Annual Report 2010

Investec Bank (Australia) Limited

Out of the Ordinary®

Investec

Corporate information

Investec Bank (Australia) Limited ABN 55 071 292 594

Secretary and Registered Office
Anthony Rubin
Level 31, The Chifley Tower
2 Chifley Square, Sydney NSW 2000
Telephone (61) 2 9293 2000

Internet address: www.investec.com.au

Auditors: Ernst & Young

Directors: Refer to page 53.

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section 1

Investec Group
in perspective

Overview of the Investec Group

Who we are

Investec Group (the Group or Investec Group) (comprising Investec plc and Investec Limited) is an international, specialist bank and asset manager that provides a diverse range of financial products and services to a select client base. Investec Bank (Australia) Limited and it's subsidiaries (Investec Australia) are subsidiaries of Investec plc.

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

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

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

What we do

Investec Group is organised as a network comprising six business divisions: Asset Management, Private Wealth, Property Activities, Private Banking, Investment Banking and Capital Markets. 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 bank and asset manager. 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 bank and asset manager, driven by a commitment to our core philosophies and values.

Overview of the Investec Group

Values

Distinctive Performance

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

Dedicated Partnerships

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

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Philosophies

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

section 2

Overview of activities
of Investec Australia

Overview of the activities of Investec Australia

Introduction

After establishing Investec in Australia from grassroots in 1997, 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 at that time. 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 an Australian banking licence which opened up many growth opportunities in Private Banking, and Investment Banking services were expanded.

Following organic growth within Capital Markets, the Australian banking operation of NM Rothschild & Sons Australia Limited was acquired in July 2006, creating an opportunity to increase our market presence in this sector. The creation of the Investec Property Opportunity Fund in 2007 enhanced the platform for property Investments in Australia.

Investec Australia's acquisition of Experien Finance in late 2007 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.

The Investec Global Aircraft Fund successfully launched in early 2008, and during 2009 commenced a second capital raising.

In July 2009, David Clarke commenced as the new chief executive of Investec Australia, who viewed specialist funds management as a strong growth opportunity for the business. In December 2009, Investec hired a team of institutional stockbrokers to form Investec Securities, which offers specialist resources sector services including institutional research, sales, trading, execution and equity capital markets solutions. In January 2010, Investec Australia agreed to acquire MZL Investments, a successful Australian equities fund manager.

Our long-term strategy remains focused on developing a foothold in select niche industries and building the Investec brand in Australia.

Private Banking

We position ourselves as a specialist private bank for select private clients and their businesses, offering both credit and investment services. Core to this strategy is the commitment by the specialists within our business to thought leadership for the benefit of our clients. We are client centric and solutions orientated rather than product-centric, and through strong partnerships, seek to create a community of clients who thrive on being part of an entrepreneurial and innovative environment.

Our areas of specialisation include:

Private Client Treasury

Private Client Treasury offers multi-currency money market and fixed interest products at competitive rates and flexible term structures to high net-worth individuals.

By enlisting the treasury expertise of specialised staff, the team can tailor deposit options to maximise flexibility and meet the specific liquidity requirements that clients seek.

Private Client Investments

Private Client Investments offer select sophisticated private clients the opportunity to invest in unique financial transactions across various asset classes alongside Investec.

Investec has a strong track record in creating specialist funds, particularly in the property, private equity and infrastructure sectors. We create funds in sectors where we can apply our expertise and talent to create value, and which adhere to our strict internal management guidelines.

Structured Property Finance

Structured Property Finance comprises a highly-experienced real estate team that partners with active and experienced private clients to provide structured finance solutions across the property development and investment markets.

Our core activities include arranging and providing integrated funding solutions extending from senior debt through preferred equity and traditional joint venture equity structures. We are client-led and aspire to realise opportunities for clients and bring clients to opportunities

Overview of the activities of Investec Australia

Growth and Acquisition Finance

Growth and Acquisition Finance provides integrated funding solutions including senior debt, subordinated debt and preferred equity funding to high net worth entrepreneurs and their businesses, and credible management teams requiring support for buy-ins and buy-outs and for the funding of succession in family businesses.

The team comprises a number of specialists with multi-disciplinary funding skills including senior, mezzanine, junior debt and private equity. Our solutions orientation is not constrained by inflexible product metrics, resulting in a flexible approach to our clients growth and acquisition funding requirements.

Specialised Lending

Specialised Lending provides funding solutions to high net-worth individuals. Wealthy private clients often have specific finance requirements which fall outside of the traditional product orientated approaches of the large retail banks. Our approach enables clients to leverage special investment opportunities for wealth creation and liquidity purposes.

Our partnership and solutions approach is complimentary to the client's traditional retail banking relationship, and the team's expertise allows the use of innovative funding solutions normally reserved for institutional clients.

Our diagnostic approach ensures that the specialist skills of the broader Investec Group both on and off-shore contribute to a holistic client based solution.

Wealth Management

Investec Private Advisers is one of Australia's leading boutique private advisers and portfolio management providers, to high net-worth private clients and charitable organisations.

We provide advice in the construction of open architecture wealth management portfolios. We have access to direct equity, traditional and non-traditional investment opportunities for high net worth clients with a discretionary or wealth preservation orientation.

Professional Finance

Investec is a leading provider of tools of trade, personal lending and cash management facilities to practicing medical and accounting professionals.

Tools of trade lending includes the provision of moveable asset finance for the establishment or growth of a practice, the provision of goodwill finance to facilitate partnership buy-in or practice buy-out, the acquisition of practice premises and limited working capital funding. Moveable asset finance includes funding for motor vehicles, medical and computer equipment and fixtures and fittings.

Our unique understanding of the earnings capability and risk profile of medical and accounting professionals ensures a flexible approach to the provision of personal overdrafts, home finance and investment, residential or commercial property.

We assist in the management of key man risk by facilitating tailored personal and practice insurance.

Capital Markets

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

We focus on the following activities:

Treasury

Treasury provides money market, foreign exchange, commodity and interest rate risk management products and services to both wholesale and private bank clients and manages the bank's funding and interest rate risk within mandates dictated by the bank's market and ALM risk committees.

Overview of the activities of Investec Australia

The team of sales and trading professionals provides execution services across spot and forward foreign exchange and option markets for all major currencies, including the South African Rand, and across the precious, base metal and energy markets.

With a focus on understanding clients' need for value-enhancing solutions, Treasury are able to offer customised and innovative risk management solutions that are matched with superior quality of service.

Financial Products

The Financial Products team applies their expertise in capital markets and structured debt to identify investment opportunities across the global and domestic capital markets. The team actively participates in both the primary and secondary market for residential and commercial mortgage backed securities, and has exposure to a number of non-Australian issuers. We support the private bank division in its utilisation of off balance sheet funding platforms.

The team is also engaged in primary debt origination across a few key target sectors which enjoy the support of either the state or federal government. These include film, media and entertainment finance and local government.

Project and Infrastructure Finance

The Project and Infrastructure Finance team provides specialised financial solutions to projects and sponsors in the infrastructure and energy sectors for complex or unusual projects, and can provide niche capital solutions for standard projects.

The team can arrange, underwrite and provide senior, mezzanine and subordinated project and bridging finance, as well as offer debt advisory services.

The sectors in which the team operates include renewable and conventional power generation, electricity transmission and distribution, biofuels, transport, pipelines, water, waste and public-private partnerships.

The Australian team also work closely with other Investec global specialist teams based in London, Toronto and Johannesburg.

Specialised Funds and Investments

The Specialised Funds and Investments team applies an investment banking paradigm to the investment of equity in infrastructure projects. The team originates and executes investments for Investec and for the bank's private and institutional clients through the creation of infrastructure investment funds and syndicates.

