
Total impairment of securitised assets	(67 202)	(33 766)
Total securitised assets	4 669 749	5 251 468
Analysis of securitised assets by risk exposure		
Gross core loans and advances to customers	442 597	346 084
Securitisation exposures arising from securitisation/principal finance activities	284 364	250 811
Total credit and counterparty exposure	726 961	596 895
Loans and advances to customers with no credit exposure	3 942 788	4 654 573
Gross loans and advances deemed to have no credit exposure	4 009 990	4 688 339
Impairment of loans and advances to customers	(67 202)	(33 766)
Total securitised assets	4 669 749	5 251 468
Analysis of impairments		
Reconciliation of movements in group specific and portfolio impairments of loans and advances that have been securitised:		
Specific impairment		
Balance at beginning of year	33 766	-
Charge to the income statement	24 138	33 635
Acquired	-	-
Utilised	(18 341)	-
Exchange adjustment	(60)	131
Balance at end of year	39 503	33 766
Portfolio impairment		
Balance at beginning of year	-	-
Charge to the income statement	27 699	-
Utilised	-	-
Exchange adjustment	-	-
Balance at end of year	27 699	-
Total impairments	67 202	33 766
The associated liabilities are recorded on balance sheet in "liabilities arising on securitisation".		
Carrying value at year end	4 385 818	4 976 656

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At 31 March £'000	2009	2008
23. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	27 332	18 363
Goodwill	63 673	64 204
Investment in associated undertakings	91 005	82 567
Analysis of the movement in our share of net assets:		
At beginning of year	18 363	6 117
Exchange adjustments	533	134
Acquisitions	1 224	1 676
Disposal of shareholding in associate company	-	(113)
Operating income from associates	12 443	12 150
Dividends received	(5 349)	(5 065)
Gains recognised in equity	118	3 464
At end of year	27 332	18 363
Analysis of the movement in goodwill:		
At beginning of year	64 204	64 204
Exchange adjustments	833	-
Acquisitions	-	-
Adjustment in shareholding	-	-
Goodwill impairment	(1 364)	-
At end of year	63 673	64 204
Associated undertakings:		
Listed	72 426	65 651
Unlisted	18 579	16 916
	91 005	82 567
Market value of listed investments	82 628	108 449
The most significant investment held in associates in the year was Rensburg Sheppards plc ("RS"). RS is listed company on the London Stock Exchange and conducts the business of private client stockbroking.		
At 31 March 2009 Rensburg Sheppards plc had the following shares of 10 90/91p:	43 883 500	43 883 500
Less: Shares held in RS Employee Share Ownership Trust	(210 350)	(229 600)
	43 673 150	43 653 900
Holding in Rensburg Sheppards plc ordinary share (%)	47.30%	47.32%

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

Significant transactions between the group and RS during the year ended 31 March 2009, all of which are on arm's length basis are:

- £39.375 million (2008: £50.0 million) subordinated loan from Investec Bank plc to RS. This loan, which was originally £60 million from Investec 1 Limited to RS was entered into on 6 May 2005 and formed part of the consideration paid by RS for the acquisition of Carr Sheppards Crosthwaite Limited. On 28 September 2007 the remaining balance was transferred to Investec Bank plc. Since the balance sheet date a further £5.625 million was repaid on schedule on 6 May 2009. The interest receivable on the loan during the year amounted to £2 896 000 (2008: £3 716 000) of which £1 127 000 was receivable at 31 March 2009 (2008: £1 447 000).
- Rent of £1.4 million (2008: £1.1 million) and a contribution of £0.2 million (2008: £0.2 million) in respect of RS' occupation of 2 Gresham Street. A further £0.5 million (2008: £0.7 million) was received in relation to other services provided including IT and Internal Audit.

Rensburg Sheppards plc	Assets	Liabilities	Revenue	Adjusted profit before taxation*
31 March 2009	390 163	192 480	118 874	36 605
31 March 2008	386 585	200 470	132 928	41 469

* Before amortisation of client relationships intangible asset, share based payments relating to the Employee Benefit Trust and profit on disposal of available for sale investments

At 31 March £'000	2009	2008
24. Deferred taxation		
Deferred taxation asset		
Deferred capital allowances	50 299	28 813
Income and expenditure accruals	11 175	9 573
Arising from unexpired share options	8 268	5 710
Asset in respect of pensions liability	-	-
Unrealised fair value adjustments on financial instruments	9 473	117
Losses carried forward	13 741	-
Other temporary differences	6 345	11 263
	99 301	55 476
Deferred taxation liability		
Deferred capital allowances	4	6 915
Income and expenditure accruals	3 562	6 830
Unrealised fair value adjustments on financial instruments	-	2 374
Arising on anticipated foreign dividends	7 315	7 027
Liability in respect of pensions surplus	12	3 793
Other temporary differences	39 129	8 331
Arising on adoption of IFRS	-	6 586
	50 022	41 856
Net deferred taxation asset	49 279	13 620
Reconciliation of net deferred taxation asset:		
At beginning of year	13 620	18 739
Current year profit and loss charge	12 095	9 077
Charge to profit and loss (excluding change in rate)	12 095	11 042
Change in rate (through profit and loss)	-	(1 965)
(Charge)/credit directly in equity	21 112	(9 304)
Deferred tax arising on pension fund surplus movement in equity	-	(2 977)
Arising on acquisitions	-	4 789
Transfer (to)/from corporation tax	2 368	(7 026)
Arising on disposals	-	-
Exchange adjustments	(452)	322
Other	536	-
At year end	49 279	13 620
Deferred tax on available for sale instruments recognised directly in equity	1 141	2 591
Deferred tax on unexpired share options recognised directly in equity	-	-
Current tax recognised directly in equity	-	6 202
25. Other assets		
Settlement debtors	341 156	336 308
Operating leased assets in stock	-	10 671
Dealing properties	7 499	4 131
Accruals and prepayments	39 998	37 338
Pension assets	10 326	18 256
Other debtors	147 303	172 173
	546 282	578 877