The team's primary focus is on environmentally-sustainable infrastructure, notably clean and renewable energy, waste management and water supply.

Commodities and Resource Finance

Commodities and Resource Finance provides financial advice and solutions across the debt to equity spectrum to clients in the natural resources sector in emerging and developed markets - including precious and base metals, minerals, and oil and gas.

The team provides debt financing for junior and mid-tier resources companies that develop, expand or acquire projects around the world.

In the precious and base metal markets, hedging and structured derivative solutions can be arranged for commodities, and the team can advise and implement appropriate hedging strategies for integrated resource finance transactions.

Structured Finance

The Structured Finance team offers non-traditional financing solutions to mid-cap and large corporate borrowers across the debt and equity spectrum.

This team provides asset finance solutions to such clients and , in particular, has a strong focus on aviation financing, having participated in or arranged in excess of US$500m of aircraft sale and leaseback financings since 2008. This team is also primarily responsible for managing the Investec Global Aircraft Fund, an Australian based fund with investments in aircraft in Asia Pacific and the sub-continent.

Overview of the activities of Investec Australia

Corporate and Leveraged Debt

Corporate and Leveraged Debt targets event-driven borrowing – such as that for acquisitions, expansions, property, plant & equipment, project developments and refinancings – by mid-tier and larger corporates and funds within Australia. The primary focus of this business is senior secured debt, although due consideration is also given to secured facilities, second lien and subordinated or mezzanine debt in select transactions.

Investment Banking

In Australia, our Investment Banking business comprises two distinct activities: corporate finance and private equity.

Corporate Finance

Corporate Finance provides independent, objective advice on mergers, acquisitions and divestments, fund raising and capital structuring. The team has a successful track record in supporting growing and established companies across all sectors of the economy.

Typical clients include companies listed on the Australian Stock Exchange, large private companies and family businesses, private equity funds and Investec clients globally.

Corporate Finance are valued for their relationship-based approach, innovative transaction structuring capabilities, proven deal origination and execution skills - as well as their clear and practical advice.

Importantly, the team understands the individual nature of advice, and their dedicated teams led by visible and committed senior professionals work closely with management teams and shareholders to help develop and deliver their clients' objectives.

Private Equity

Investec Wentworth Private Equity (IWPE) manages funds for investment in established businesses where significant and sustainable growth in revenue, profit and shareholder value can be achieved. The investors in the various funds are high net worth clients of Investec Australia.

IWPE invests in private companies, as well as in listed companies where the team can obtain Board representation and have input on strategic direction.

IWPE have established a strong track record of identifying, investing in, growing and realising private equity investments. Once an investment is made, the private equity team provides financial advice, management skills, entrepreneurial and strategic input by working as partners alongside existing stakeholders or an incoming management team.

Property Activities

The Property Investments group manages property fund investments in a diverse mix of properties with opportunistic characteristics.

By leveraging their funds management, structuring and property experience, the Property Investments team originates funds management opportunities, raise equity capital, and source and manage appropriate direct property investments. The team often partner with developers and other property managers that are specialised within a particular sector and have a proven track record.

The funds managed by the Property Investments group provide high net worth and wholesale investors with the opportunity to gain exposure to a broad range of property assets. The Property Investments group currently manages the Investec Property Opportunity Fund, and the Toga Accommodation Fund.

Overview of the activities of Investec Australia

Group Services and Other Activities

Central Services

Central Services is comprises of functional areas that provide services centrally across all 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 business units. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

Our principal Central Services functions which relate to the operations and control of our business are Risk Management, Information Technology, Finance, Marketing, Human Resources, Organisation Development, Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Regulatory and Facilities Management.

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 at the time. The funds raised are applied towards acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments which are not allocated to our principal operating divisions.

section 3

Financial review

Commentary on the results of Investec Australia for the year ended 31 March 2010

Introduction

Overall performance

For the financial year ended 31 March 2010, Investec Bank (Australia) Limited and it's subsidiaries ("Investec Australia") reported a consolidated profit pre-tax of $30.2 million (prior year profit before goodwill and tax of $1.9 million). Operating profit before impairments was $81.5 million (prior year $64 million).

The operating environment and general market sentiment in Australia has continued to improve over the past 12 months and we have experienced increased levels of activity across the business. However, local financial markets remain volatile and vulnerable to less favourable global developments, particularly in Europe.

As a result, Investec Australia has continued to focus on maintaining the strength and stability of our balance sheet by carefully managing risk, capital and liquidity (albeit at a higher cost in the short term).

Balance Sheet

At 31 March 2010 Investec Australia had a capital adequacy ratio of 19.2% (tier 1 of 16.5%) and a core liquidity ratio of 44.4%, both well in excess of our minimum regulatory requirements.

The capital ratio is after the repayment of $75 million sub-debt redeemed in December 2009, which has been replenished by a $20 million sub-debt issue in February 2010, an increase in retained earnings and reserves, as well as certain capital efficiency initiatives.

At 31 March 2010, Investec Australia's loan book was $3.03 billion, which is 3% up since 31 March 2009. The Investec Experien (professional lending) loan book has grown strongly over the past year by approximately 20% with the remaining loan book contracting by approximately 6% (in line with our previously stated strategy of diversifying our loan book). At 31 March 2010, Investec Experien represented approximately 45% of the total loan book.

Asset quality continues to be closely managed as we emerge from a weaker credit cycle. Impairment losses on financial assets for the financial year of $51.3 million were 17% lower than the prior financial year and represents approximately 1.7% of the average loan book. As markets recover and we continue to rebalance our lending portfolio, we expect impairment levels to continue to decline to more normal levels.

Total customer deposits and wholesale funding (excluding securitised liabilities) at 31 March 2010 closed at $3.6 billion, 11% up from 31 March 2009 of $3.3 billion.

Private Client deposits closed the year at $1.43 billion, approximately 5% up since 31 March 2009. Significant progress has been made in broadening the private client deposit base by increasing the number of clients and lowering the average deposit size. To assist with this strategy, we are in the process of launching an online deposit offering and introducing other deposit products, which are relatively new to the Australian market although widely used in other Investec geographies.

Wholesale funding was bolstered during the year by a $450 million 5-year fixed rate Government Guaranteed Transferable Deposit raised in December 2009 and $300 million 5-year floating rate Government Guaranteed Deposit raised in March 2010. This brings the total of our Government Guaranteed long term debt to $1.35 billion.

Commentary on the results of Investec Australia for the year ended 31 March 2010

Key Highlights

- Net interest income of $101 million is 20% lower than the prior year mainly due to a general increase in the cost of funds (as experienced by other banks) as well as lower returns on significant levels of surplus liquidity in a low interest rate environment.
- Significant contribution from the sale of a Western Australian wind farm project out of our renewable energy development portfolio. Renewable energy advisory and principal investment has been one of our key strategic initiatives for several years and will remain an important area of focus in the years ahead.
- Capitalised on select debt and credit opportunities arising from previously dislocated credit markets.
- Principal investment profits from the sale of a co-investment with Investec Wentworth Private Equity Funds for approximately 3 times the value of the equity invested.
- Investec Global Aircraft Fund successfully raised approximately $50 million from institutional investors.
- Establishment of Investec Securities Australia Limited, which provides institutional broking, equity capital raising and research capabilities to small to mid-sized resources companies. This is a good strategic fit with our Corporate Finance and Capital Markets businesses and will be used as a platform to add other sector specialists in the future.
- Established a Corporate Lending business targeting 'event-driven' borrowing by mid-market and larger corporates within Australia.
- Disciplined cost control with a 4.5% increase in fixed overheads compared to the prior year and a total cost to income ratio of 61% (69% prior year).