Notes to the financial statements

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Total
26. Property and equipment					
2009					
Cost					
At beginning of year	8 641	31 185	11 476	122 420	173 722
Exchange adjustments	3 078	1 355	1 416	42 836	48 685
Reclassifications	-	-	(2 984)	4 238	1 254
Additions	460	5 308	2 427	4 032	12 227
Disposals	(955)	(11)	(95)	(6 329)	(7 390)
At end of year	11 224	37 837	12 240	167 197	228 498
Accumulated depreciation					
At beginning of year	(26)	(11 914)	(8 986)	(21 670)	(42 596)
Exchange adjustments	-	(800)	(71)	(9 035)	(9 906)
Reclassifications	-	-	2 975	(4 230)	(1 255)
Disposals	26	11	66	1 102	1 205
Depreciation	-	(2 562)	(1 304)	(11 529)	(15 395)
Impairment losses	-	-			-
At end of year	-	(15 265)	(7 320)	(45 362)	(67 947)
Net book value	11 224	22 572	4 920	121 835	160 551
2008					
Cost					
At beginning of year	5 552	23 224	7 656	117 932	154 364
Exchange adjustments	27	527	249	(1 354)	(551)
Acquisition of subsidiary undertakings	-	117	1 343	1 872	3 332
Reclassifications	-	(200)	-	(973)	(1 173)
Additions	3 062	7 533	2 262	6 131	18 988
Disposals	-	(16)	(34)	(1 188)	(1 238)
At end of year	8 641	31 185	11 476	122 420	173 722
Accumulated depreciation					
At beginning of year	(13)	(9 944)	(6 718)	(14 947)	(31 622)
Exchange adjustments	-	(178)	(181)	(160)	(519)
Reclassifications	-	-	-	1 173	1 173
Disposals	-	11	23	574	608
Depreciation	(13)	(1 803)	(2 110)	(8 310)	(12 236)
Impairment losses	-	-	-		-
At end of year	(26)	(11 914)	(8 986)	(21 670)	(42 596)
Net book value	8 615	19 271	2 490	100 750	131 126

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Notes to the financial statements

At 31 March £'000	2009	2008
27. Goodwill		
Cost		
At beginning of year	326 955	184 207
Acquisition of subsidiaries	-	138 550
Goodwill arising on acquisition of shares held by minority	-	740
Reclassifications	(1 459)	(1 148)
Exchange adjustments	13 082	4 606
At end of year	338 578	326 955
Accumulated impairments		
At beginning of year	(75 812)	(15 244)
Income statement amount	(28 901)	(59 900)
Exchange adjustments	(494)	(668)
At end of year	(105 207)	(75 812)
Net book value	233 371	251 143
Analysis of goodwill by line of business and geography		
UK and Europe	200 208	215 068
Private Banking	18 596	18 004
Capital Markets	74 890	76 143
Investment Banking	18 677	32 876
Asset Management	88 045	88 045
Australia	33 163	36 075
Private Banking	19 483	18 536
Investment Banking	13 680	17 539
Total group	233 371	251 143

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

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

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

The two most significant cash generating units giving rise to goodwill are Investec Asset Management and Kensington.

For Investec Asset Management, the recoverability of goodwill of £88 045 000 has been tested with reference to both the underlying profitability (taking into account 2009 profits before taxation of £17.1 million and budgets and plans for the next three years) and the value of the business as represented by funds under management of £13.1 billion (2008 : £13.8 billion). Although both profitability and total funds under management declined during the year reflecting the tougher environment and weak equity markets, the value of goodwill is comfortably supported.

Goodwill of £121 066 000 arising on the acquisition of Kensington on 8 August 2007 was written down by £59 900 000 at 31 March 2008 to £61 166 000 following the managed reduction in business volumes and limited activity in securitisation markets. At 31 March 2009, the remaining goodwill has been tested for impairment on the basis of the existing book, assuming no new mortgage origination and no recovery in securitisation markets. Cash flows have been projected for a 5 year period using the latest available information on debts and expected repayments discounted at 11%. On this basis the value of goodwill is supported.

Movement in goodwill

2009

The impairment of £28.9 million was mainly attributable to impairments in the Private Equity division. Following adverse movements in commodity prices which have squeezed margins, Global Ethanol Holdings Limited, in which the group has a 68.3% interest, impaired all of the £26.5 million of goodwill mainly relating to its 60% owned subsidiary Global Ethanol LLC. There were no acquisitions during the year giving rise to goodwill.