Strategy & Outlook

We have entered the new financial year with a reasonable level of activity and pipelines across the business. Over the past 18 months Investec Australia has successfully focused on maintaining a sound balance sheet to benefit from opportunities that emerge as markets recover. The competitive landscape in Australia has to some extent been reshaped and opened up opportunities for highly focused and specialist banks such as Investec Australia.

Our aspiration is to be a specialist investment bank to both private clients and the corporate and institutional markets. Our aim is to create wealth for our clients. We lend, we provide investment opportunities and we find solutions.

Strategic initiatives for the year ahead include:

- Selectively growing our loan portfolio with high quality clients in focused sectors;
- Expanding the Investec Experien business through investment in the platform;
- Ongoing diversification of our deposit base;
- Maintaining a balanced business model between lending and non-lending income;
- Continue to build our Specialist Funds Management businesses, particularly in property, aviation and private equity;
- Establishment of a Treasury Services offering to corporate clients;
- Build a significant High Net Worth platform that offers integrated solutions, including lending, corporate advisory, treasury, specialist investment products and wealth management;
- Build out and integrate our Corporate Finance, Securities and Equities Capital Markets offerings;
- Leverage off our expertise and track record in renewable energy advisory and developments; and
- Selectively seek suitable strategic growth opportunities to complement our existing offering to target clients.

In addition to the above, we will continue to closely manage risk, liquidity and capital, and maintain disciplined cost controls and operational efficiencies. We believe that our strong balance sheet and strategic focus position us well to benefit from the changed landscape and improving market conditions.

Presentation of information

The information contained in this report is presented in Australian dollars and all values have been rounded to the nearest hundred thousand unless otherwise stated.

Commentary on the results of Investec Australia for the year ended 31 March 2010

Financial highlights

	31 March 2010	31 March 2009
Operating profit before impairments ($'m)	81.5	64.0
Operating profit before goodwill and acquisition adjustments ($'m)	30.2	1.9
Total shareholders' equity ($'m)	683.4	619.2
Total assets ($'m)	5,371.5	5,101.3
Capital adequacy ratio	19.2%	18.3%
Tier 1 ratio	16.5%	14.4%
Liquidity ratio	44.4%	36.8%
Cost to income ratio	61%	69%

Segmental information

For the year ended 31 March 2010 $'m	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Service and other Activities	Total
Operating income before impairments	6.3	99.4	20.8	72.8	14.8	214.1
Operating expenses	(4.1)	(62.2)	(22.2)	(29.8)	(14.3)	(132.6)
Net contribution	2.2	37.2	(1.4)	43.0	0.5	81.5
Impairments losses on financial assets	-	(35.4)	-	(15.9)	-	(51.3)
Operating profit before goodwill and acquisition adjustments	2.2	1.8	(1.4)	27.1	0.5	30.2

For the year ended 31 March 2009 $'m	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Service and other Activities	Total
Operating income before impairments	7.4	110.4	9.7	35.1	10.9	173.4
Operating expenses	(2.8)	(56.6)	(20.5)	(24.0)	(5.5)	(109.4)
Net contribution	4.6	53.8	(10.8)	11.1	5.4	64.0
Impairments losses on financial assets	-	(48.8)	(7.0)	(6.3)	-	(62.1)
Operating profit before goodwill and acquisition adjustments	4.6	5.0	(17.8)	4.7	5.4	1.9

section 4

Risk management

Risk management

Philosophy and approach

Investec Australia recognises that an effective risk management function is fundamental to its business. Taking 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 our day-to-day activities.

Risk management (part of central services) independently monitors, manages and reports on our risk to ensure it is within the stated appetite as mandated by the Board of directors through the Investec Board Australian Risk and Capital Committee. Business units are ultimately responsible for managing risks that arise. We monitor and control risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue growth across our business.

Risk management operates as a series of specialist teams, in line with our management approach, to promote sound risk management practices and to ensure that the appropriate processes are used to address all risks across Investec Australia. Risk management continually seeks new ways to enhance its techniques.

In our ordinary course of business, we are exposed to various risks, including credit, market, interest rate and liquidity, operational, legal and reputational risks.

This section provides an overview of these types of risks.

Group Risk Management's objectives

Group Risk Management's objectives are to:

- Be the custodian of our risk management culture.
- To ensure the business operates within the board stated appetite.
- Set, approve and monitor adherence to risk parameters and limits across Investec Australia 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.

Risk management

An overview of key risks, policies and procedures

In our ordinary course of business we face a number of risks that could affect our business operations including (but no limited to) the list below. The sections that follow provide information on a number of these risk areas.