2008

Goodwill arising on acquisition includes £121 066 000 on the acquisition of Kensington Group plc on 8 August 2007 and £17 484 000 in respect of the acquisition of Experien Pty Limited on 1 October 2007 (see note 29).

At 31 March £'000	Acquired software	Core technology	Intellectual property	Total
28. Intangible assets				
2009				
Cost				
At beginning of year	24 569	11 463	3 111	39 143
Exchange adjustments	417	4 483	1 163	6 063
Reclassifications	2 524	-	(532)	1 992
Additions	4 462	-	14 688	19 150
Disposals	(3 355)	(9 067)	(2 518)	(14 940)
At end of year	28 617	6 879	15 912	51 408
Accumulated amortisation and impairments				
At beginning of year	(11 711)	(426)	(118)	(12 255)
Exchange adjustments	113	(167)	(383)	(437)
Reclassifications	(2 040)	-	(1 785)	(3 825)
Disposals	133	-	1 509	1 642
Amortisation	(7 767)	(161)	(722)	(8 650)
At end of year	(21 272)	(754)	(1 499)	(23 525)
Net book value	7 345	6 125	14 413	27 883
2008				
Cost				
At beginning of year	13 614	5 109	5 688	24 411
Exchange adjustments	440	(94)	(105)	241
Reclassifications	-	4 256	(3 709)	547
Acquisition of subsidiary	3 062	-	1 237	4 299
Additions	7 623	2 192	-	9 815
Disposals	(170)	-	-	(170)
At end of year	24 569	11 463	3 111	39 143
Accumulated amortisation and impairments				
At beginning of year	(6 101)	(222)	(238)	(6 561)
Exchange adjustments	(471)	5	6	(460)
Reclassifications	-	221	380	601
Disposals	168	-	-	168
Amortisation	(5 307)	(430)	(266)	(6 003)
At end of year	(11 711)	(426)	(118)	(12 255)
Net book value	12 858	11 037	2 993	26 888

29. Acquisitions and disposals

2009

There were no material acquisitions or disposals.

2008

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

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

The assets and liabilities at the date of acquisition, goodwill arising on the transaction and total consideration paid are disclosed in the table below:

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

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

Profit before taxation for the period 1 October 2007 to 31 March 2008 included within the group's consolidated financial results was £427 000.

The total cost of the combination was $31 679 609 and comprised of the payment of cash and costs directly attributable to the combination.

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

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

29. Acquisitions and disposals (continued)

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

£'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	14 360	-	14 360
Loans and advances to customers	32 888	-	32 888
Securitised assets	270 645	(2 141)	268 504
Deferred taxation assets	749	3 486	4 235
Other assets	2 106	-	2 106
Property and equipment	232	-	232
Intangible assets	-	199	199
Total assets	320 980	1 544	322 524
Liabilities arising on securitisation	280 163	-	280 163
Other liabilities	42 436	-	42 436
Deferred tax liabilities	3 646	-	3 646
Total liabilities and minorities	326 245	-	326 245
Fair value of net assets	(5 265)	1 544	(3 721)
Goodwill			17 484
Fair value of consideration			13 763
In summary - total value of cash consideration			32 419

At 31 March £'000	2009	2008
30. Other trading liabilities		
Short positions		
- Equities	6 399	59 635
- Gilts	185 498	133 352
	191 897	192 987
31. Debt securities in issue		
Bonds and medium term notes repayable:		
Up to one year	-	54 182
Greater than one year but less than five years	17 472	12 576
Greater than five years	-	-
	17 472	66 758
Other unlisted debt securities in issue repayable:		
Not more than three months	328 231	249 742
Over three months but not more than one year	52 820	153 706
Over one year but not more than five years	540 699	151 466
Greater than five years	5 397	-
	927 147	554 914
	944 619	621 672
32. Other liabilities		
Settlement liabilities	241 155	411 442
Other creditors and accruals	123 662	173 346
Other non interest bearing liabilities	72 759	108 139
	437 576	692 927

Notes to the financial statements

At 31 March £'000	2009	2008
33. Pension commitments		
Income statement charge		
Defined benefit obligations net income included in net interest income	(169)	(853)
Cost of defined contribution schemes included in administrative expenses	12 679	10 207
Net income statement charge in respect of pensions	12 510	9 354

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes, with the exception of two schemes in the United Kingdom being, the Guinness Mahon Pension Fund Scheme ("GM Scheme") and the Investec Asset Management Pension scheme ("IAM Scheme"). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2009 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions, in relation to the defined contribution schemes, outstanding at the year end.

	2009	2008
The assumptions used were:		
- Discount rate	6.80%	6.70%
- Rate of increase in salaries	3.30%	3.50%
- Rate of increase in pensions in payment	3.20%	3.30%
- Inflation	3.30%	3.50%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables with allowance for future improvements in line with the medium cohort projection, subject to a 1% underpin. The life expectancies underlying the valuation are as follows:

	2009	2008
- Male aged 65	87.6	87.5
- Female aged 65	90.9	90.8
- Male aged 45	89.6	89.5
- Female aged 45	93.0	92.9

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

	Valued at 2009 £'000	Long-term rate of return expected	Valued at 2008 £'000	Long-term rate of return expected
GM Scheme				
Equities	26 660	8.00%	34 720	7.50%
Gilts	60 696	4.20%	60 121	4.50%
Cash	2 556	4.20%	3 109	5.25%
Total market value of assets	89 912		97 950	
IAM Scheme				
Equities	5 377	8.00%	6 486	7.50%
Gilts	1 764	4.20%	2 947	4.50%
Cash	554	4.20%	336	5.25%
Total market value of assets	7 695		9 769	

33. Pension commitments (continued)

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

£'000	2009 GM	2009 IAM	2009 Total	2008 GM	2008 IAM	2008 Total
Recognised in the balance sheet:						
Fair value of fund assets	89 912	7 695	97 607	97 950	9 769	107 719
Present value of obligations	(79 586)	(8 907)	(88 493)	(80 319)	(9 144)	(89 463)
Net asset/(liability)	10 326	(1 212)	9 114	17 631	625	18 256
Amounts in balance sheet:						
Assets	10 326	-	10 326	17 631	625	18 256
Liability	-	(1 212)	(1 212)	-	-	-
Net asset/(liability)	10 326	(1 212)	9 114	17 631	625	18 256
Recognised in the income statement:						
Past service cost	-	-	-	-	-	-
Expected return on pension scheme assets	5 455	606	6 061	5 582	682	6 264
Interest on pension obligations	(5 244)	(648)	(5 892)	(4 814)	(597)	(5 411)
Net return	211	(42)	169	768	85	853
Recognised in the statement of recognised income and expense:						
Actuarial (losses)/gains on plan assets	(12 838)	(2 953)	(15 791)	(2 410)	(950)	(3 360)
Actuarial gains/(losses)	1 770	518	2 288	11 543	2 399	13 942
Actuarial (loss)/gain	(11 068)	(2 435)	(13 503)	9 133	1 449	10 582
Deferred tax	3 099	682	3 781	(2 557)	(406)	(2 963)
Actuarial (loss)/gain in statement of recognised income and expense	(7 969)	(1 753)	(9 722)	6 576	1 043	7 619
Actual (deficit) / return on plan assets	(7 383)	(2 305)	(9 688)	3 172	(268)	2 904

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expense is £16 million (£11.3 million net of deferred tax) [2008: £2.5 million (£1.6 million net of deferred tax)].

At 31 March £'000	GM	IAM	Total
Charges in fair value of defined benefit obligations			
Defined benefit obligation at 31 March 2007	91 178	11 155	102 333
Interest cost	4 814	597	5 411
Actuarial gains	(11 543)	(2 399)	(13 942)
Benefits paid	(4 130)	(209)	(4 339)
Opening defined benefit obligation at 31 March 2008	80 319	9 144	89 463
Interest cost	5 244	606	5 850
Actuarial gains	(1 770)	(518)	(2 288)
Benefits paid	(4 207)	(325)	(4 532)
Closing defined benefit obligation at 31 March 2009	79 586	8 907	88 493
Changes in the fair value of plan assets			
Assets at 31 March 2007	95 356	9 688	105 044
Expected return	5 582	682	6 264
Actuarial losses	(2 410)	(950)	(3 360)
Contributions by the employer	3 552	558	4 110
Benefits paid	(4 130)	(209)	(4 339)
Opening defined benefit obligation at 31 March 2008	97 950	9 769	107 719
Expected return	5 455	648	6 103
Actuarial losses	(12 838)	(2 953)	(15 791)
Contributions by the employer	3 552	556	4 108
Benefits paid	(4 207)	(325)	(4 532)
Closing fair value of plan assets at 31 March 2009	89 912	7 695	97 607

The group expects to make £4.1 million of contributions to the defined benefit schemes in 2010.

At 31 March £'000	2009	2008	2007	2006	2005
33. Pension commitments (continued)					
History of gains and losses					
GM Scheme					
Defined benefit obligation	(79 586)	(80 319)	(91 178)	(89 927)	(82 871)
Plan assets	89 912	97 950	95 356	93 175	74 447
Surplus/(deficit)	10 326	17 631	4 178	3 248	(8 424)
Experience adjustments on plan liabilities	1 770	11 543	(165)	(5 765)	1 731
Experience adjustments on plan assets	(12 838)	(2 410)	(3 315)	8 125	1 905
IAM Scheme					
Defined benefit obligation	(8 907)	(9 144)	(11 155)	(11 019)	(9 857)
Plan assets	7 695	9 769	9 688	9 006	7 290
Surplus/(deficit)	(1 212)	625	(1 467)	(2 013)	(2 567)
Experience adjustments on plan liabilities	518	2 399	206	(630)	(442)
Experience adjustments on plan assets	(2 953)	(950)	(254)	1 177	192

At 31 March £'000	2009	2008
34. Subordinated liabilities		
Issued by Investec Finance plc		
Guaranteed subordinated step-up notes	212 063	200 865
Guaranteed undated subordinated callable step-up notes	391 195	356 728
Issued by Investec Bank plc		
Zero coupon bonds	10 241	18 087
Issued by Investec Bank (Australia) Limited		
Guaranteed subordinated medium term notes	48 887	45 748
Issued by Global Ethanol Holdings Limited		
Subordinated loan notes	25 910	24 501
Issued by Kensington Group plc		
Callable subordinated notes	90 046	127 230
	778 342	773 159
Remaining maturity:		
In one year or less, or on demand	10 241	8 501
In more than one year, but not more than two years	260 950	9 586
In more than two years, but not more than five years	25 910	271 114
In more than five years	481 241	483 958
	778 342	773 159