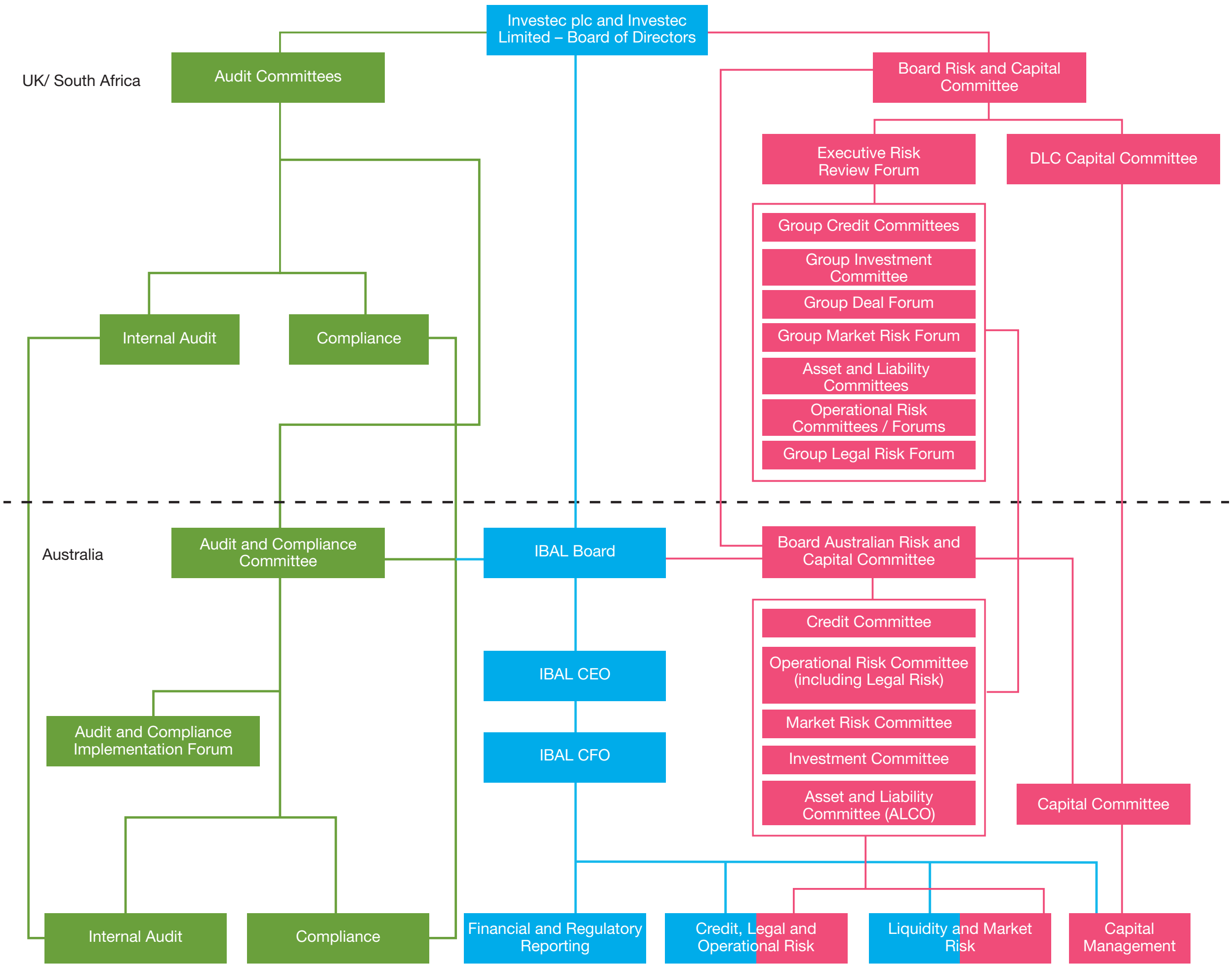
Key risks

- Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients
- Liquidity risk may impair our ability to fund our operations
- Our net interest earnings and net asset value may be adversely affected by interest rate risk
- Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways
- We may be unable to recruit, retain and motivate key personnel
- Employee misconduct could cause harm that is difficult to detect
- Operational risk may disrupt our business or result in regulatory action
- We may be vulnerable to the failure of our systems and breaches of our security systems
- We may have insufficient capital in the future and may be unable to secure additional financing when it is required
- The financial services industry in which we operate is intensely competitive
- Legal and regulatory risks are substantial in our businesses
- Reputational and strategic risk

Risk and compliance structure

A number of committees and forums identify and manage risk at a business unit level. These committees and forums operate together with Group Risk Management and are mandated by the boards of Investec plc and Investec Limited and they cover all entities within Investec Australia.

A diagram of the Investec Australia's governance and risk framework is provided below as at 31 March 2010.



Credit and counterparty risk management

Credit and counterparty risk description

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

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

- Lending transactions, giving rise to a direct exposure. The risk 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

To manage, measure and mitigate credit and counterparty risk, we have an independent credit function and committee, which operate under board approved delegated limits, policies and procedures. The credit policies and framework have been approved by both Investec Bank (Australia) Limited Board and Investec Group Risk. There is a high level of executive involvement and non-executive review and oversight in the credit decision making forums. It is policy that all sanctioning credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter a transaction are based on unanimous consent.

In addition to the above, the following structures assist in managing, measuring and monitoring credit and counterparty risk:

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

Credit and counterparty risk appetite

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

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

We typically originate loans with the intent of holding these assets to maturity, thereby developing a "hands on" and longstanding relationship with our clients. In certain instances we may elect to sell certain assets down and/or securitise them. Assets originated by Investec Experien (professional finance) have been securitised. These amount to $860 million (2009: $914 million) and include leases and instalment debtors ($500 million), residential mortgages ($41 million), commercial mortgages ($187 million) and other loans, for example overdrafts ($132 million) as at 31 March 2010. These securitisation structures have all been rated by Standard and Poor's.

In order to allow activity in all product areas and markets, pricing is motivated by the relevant business unit on a transaction by transaction basis, with consideration given to the manner of origination of the asset and the forward strategy for the asset 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.

Credit and counterparty risk management

Management and measurement of credit and counterparty risk

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

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

Consistent, regular reporting of credit and counterparty risk exposures 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 Credit division.

Despite strict adherence to the above principles increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility.

A large proportion of the 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 credit quality.

Asset quality analysis - credit risk classification and provisioning policy

It is a policy requirement overseen by Central Credit Management 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 Investec 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. 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. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of credit risk assets where a "loss trigger event" has occurred, and only on a 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.

Credit and counterparty risk management

Asset quality analysis - credit risk classification and provisioning policy

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 fulfill their credit obligation to Investec Australia (i.e. Watchlist 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 Watchlist 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. • 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 and counterparty risk management

Credit risk mitigation

Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be held physically and appropriately valued.

The bulk of collateral taken by the Private Bank, which makes up a substantial portion of on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. In the year under review, as a result of global economic slowdown, downward pressure on the value of commercial and residential real estate continued in the first two quarters of 2010 with low/static growth in the latter part of the financial year. Residential and commercial property valuations will continue to form part of our increased focus on collateral assessment.

It is our policy to obtain a formal valuation, performed by an approved valuer, of every property offered as collateral for a lending facility before advancing funds under the credit facility and to revalue all commercial properties held as collateral on a regular basis, at the discretion of the credit committee. Other common forms of collateral in the retail asset class are motor vehicles, cash 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.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during the adequacy of the allowance for impairment losses.

It is Investec Australia's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, Investec Australia does not occupy repossessed properties for business use.

An analysis of collateral is provided on page 38.

Credit and counterparty risk information

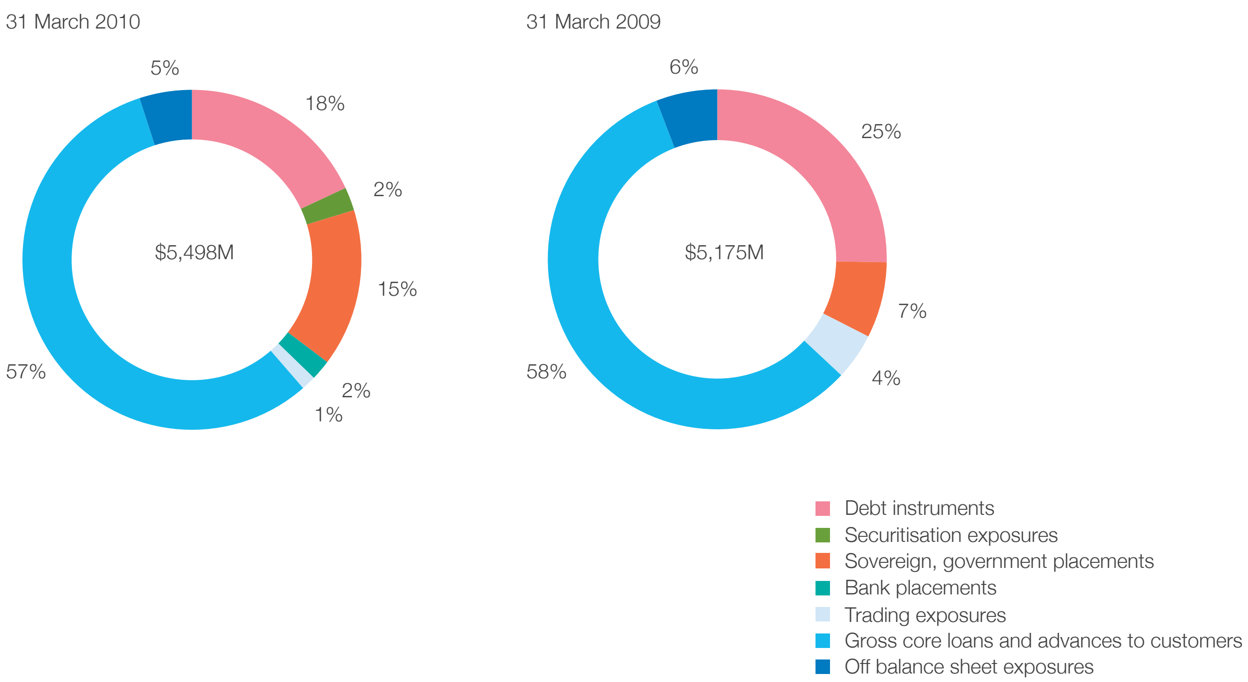
Pages 20 to 23 describe where and how credit and counterparty risk exist in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Consolidated $'m	31 March 2010	31 March 2009	% Change	Average for the year*
On-balance sheet exposures	5,218.1	4,867.5	7%	5,042.8
Securitisation exposures arising from securitisation/ principal finance activities	114.1	-	-	57.0
- Rated instruments	114.1	-	-	57.0
Debt instruments - Non Sovereign (NCDs, bonds held)	996.2	1,307.9	(24%)	1,152.0
Bank placements	115.8	374.9	(69%)	245.3
Sovereign, government placements	827.3	-	-	413.7
Trading exposures (positive fair value excluding potential future exposures)	76.6	222.3	(66%)	149.5
Gross core loans and advances to customers	3088.1	2962.4	4%	3,025.3
Off-balance sheet exposures	279.6	307.4	(9%)	293.5
Guarantees entered into in the normal course of business	66.9	60.6	11%	63.8
Commitments to provide credit	212.7	246.8	(14%)	229.8
Total gross credit and counterparty exposures pre collateral or other credit enhancements	5,497.7	5,174.9	6%	5,336.3

*Average is based on a straight line average

Gross credit by counterparty exposures



Credit and counterparty risk information

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

The table below indicates which class of assets (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.