Guaranteed subordinated step-up notes

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

Guaranteed undated subordinated callable step-up notes

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

34. Subordinated liabilities (continued)

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

Guaranteed subordinated medium term notes

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

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

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

Zero coupon bonds

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

Subordinated loan notes

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

Callable subordinated notes

On 21 November 2005 Kensington Group plc issued £75 000 000 of 9% callable subordinated notes due 2015. Interest is payable at the rate of 9%, annually in arrears, up to but excluding 21 December 2010. From and including 21 December 2010, interest on the notes is payable at the Reset Rate annually in arrears. The issuer may, at its option, redeem all but not some only, of the notes on 21 December 2010, at par. Also, the issuer may, at its option, redeem all, but not some only of the notes at any time at par plus accrued interest, in the event of certain tax changes. The notes mature on 21 December 2015. On 31 August 2006 Kensington Group plc issued £50 000 000 of 9% callable subordinated notes due 2015 (to be consolidated and form a single series, and to be fungible, with the £75 000 000 9.00 per cent callable subordinated notes due 2015 issued on 21 November 2005).

A total of £36 878 000 of the notes representing approximately 29.5 per cent of the total issued principal amount, were cancelled on 29 March 2009.

At 31 March	2009	2008
35. Called up share capital		
Authorised		
The authorised share capital of Investec plc is £182 000 (2008: £177 500) comprising: 560 000 000 (2008: 560 000 000) ordinary shares of £0.0002 each, 300 000 000 (2008: 277 500 000) special converting shares of £0.0002 each, 1 (2008: 1) special voting share of £0.001 each, 1 (2008:1) UK DAN share of £0.001 and 1 (2008: 1) UK DAS share of £0.001,1 000 000 (2008: 1 000 000) non-cumulative perpetual preference shares of €0.01		
During the year the authorised share capital was increased by £4 500 by the creation of 22 500 000 special converting shares of £0.0002 each.		
Issued, alloted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	423 319 499	381 613 207
Issued during the year	21 617 739	41 706 292
At end of year	444 937 238	423 319 499
Nominal value of ordinary shares	£'000	£'000
At beginning of year	84	76
Issued during the year	5	8
At end of year	89	84
Number of special converting shares	Number	Number
At beginning of year	234 311 314	227 671 420
Issued during the year	34 023 943	6 639 894
At end of year	268 335 257	234 311 314
Nominal value of special converting shares	£'000	£'000
At beginning of year	46	46
Issued during the year	7	1
At end of year	53	47
Number of UK DAN shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAN share	£'000	£'000
At beginning and end of year	*	*
Number of UK DAS shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAS share	£'000	£'000
At beginning and end of year	*	*
Number of special voting shares	Number	Number
At beginning and end of year	1	1
Nominal value of special voting share	£'000	£'000
At beginning and end of year	*	*

* Less than £1 000

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

At 31 March	2009	2008
35. Called up share capital (continued)		

Staff share scheme

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

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

	2009	2008
	Number	Number
Outstanding at 1 April	28 304 271	29 029 906
Issued during the year	6 251 281	7 290 269
Exercised	(2 592 134)	(5 790 043)
Lapsed	(1 075 426)	(2 075 861)
Outstanding at 31 March	30 887 992	28 304 271

The purpose of the staff share scheme is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

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

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

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

At 31 March £'000	2009	2008
36. Perpetual preference capital		
Authorised		
100 000 000 (2008: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01each.		
Issued by Investec plc		
9 381 149 (2008: 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.	94	94
5 700 000 (2008: 5 700 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share.	57	57
Preference shareholders will receive an annual dividend if declared, based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value, on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared.		
If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	151	151
Share premium	129 407	129 407
	129 558	129 558

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At 31 March	2009	2008
37. Treasury shares		
Treasury shares held by subsidiaries of Investec plc	£'000	£'000
Investec plc ordinary shares	33 585	10 592
Options held to acquire Investec plc and Investec Limited shares	5 707	5 919
	39 292	16 511
	Number	Number
Investec plc ordinary shares held by subsidiaries	12 517 583	2 826 052
Investec plc and Investec Limited shares held by subsidiaries	12 517 583	2 826 052
Reconciliation of treasury shares:	Number	Number
At beginning of year	2 826 052	3 442 045
Purchase of own shares by subsidiary companies	12 280 739	5 193 626
Shares disposed of by subsidiaries	(2 589 208)	(5 809 619)
At end of year	12 517 583	2 826 052
Market value of treasury shares:	£'000	£'000
Investec plc	36 551	9 552
	36 551	9 552

At 31 March	2009	2008
38. Minority interests	£'000	£'000
Minority interest in partially held subsidiares	18 978	49 345
Perpetual preferred securities issued by subsidiaries	185 251	159 420
	204 229	208 765
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries		
€200 000 000 (2008: €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities ("preferred securities") were issued by Investec Tier 1 (UK) LP, a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities, which are guaranteed by Investec plc, are callable at the option of the issuer, subject to the approval of the Financial Services Authority, on the tenth anniversary of the issue and, if not called, are subject to a step up in coupon of one and a half times the initial credit spread above the three month euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the preferred securities will be at 7.075 per cent. The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company.	185 251	159 420
Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.		
	185 251	159 420

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

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

At 31 March £'000	2009	2008
40. Cash flow reconciliations		
Reconciliation of operating profit to net operating cash flows		
Operating profit after taxation	66 054	137 801
Adjustment for non cash items included in operating profit:		
Goodwill income statement amount	30 265	59 900
Depreciation and impairment of property, equipment and intangibles	24 045	18 239
Impairment of loans and advances	204 721	83 342
Operating income from associates	(12 443)	(12 150)
Dividends received from associates	5 349	5 065
Share based payment charges	23 376	19 682
Reconciliation of operating profit to net operating cash flows	341 367	311 879
41. Commitments		
Undrawn facilities	528 980	1 110 748
Other commitments	34 131	-
	563 111	1 110 748
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.		
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	20 676	22 236
1-5 years	51 989	61 611
Later than 5 years	31 939	41 435
	104 604	125 282
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.		
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	8 373	2 044
1-5 years	16 684	3 129
Later than 5 years	958	92
	26 015	5 265

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

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

The majority of the leases have renewal options.

Notes to the financial statements

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

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. In addition, the group has borrowed securities from market counterparties and pledged cash or other securities as collateral. To the extent that the collateral is in cash then this is classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed. See note 17.

At 31 March £'000	2009	2008
42. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
- Guarantees and irrevocable letters of credit	71 865	96 989
- Assets pledged as collateral security	-	364
- Other contingent liabilities	-	29
	71 865	97 382

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

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

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

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

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

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

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

Legal proceedings

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

At 31 March £'000	
43. Related party transactions	
Compensation to the board of directors is disclosed in the combined accounts of Investec plc and Investec Limited.	
Transactions, arrangements and agreements involving directors and others	
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:	
Directors, key management and connected persons and companies controlled by them	
Loans	
Balance at 1 April 2008	22 792
Increase in loans	4 797
Repayment of loans	(7 681)
Balance at 31 March 2009	19 908
Guarantees	
Guarantees in issue at 1 April 2008	592
Additional guarantees granted	1 429
Guarantees cancelled	(28)
Guarantees in issue at 31 March 2009	1 993
Deposits	
Balance at 1 April 2008	(22 742)
Increase in deposits	(14 045)
Decrease in deposits	5 601
Balance at 31 March 2009	(31 186)

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 £'000	Investec Limited and subsidiaries	Associates	Total
43. Related party transactions (continued)			
Transactions with other related parties			
2009			
Assets			
Loans and advances to banks	48 098	-	48 098
Loans and advances to customers	1 265	52 794	54 059
Derivative financial instruments	14 737	-	14 737
Liabilities			
Deposits from banks	(86 302)	-	(86 302)
Repurchase agreements and cash collateral on securities lent	(301 373)	-	(301 373)
Customer accounts	(8 322)	-	(8 322)
Derivative financial instruments	(12 527)	-	(12 527)
Subordinated liabilities	(12 091)	-	(12 091)
2008			
Assets			
Loans and advances to banks	37 031	-	37 031
Loans and advances to customers	2 414	58 091	60 505
Derivative financial instruments	12 178	-	12 178
Liabilities			
Deposits from banks	(188 670)	-	(188 670)
Repurchase agreements and cash collateral on securities lent	-	-	-
Customer accounts	(8 614)	-	(8 614)
Derivative financial instruments	(7 582)	-	(7 582)
Subordinated liabilities	(11 434)	-	(11 434)

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

During the year to March 2009, interest of £8.3 million was paid to entities in the Investec Limited group. Interest of £1.5 million was received from Investec Limited group. In the ordinary 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 to Investec Limited of £2.7 million. Specific transactions of an advisory nature between group entities have resulted in a net fee payment to Investec Limited of £0.5 million.

Transactions between the group and Rensburg Sheppards Plc ("RS") are disclosed in note 23, interests in associated undertakings.

44. Hedges

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

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

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

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged items	Current year gains or (losses) on hedged items
44. Hedges (continued)						
2009						
Assets	Interest rate swap	(69 034)	(91 657)	(45 552)	81 934	59 876
	Cross currency swap	459 054	552 854	222 127	(552 854)	(222 127)
Liabilities	Cross currency swap	9 681	13 980	11 423	(13 033)	(10 429)
	Interest rate swap	6 080	6 080	4 056	(5 372)	(3 310)
	Calendar Swap	1 757	1 757	1 757	(1 757)	(1 757)
		407 538	483 014	193 811	(491 082)	(177 747)
2008						
Assets	Interest rate swap	(22 495)	(62 425)	(66 075)	61 285	64 885
	Cross currency swap	236 928	330 728	330 728	(330 728)	(330 728)
Liabilities	Interest rate swap	1 914	(2 502)	1 026	2 622	(1 307)
	Cross currency swap	24 541	24 696	24 348	(24 696)	(24 348)
		240 888	290 497	290 027	(291 517)	(291 498)