Consolidated $'m	Securitisation exposures arising from securitisation /principal finance activities - rated instruments	Debt instruments - Non Sovereign (NCDs, bonds held)	Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Gross core loans and advances to customers	Total credit and counter -party exposure	Assets that we deem to have no legal credit exposure (i)	Total balance sheet
As at 31 March 2010									
Cash and liquid assets	-	112.5	115.8	827.3	10.0	-	1,065.6	-	1,065.6
Derivative financial instruments	-	-	-	-	66.6	-	66.6	-	66.6
Financial investments									
- available-for-sale	114.1	883.7	-	-	-	-	997.8	33.7	1,031.5
Financial assets held									
for trading		- -	-	-	-	-	-	-	-
Loans and advances to									
customers	-	-	-	-	-	3,088.1	3,088.1	*(59.4)	3,028.7
Investments accounted for									
using the equity method	-	-	-	-	-	-	-	4.6	4.6
Other financial assets	-	-	-	-	-	-	-	13.1	13.1
Property, plant and equipment	-	-	-	-	-	-	-	12.8	12.8
Deferred tax assets	-	-	-	-	-	-	-	30.4	30.4
Other assets	-	-	-	-	-	-	-	26.5	26.5
Goodwill	-	-	-	-	-	-	-	89.4	89.4
Assets held for sale	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	2.3	2.3
	114.1	996.2	115.8	827.3	76.6	3,088.1	5,218.1	153.4	5,371.5
As at 31 March 2009									
Cash and liquid assets	-	679.2	374.9	-	-	-	1,054.1	-	1,054.1
Derivative financial instruments	-	-	-	-	222.3	-	222.3	-	222.3
Financial investments									
available-for-sale	-	618.6	-	-	-	-	618.6	43.4	662.0
Financial assets held									
for trading	-	10.1	-	-	-	-	10.1	-	10.1
Loans and advances to									
customers	-	-	-	-	-	2,962.4	2,962.4	*(32.3)	2,930.1
Investments accounted for									
using the equity method	-	-	-	-	-	-	-	7.9	7.9
Other financial assets	-	-	-	-	-	-	-	44.5	44.5
Property, plant and equipment	-	-	-	-	-	-	-	11.3	11.3
Deferred tax assets	-	-	-	-	-	-	-	23.4	23.4
Other assets	-	-	-	-	-	-	-	37.4	37.4
Goodwill	-	-	-	-	-	-	-	89.4	89.4
Assets held for sale	-	-	-	-	-	-	-	3.8	3.8
Intangible assets	-	-	-	-	-	-	-	5.0	5.0
	-	1,307.9	374.9	-	222.3	2,962.4	4,867.5	233.8	5.101.3

(i) Assets that are non-interest bearing are deemed to have no legal credit exposure for the purpose of above disclosure.

*Relates to impairments. Further information is provided on page 88.

Credit and counterparty risk management

A summary of gross credit and counterparty exposures by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
Consolidated $'m	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Private Bank, professional and HNW individuals	2,829.0	2,593.1	210.1	235.3	3,039.1	2,828.4
Agriculture	3.6	77.3	-	-	3.6	77.3
Electricity, gas and water (utility services)	119.8	91.2	4.3	-	124.1	91.2
Public and non-business services	-	-	827.3	0.4	827.3	0.4
Finance and insurance	-	0.1	1,177.9	1,845.3	1,177.9	1,845.4
Real estate	-	-	114.1	-	114.1	-
Manufacturing and commerce	23.0	13.0	0.7	-	23.7	13.0
Mining and resources	55.8	102.8	73.5	127.5	129.3	230.3
Leisure, entertainment and tourism	5.1	5.0	-	3.7	5.1	8.7
Transport and communication	51.8	79.9	1.7	0.3	53.5	80.2
Total	3,088.1	2,962.4	2,409.6	2,212.5	5,497.7	5,174.9

Credit and counterparty risk information

Detailed analysis of gross credit and counterparty exposures by industry

Consolidated $'m	Private Bank, professional and HNW individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services
As at 31 March 2010				
On-balance sheet exposures	2,829.9	3.6	120.2	827.3
Securitisation exposures arising from securitisation/ principal finance activities	-	-	-	-
- Rated instruments	-	-	-	-
Debt instruments - Non Sovereign (NCDs, bonds held)	-	-	-	-
Bank placements	-	-	-	-
Sovereign, government placements	-	-	-	827.3
Trading exposures (positive fair value excluding potential future exposures)	0.9	-	0.4	-
Gross core loans and advances to customers	2,829.0	3.6	119.8	-
Off-balance sheet exposures	209.2	-	3.9	-
Guarantees entered into in the normal course of business	30.0	-	3.8	-
Commitments to provide credit	179.2	-	0.1	-
Total gross credit and counterparty exposures pre collateral or other credit enhancements	3,039.1	3.6	124.1	827.3
As at 31 March 2009				
On-balance sheet exposures	2,593.1	77.3	91.2	0.4
Debt instruments - Non Sovereign (NCDs, bonds held)	-	-	-	-
Bank placements	-	-	-	-
Trading exposures (positive fair value excluding potential future exposures)	-	-	-	0.4
Gross core loans and advances to customers	2,593.1	77.3	91.2	-
Off-balance sheet exposures	235.3	-	-	-
Guarantees entered into in the normal course of business	23.2	-	-	-
Commitments to provide credit	212.1	-	-	-
Total gross credit and counterparty exposures pre collateral or other credit enhancements	2,828.4	77.3	91.2	0.4

	Finance and insurance	Real estate	Manufacturing and commerce	Mining and resources	Leisure, entertainment and tourism	Transport and communication	Total
	1,177.9	114.1	23.0	63.6	5.1	53.4	5,218.1
	-	114.1	-	-	-	-	114.1
	-	114.1	-	-	-	-	114.1
	996.2	-	-	-	-	-	996.2
	115.8	-	-	-	-	-	115.8
		-	-	-	-	-	827.3
	65.9	-	-	7.8	-	1.6	76.6
	-	-	23.0	55.8	5.1	51.8	3,088.1
	-	-	0.7	65.7	-	0.2	279.6
	-	-	0.2	32.9	-	-	66.9
	-	-	0.5	32.8	-	0.2	212.7
	1,177.9	114.1	23.7	129.3	5.1	53.5	5,497.7
	1,845.4	-	13.0	162.2	5.0	79.9	4,867.5
	1,307.9	-	-	-	-	-	1,307.9
	374.9	-	-	-	-	-	374.9
	162.5	-	-	59.4	-	-	222.3
	0.1	-	13.0	102.8	5.0	79.9	2,962.4
	-	-	-	68.1	3.7	0.3	307.4
	-	-	-	37.4	-	-	60.6
	-	-	-	30.7	3.7	0.3	246.8
				-			
	1,845.4	-	13.0	230.3	8.7	80.2	5,174.9

Asset quality and impairments

Calculation of core loans and advances to customers

Consolidated $'m	31 March 2010	31 March 2009
Gross core loans and advances to customers	3,088.1	2,962.4
Specific impairments	(57.4)	(32.3)
Portfolio impairment	(2.0)	-
Net core loans and advances to customers	3,028.7	2,930.1

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

Consolidated $'m	31 March 2010	31 March 2009
Gross core loans and advances to customers	3.088.1	2,962.4
Total impairments	(59.4)	(32.3)
Specific impairments	(57.4)	(32.3)
Portfolio impairments	(2.0)	-
Net core loans and advances to customers	3,028.7	2,930.1
Average core loans and advances to customers*	3,025.3	2,758.0
Current loans and advances to customers	2,649.5	2,595.5
Total gross non-current loans and advances to customers	438.6	366.9
Past due loans and advances to customers customers (1-90 days)	57.1	34.4
Special mention loans and advances to customers	13.3	20.3
Default loans and advances to customers	368.1	312.2
Gross core loans and advances to customers	3,088.1	2,962.4
Total gross non-current core loans and advances to customers	438.6	366.9
Gross core loans and advances to customers that are past due but not impaired	260.8	243.6
Gross core loans and advances to customers that are impaired	177.8	123.3
Total income statement charges for impairments	50.8	50.0
Gross core loans and advances to customers that are impaired	177.8	123.3
Specific impairments	(57.4)	(32.3)
Impaired loans net of specific impairments	120.4	91.0
Collateral and other credit enhancements	(121.9)	(91.4)
Net impaired loans and advances to customers (limited to zero)	-	-
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	1.85%	1.09%
Specific impairments as a % of gross default loans and advances to customers	15.59%	10.36%
Gross default loans as a % of gross core loans and advances to customers	11.92%	10.53%
Impaired loans net of specific impairment as a % of gross core loans and advances to customers	3.90%	3.07%
Income statement charge as a % of average gross core loans and advances	1.68%	1.81%

*Average is based on a straight line average

Asset quality and impairments

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

Consolidated $'m	31 March 2010	31 March 2009
Capital exposure		
Default loans that are current	1.9	25.5
1 - 30 days	24.3	39.3
31 - 60 days	33.2	23.5
61 - 90 days	13.2	20.2
91 - 180 days	6.9	74.4
181 - 365 days	143.9	103.0
>365 days	215.2	81.0
Total gross non-current core loans and advances to customers	438.6	366.9
Amount in arrears		
1 - 30 days	1.4	1.3
31 - 60 days	0.9	0.7
61 - 90 days	3.9	0.3
91 - 180 days	2.1	30.4
181 - 365 days	133.2	96.0
>365 days	214.1	79.5
Total gross non-current core loans and advances to customers	355.6	208.2

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

Consolidated $'m	Current	1-30 days	31-60 days	61-90 days	91-180 days	181-365 days	>365 days	Total
31 March 2010								
Gross core loans and advances to customers that are past due but not impaired								
Total capital	-	24.3	33.0	13.2	5.5	85.3	99.5	260.8
Amounts in arrears	-	1.4	0.9	3.9	1.6	74.9	98.6	181.3
Gross core loans and advances to customers that are impaired								
Total capital	1.9	-	0.2	-	1.4	58.6	115.7	177.8
Amounts in arrears	-	-	-	-	0.5	58.3	115.5	174.3
31 March 2009								
Gross core loans and advances to customers that are past due but not impaired								
Total capital	-	12.0	22.6	20.1	64.4	77.8	46.7	243.6
Amounts in arrears	-	0.9	0.3	0.3	26.5	75.6	46.7	150.3
Gross core loans and advances to customers that are impaired								
Total capital	25.5	27.3	0.9	0.1	10.0	25.2	34.3	123.3
Amounts in arrears	-	0.4	0.4	-	3.9	20.4	32.8	57.9

Asset quality and impairments

An age analysis of gross non-current core loans and advances to customers as at 31 March 2010 (based on total capital exposure)

Consolidated $'m	Current	1-30 days	31-60 days	61-90 days	91-180 days	181-365 days	>365 days	Total
Past due (1-60 days)	-	24.3	32.8	-	-	-	-	57.1
Special mention	-	-	0.1	13.2	-	-	-	13.3
Special mention (1 - 90 days)	-	-	0.1	4.2	-	-	-	4.3
Special mention (61 - 90 days and item well secured)	-	-	-	9.0	-	-	-	9.0
Default	1.9	-	0.2	-	6.9	143.9	215.2	368.1
Sub-standard	-	-	-	-	5.5	85.3	99.5	190.3
Doubtful	1.9	-	0.2	-	1.4	58.6	115.7	177.8
Loss	-	-	-	-	-	-	-	-
Total	1.9	24.3	33.2	13.2	6.9	143.9	215.2	438.6

An age analysis of gross non-current core loans and advances to customers as at 31 March 2010 (based on actual amount in arrears)

Consolidated $'m	Current	1-30 days	31-60 days	61-90 days	91-180 days	181-365 days	>365 days	Total
Past due (1-60 days)	-	1.4	0.9	-	-	-	-	2.3
Special mention	-	-	-	3.9	-	-	-	3.9
Special mention (1 - 90 days)	-	-	-	3.6	-	-	-	3.6
Special mention (61 - 90 days and item well secured)	-	-	-	0.3	-	-	-	0.3
Default	-	-	-	-	2.1	133.2	214.1	349.4
Sub-standard	-	-	-	-	1.6	74.9	98.6	175.1
Doubtful	-	-	-	-	0.5	58.3	115.5	174.3
Loss	-	-	-	-	-	-	-	-
Total	-	1.4	0.9	3.9	2.1	133.2	214.1	355.6

Asset quality and impairments

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

Consolidated $'m	Current	1-30 days	31-60 days	61-90 days	91-180 days	181-365 days	>365 days	Total
Past due (1-60 days)	-	12.0	22.4	-	-	-	-	34.4
Special mention	-	-	0.2	20.1	-	-	-	20.3
Special mention (1 - 90 days)	-	-	0.2	-	-	-	-	0.2
Special mention (61 - 90 days and item well secured)	-	-	-	20.1	-	-	-	20.1
Default	25.5	27.3	0.9	0.1	74.4	103.0	81.0	312.2
Sub-standard	-	-	-	-	64.4	77.8	46.7	188.9
Doubtful	25.5	27.3	0.9	0.1	10.0	25.2	33.2	122.2
Loss	-	-	-	-	-	-	1.1	1.1
Total	25.5	39.3	23.5	20.2	74.4	103.0	81.0	366.9

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

Consolidated $'m	Current	1-30 days	31-60 days	61-90 days	91-180 days	181-365 days	>365 days	Total
Past due (1-60 days)	-	0.9	0.3	-	-	-	-	1.2
Special mention	-	-	-	0.3	-	-	-	0.3
Special mention (1 - 90 days)	-	-	-	-	-	-	-	-
Special mention (61 - 90 days and item well secured)	-	-	-	0.3	-	-	-	0.3
Default	-	0.4	0.4	-	30.4	96.0	79.5	206.7
Sub-standard	-	-	-	-	26.6	75.6	46.7	148.9
Doubtful	-	0.4	0.4	-	3.8	20.4	31.7	56.7
Loss	-	-	-	-	-	-	1.1	1.1
Total	-	1.3	0.7	0.3	30.4	96.0	79.5	208.2