Cash flow hedges

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

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur	Ineffective portion recognised in principal transactions
2009				
Assets	Interest rate swap	297	1 to 5 years	-
	USD and EUR floating rate debt	22 795	3 months	-
Liabilities	Interest rate swap	(21 192)	1 to 5 years	-
	Var. interest on notes Basis rate swap	(425)	3 months	-
		1 474		-

Hedges of net investments in foreign operations

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

At 31 March £'000	Hedging instrument negative fair value	Ineffective portion recognised in principal transactions
2009	7 033	
2008	18 014	-

At 31 March £'000	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
45. Liquidity analysis of financial liabilities based on undiscounted cash flows								
Group								
2009								
Liabilities								
Deposits by banks	491 230	602 365	191 511	277 654	869 812	561 901	14 904	3 009 377
Deposits by banks - Kensington warehouse funding	7 966	18 485	33 010	48 910	237 112	987 431	352 863	1 685 777
Derivative financial instruments - held for trading	142 476	-	-	-	-	-	-	142 476
Derivative financial instruments - held as hedges	197 374	-	61	21 216	213	10 959	63 324	293 147
Repurchase agreements and cash collateral on securities lent	747 177	100 957	202 224	-	-	-	-	1 050 358
Customer accounts	1 045 131	881 703	1 899 841	904 614	313 927	180 492	68 584	5 294 292
Debt securities in issue	-	89 028	241 939	24 420	47 480	624 315	7 031	1 034 213
Liabilities arising on securitisation	441	15 661	258 138	240 526	606 753	2 806 094	1 004 953	4 932 566
Other liabilities	452 776	56 445	82 857	83 049	9 244	7 751	826	692 948
	3 084 571	1 764 644	2 909 581	1 600 389	2 084 541	5 178 943	1 512 485	18 135 154
Subordinated liabilities (including convertible debt)	-	-	753	11 308	80 075	355 875	559 769	1 007 780
Total on balance sheet liabilities	3 084 571	1 764 644	2 910 334	1 611 697	2 164 616	5 534 818	2 072 254	19 142 934
Contingent liabilities	281 903	4 149	24 962	27 839	90 421	170 303	44 599	644 176
Total liabilities	3 366 474	1 768 793	2 935 296	1 639 536	2 255 037	5 705 121	2 116 853	19 787 110
2008								
Liabilities								
Deposits by banks	278 748	305 285	97 272	600 837	643 613	1 273 436	13 099	3 212 290
Deposits by banks - Kensington warehouse funding	-	-	-	-	-	1 778 438	-	1 778 438
Derivative financial instruments	149 591	29 094	6 451	10 308	4 749	9 041	22 558	231 792
Repurchase agreements and cash collateral on securities lent	175 991	32	111 626	-	-	-	-	287 649
Customer accounts	1 231 031	805 884	2 361 170	218 025	206 489	429 172	50 486	5 302 257
Debt securities in issue	-	132 484	159 364	94 508	76 429	215 090	-	677 875
Liabilities arising on securitisation	2 081	47 976	301 504	313 127	709 641	3 912 152	1 258 579	6 545 060
Other liabilities	471 833	221 158	103 399	39 483	72 126	14 872	831	923 702
	2 309 275	1 541 913	3 140 786	1 276 288	1 713 047	7 632 201	1 345 553	18 959 063
Subordinated liabilities (including convertible debt)	-	-	850	11 731	38 456	343 802	655 258	1 050 097
								-
On balance sheet liabilities	2 309 275	1 541 913	3 141 636	1 288 019	1 751 503	7 976 003	2 000 811	20 009 160
Contingent liabilities	101 068	1 539	8 353	2 690	2 140	11 833	1 746	129 369
Total liabilities	2 410 343	1 543 452	3 149 989	1 290 709	1 753 643	7 987 836	2 002 557	20 138 529

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the "Demand" time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For an analysis based on discounted cash flows, please refer to pages 82 and 83.

Notes to the financial statements

	Principal activity	Country incorporation	Interest % 2009	Interest % 2008
46. Principal subsidiaries and associated companies				
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100	100
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Limited	Banking Institution	Australia	100	100
Investec Holdings (UK) Limited	Holding company	England and Wales	100	100
Investec Bank plc (formerly Investec Bank (UK) Limited)	Banking institution	England and Wales	100	100
Investec Group (UK) PLC	Holding company	England and Wales	100	100
Investec Asset Finance PLC	Leasing company	England and Wales	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust Company	Guernsey	100	100
Investec Trust (Switzerland) S.A.	Trust Company	Switzerland	100	100
Investec Trust (Jersey) Limited	Trust Company	Jersey	100	100
Investec Asset Management Limited	Asset Management	England and Wales	100	100
Investec Ireland Limited	Financial Services	Ireland	100	100
Investec Securities (US) LLC	Financial Services	USA	100	100
Kensington Group plc	Financial Services	England and Wales	100	100
Kensington Mortgages Limited	Financial Services	England and Wales	100	100
Newbury Park Mortgage Funding Limited	Financial Services	England and Wales	100	100
St Jame's Park Mortgage Funding Limited	Financial Services	England and Wales	100	100
Start Mortgages Limited	Financial Services	Ireland	65.1	65.1
Experien Pty Limited	Financial Services	Australia	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Global Ethanol Holdings Limited	Holding company	Australia	44.4	44.4
Global Ethanol LLC (formerly Midwest Grain Processors LLC)	Production and marketing of Ethanol	USA	26.6	26.6
Ida Tech plc	Development of fuel cell technology	England and Wales	73.1	73.1
All of the above subsidiary undertakings are included in the consolidated accounts.				
Principal associated companies				
Rensburg Sheppards plc	Stockbroking and portfolio management	England and Wales	47.3	47.3
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0	35.0

Investec plc has no equity interest in the following special purpose vehicles which are consolidated on the basis of the group sharing in the risks and rewards associated with the entities:

- Residential Mortgage Securities 16 plc
- Residential Mortgage Securities 17 plc
- Residential Mortgage Securities 18 plc
- Residential Mortgage Securities 19 plc
- Residential Mortgage Securities 20 plc
- Residential Mortgage Securities 21 plc
- Residential Mortgage Securities 22 plc
- Kensington Mortgage Securities plc
- Money Partners Securities 1 plc
- Money Partners Securities 2 plc
- Money Partners Securities 3 plc
- Money Partners Securities 4 plc
- Lansdowne Mortgage Securities No. 1 plc
- Lansdowne Mortgage Securities No. 2 plc

Investec plc parent company accounts

Balance sheet

At 31 March £'000	Notes	2009	2008
Assets			
Cash at bank and in hand			
- Balances with subsidiary undertaking		105 538	67 999
- Balances with other banks		876	863
Amounts owed by group undertakings		494 739	499 529
Investments in subsidiaries	b	1 234 571	1 110 533
Tax		13 376	16 116
Other assets		20	124
Prepayments and accrued income		-	108
		1 849 120	1 695 272
Liabilities			
Bank loans	c	185 372	159 659
Amounts owed to group undertakings		814 322	738 004
Other liabilities		971	924
Accruals and deferred income		3 251	3 563
		1 003 916	902 150
Equity			
Called up share capital	d	143	131
Perpetual preference share capital	d	151	151
Share premium account	d	838 911	780 430
Capital redemption reserve	d	50	50
Treasury shares	d	-	(3 549)
Profit and loss account	d	5 949	15 909
Total equity		845 204	793 122
Total equity and liabilities		1 849 120	1 695 272

Financial statements

Notes to Investec plc parent company accounts

a Accounting policies

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

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

Investments
Investments are stated at cost less any impairment in value.

Income
Dividends from subsidiaries are recognised when paid. Interest is recognised on an accrual basis.

Taxation
Corporate tax is provided on taxable profits at the current rate.

b Investments in subsidiaries

At 31 March £'000	2009	2008
At beginning of year	1 110 533	421 446
Additions	124 038	913 233
Disposals	-	(224 146)
	1 234 571	1 110 533

On 23 September 2008 the company purchased 12 million Investec 1 Limited's ordinary shares of 0.1 pence each at a cost of £1 per share.

Further purchases totalling 7.5 million Investec 1 Limited's ordinary shares of 0.1pence each at a of cost of £10 per share were made during the year.

On 26 March 2009, Investec Finance (Jersey) Limited issued to the company 10 million preference shares of £2.6825 each.

On 30 March 2009, the company purchased 96 shares of 20 pence each of Investec Holding Company Limited for a cash consideration of £10 212 418.28.

c Bank loans

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

d. Statement of changes in shareholders' equity

£'000	Share capital	Perpetual preference shares	Share premium account	Treasury shares	Capital redemption reserve	Profit and loss account	Total equity
At 1 April 2008	131	151	780 430	(3 549)	50	15 909	793 122
Allotment of special converting shares	7	-	-	-	-	-	7
Issue of ordinary shares	5	-	58 481	-	-	-	58 486
Disposal of treasury shares	-	-	-	3 549	-	-	3 549
Share based payment adjustment	-	-	-	-	-	1 247	1 247
Profit for the year	-	-	-	-	-	46 558	46 558
Dividends paid to preference shareholders	-	-	-	-	-	(9 472)	(9 472)
Dividends paid to ordinary shareholders	-	-	-	-	-	(48 293)	(48 293)
At 31 March 2009	143	151	838 911	-	50	5 949	845 204

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

The company's profit for the year, determined in accordance with the Act, was £46 558 000 (2008: £94 041 000).

Notes to Investec plc parent company accounts

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

Treasury shares At 31 March	2009	2008
Treasury shares held by Investec plc	£'000	£'000
Investec plc ordinary shares	-	3 549
Number of Investec plc ordinary shares held by Investec plc	Number	Number
At 1 April	1 124 995	500 000
Purchase of own shares by Investec plc	-	624 995
Disposal of own shares by Investec plc	(624 995)	-
At 31 March	500 000	1 124 995
Reconciliation of treasury shares	£'000	£'000
At 1 April	3 549	1 197
Purchase of own shares by Investec plc	-	3 549
Disposal of own shares by Investec plc	(3 549)	-
Share based payments adjustment	-	(1 197)
At 31 March	-	3 549
	£'000	£'000
Market value of treasury shares	1 460	3 808

Treasury shares are being held in an employee benefit trust in relation to the Investec Share Matching Plan 2005.

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

Financial statements

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