Credit and counterparty risk information

An analysis of core loans and advances to customers

Consolidated $'m	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
As at 31 March 2010			
Current core loans and advances	2,649.5	-	-
Past due (1-60 days)	-	57.1	-
Special mention	-	13.3	-
Special mention (1 - 90 days)	-	4.3	-
Special mention (61 - 90 days and item well secured)	-	9.0	-
Default	-	190.3	177.8
Sub-standard	-	190.3	-
Doubtful	-	-	177.8
Loss	-	-	-
Total	2,649.5	260.8	177.8
As at 31 March 2009			
Current core loans and advances	2,595.5	-	-
Past due (1-60 days)	-	34.4	-
Special mention	-	20.3	-
Special mention (1 - 90 days)	-	0.2	-
Special mention (61 - 90 days and item well secured)	-	20.1	-
Default	-	188.9	123.3
Sub-standard	-	188.9	
Doubtful	-	-	122.2
Loss	-	-	1.1
Total	2,595.5	243.6	123.3

	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
	2,649.5	-	(2.0)	2,647.5	-
	57.1	-	-	57.1	2.3
	13.3	-	-	13.3	3.9
	4.3	-	-	4.3	3.6
	9.0	-	-	9.0	0.3
	368.1	-	-	310.7	349.4
	190.3	-	-	190.3	175.1
	177.8	(57.4)	-	120.4	174.3
	-	-	-	-	-
	3.088.1	(57.4)	(2.0)	3,028.7	355.6
	2,595.5	-	-	2,595.5	-
	34.4	-	-	34.4	1.2
	20.3	-	-	20.3	0.3
	0.2	-	-	0.2	-
	20.1	-	-	20.1	0.3
	312.2	(32.3)	-	279.9	206.7
	188.9	-	-	188.9	148.9
	122.2	(31.2)	-	91.0	56.7
	1.1	(1.1)	-	-	1.1
	2,962.4	(32.3)	-	2.930.1	208.2

Credit and counterparty risk information

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

Consolidated $'m	Current core loans and advances	Past due (1-60 days)	Special mention (1-90 days)	Special mention (61-90 days and items well secured)
As at 31 March 2010				
Private Bank, professional and HNW individuals	2,431.3	57.1	4.3	9.0
Corporate sector	218.2	-	-	-
Banking, insurance, financial services (excluding sovereign)	-	-	-	-
Public and government sector (including central banks)	-	-	-	-
Total gross core loans and advances to customers	2,649.5	57.1	4.3	9.0
31 March 2009				
Private Banking professional and HNW individuals	2,272.3	33.0	0.2	19.6
Corporate sector	323.1	1.4	-	0.5
Banking, insurance, financial services (excluding sovereign)	0.1	-	-	-
Public and government sector (including central banks)	-	-	-	-
Total gross core loans and advances to customers	2,595.5	34.4	0.2	20.1

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

Consolidated $'m	31 March 2010	31 March 2009
Private Banking professional and HNW individuals	2,850.4	2,611.6
Corporate sector	237.7	350.7
Banking, insurance, financial services (excluding sovereign)	-	0.1
Public and government sector (including central banks)	-	-
Total gross core loans and advances to customers	3,088.1	2,962.4

Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Specific impairments	Portfolio impairments	Total impairments
186.6	162.0	-	2,850.4	(49.4)	(2.0)	(51.4)
3.7	15.8	-	237.7	(8.0)	-	(8.0)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
190.3	177.8	-	3.088.1	(57.4)	(2.0)	(59.4)
188.0	97.7	0.8	2,611.6	(27.0)	-	(27.0)
0.9	24.5	0.3	350.7	(5.3)	-	(5.3)
-	-	-	0.1	-	-	-
-	-	-	-	-	-	-
188.9	122.2	1.1	2,962.4	(32.3)	-	(32.3)

Asset quality and impairments

Collateral

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

Consolidated $'m	Collateral held against Gross core loans and advances	Collateral held against Other credit ad counterparty exposures*	Total
As at 31 March 2010			
Eligible financial collateral	66.2	-	66.2
Listed shares	-	-	-
Cash	66.2	-	66.2
Debt securities issued by sovereigns	-	-	-
Mortgage bonds			
Residential mortgages	66.2	-	66.2
Residential development	889.8	-	889.8
Commercial property developments	885.5	-	885.5
Commercial property investments	379.9	-	379.9
Other collateral			
Unlisted shares	355.4	-	355.4
Bonds other than mortgage bonds	-	-	-
Asset backed lending	611.4	-	611.4
Guarantees	4.0	-	4.0
Credit derivatives	-	-	-
Other	671.4	-	671.4
Total	3,929.8	-	3,929.8
As at 31 March 2009			
Eligible financial collateral			
Listed shares	-	-	-
Cash	37.8	-	37.8
Debt securities issued by sovereigns	-	-	-
Mortgage bonds			
Residential mortgages	27.8	-	27.8
Residential development	1,191.0	-	1,191.0
Commercial property developments	731.5	-	731.5
Commercial property investments	243.4	-	243.4
Other collateral			
Unlisted shares	153.0	-	153.0
Bonds other than mortgage bonds	-	-	-
Asset backed lending	278.2	-	278.2
Guarantees	19.5	-	19.5
Credit derivatives	-	-	-
Other	626.0	-	626.0
Total	3,308.2	-	3,308.2

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

Traded market risk management

Traded market risk description

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 philosophy is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded market risk governance structure

To manage, measure and mitigate market risk, we have an independent market risk management team which assesses and reports on market risk originated in the Treasury and Business units. Limits have been set to keep potential losses within acceptable risk tolerance levels. A Market Risk Forum (mandated by the board of directors) manages the market risks in accordance with pre-approved principles and policies.

Risk limits are reviewed and set at the Market Risk Forum and ratified by Investec Group Executive Risk Review Forum (ERRF). Limits are reviewed either annually, in the event of a significant market event or at the discretion of senior mangement.

Management and measurement of traded market risk

Measurement techniques used to quantify the market risk arising from our trading activities include sensitivity analysis and Value at Risk (VaR). Stress testing is also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored at the 99% confidence interval. 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 exceeds the one-day VaR, a "back testing breach" is considered to have occurred. There were two back testing breaches for the past financial year, predominantly due to continued high volatility in interest rate markets.

VaR is calculated using variance covariance model based on exponentially weighted historical rates data.

Consolidated $'m	31 March 2010	31 March 2009
VaR 99% (one-day)		
Position	0.009	0.006
Option	-	0.008
Interest Rate	0.146	0.052
Consolidated	0.154	0.066
High	0.230	0.307
Low	0.069	0.060
Average	0.141	0.139

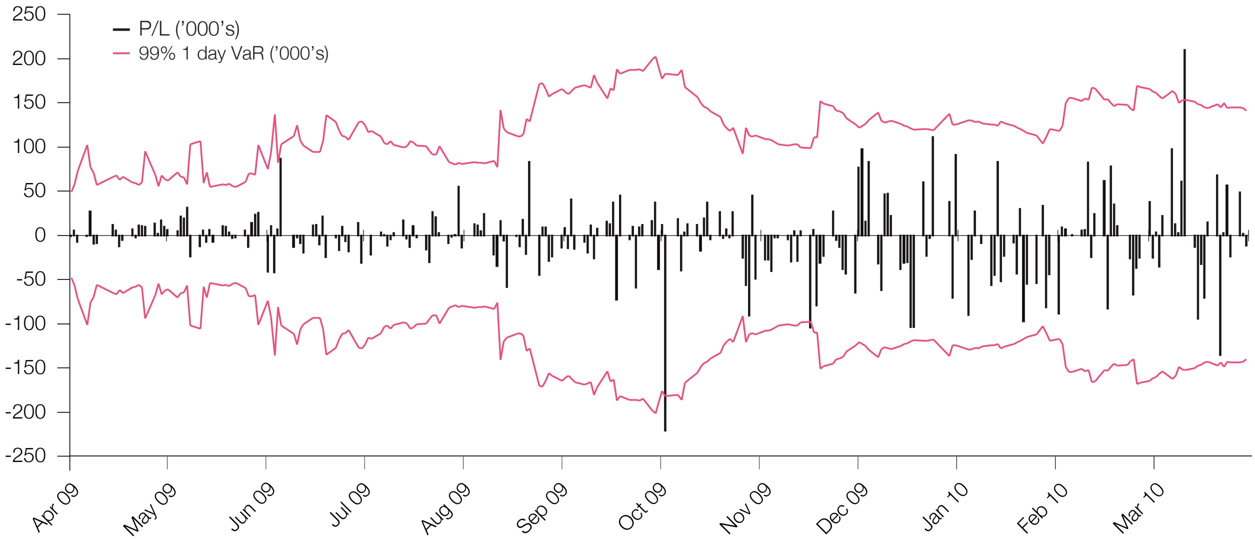
Risk management

Traded market risk management

The graphs below show total daily VaR and profit and loss figures (pnl) 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.

For the year ended 31 March 2010

99% 1 day VaR back testing



There have been two exceptions over the past year, i.e. where the loss is greater than the VaR. This is in line with expectations at the 99% level. These exceptions arose between October and November 2009 due to large movements in Australian and US interest rates.

For the year ended 31 March 2009

99% 1 day VaR back testing

There have been four exceptions over the past year, i.e. where the loss is greater than the VaR. This exceeds expectations at the 99% level. These exceptions arose between September and December 2008, a particularly volatile period in the market with extreme moves across most asset classes and in particular interest rates.

Traded market risk management

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from Investec Australia's investment portfolio.

The effect on equity due to a reasonably possible change in equity indices held over a one year time horizon with all other variables held constant, is as follows:

	Change in equity price 2010	Effect on equity 2010	Change in equity price 2009	Effect on equity 2009
	%	$'m	%	$'m
Market Indices				
ASX small cap	+ / - 49.3	6.4 / (6.0)	+ / - 72.3	3.7 / (2.3)

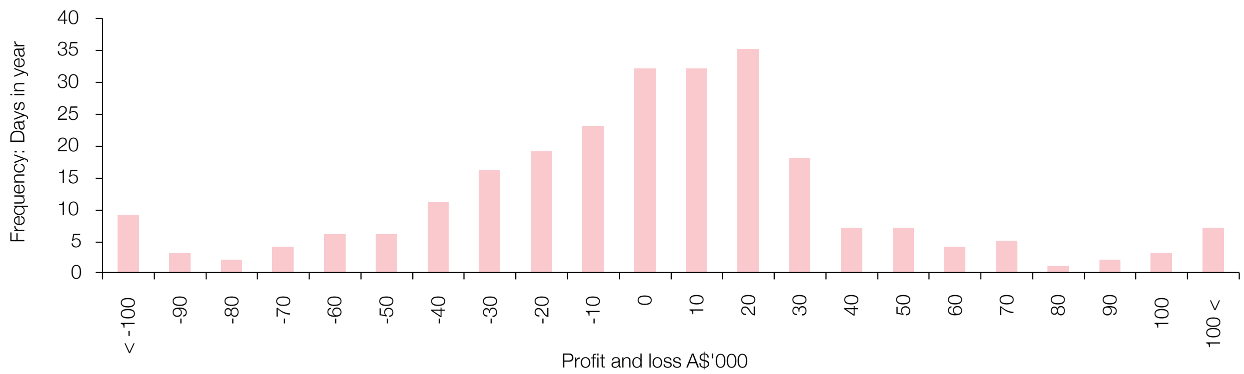
Stress testing

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

Consolidated $'m	31 March 2010	31 March 2009
Position	0.050	0.056
Option	-	0.018
Interest Rate	0.846	0.165
Consolidated	0.896	0.240

Profit and loss histograms

The histogram below illustrates the distribution in daily revenue during the 12 months ending 31 March 2010 for our trading businesses. The graph shows that negative trading revenue was realised on 153 days.



Traded market risk mitigation

The Market Risk Management team has a reporting line that is seperate from the trading function, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades seperately. 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 analyses for various holding periods as well as "disaster" scenarios where the 15 standard deviation adverse market move is considered.

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 management

Market risk - derivatives

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 portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 86.

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 identification and coordination of balance sheet risk. Asset and liability oversight is centralised, using regional expertise and local market access as appropriate. The Asset and Liability Management Committee (ALCO) is mandated by the board of directors and Investec Group to manage the balance sheet risks on a consistent basis with pre-approved principles and policies. Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite. Further we ensure that the liquidity management framework is compatible with local regulatory requirements. Investec Australia's liquidity policy requires us to be self-funding so that there is no reliance on inter-group lines either from or to other group entities.

We continue to improve risk measurement processes and methodologies in line with Basel II requirements. The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing independent governance and oversight of the Central Treasury activities and the execution of our policy to management, ALCO, ERRF, Board Risk and Capital Committee (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 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 Central Treasury function directs pricing for all deposit products (including deposits products offered to Private Clients), establishes and maintains access to wholesale stable funds with the appropriate tenor and pricing characteristics, administer funds transfer pricing and manages liquid securities and collateral, thus providing for a controlled an flxible response to volatile market conditions. The Central Treasury function is the sole interface to the wholesale market for both cash and derivative transactions.

The Balance Sheet Risk function further performs scenario modelling and liquidity stress tests designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios, in which the rate and timing of deposit withdrawals and draw-downs on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted.

There is a regular internal audit of the Balance Sheet Risk Management function, the frequency of which is determined by the independent Audit Committee. The group operates an independent automated system to identify, measure, manage and monitor liquidity risk on both a current and forward looking basis. The system is reconciled to the bank's general ledger and audited by Internal Audit thereby ensuring integrity of the process.

Daily, weekly and monthly reports are independently produced showing bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the Central Treasury function, ERRF, BRCC and the board. Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate. Investec Group complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision.

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 unexpected, adverse movements 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, the shape of the yield curves, basis risk spreads, and optionality inherent in certain products. 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 the customer.

Management and measurement of non-trading interest rate risk

The banking book constitutes all assets and liabilities on the balance sheet including (but not limited to) loans, investments, deposits, debt securities issued etc. but excluding those exposures that are arising specifically within the trading book.

Investec Australia utilises a number of measures to monitor and control interest rate risk in the banking book, including static gap analysis, % of a balance sheet limits, Earnings at Risk measures and limits, and Economic Value at Risk (EVaR) sensitivity.

Non-traded interest rate risk is stress tested on a monthly basis utilising an Economic Value at Risk sensitivity. The calculation involves measuring the present value of cashflows in the Banking Book, then recalculating the present value of cashflows having stressed the interest rate curve by 200bps. The difference between the two is the measured EVaR.

The table below shows Investec Australia's stress sensitivity to interest rates in the Banking Book utilising EVaR.

Consolidated $'m	High for the year Mar 10	Low for the year Mar 10	Average for the year Mar 10	As at Mar 10	High for the year Mar 09	Low for the year Mar 09	Average for the year Mar 09	As at Mar 09
Economic Value at Risk	4.4	0.1	2.0	1.4	5.2	0.0	1.8	1.9

Investec Australia's interest sensitivity to earnings risk (EAR) and economic value exposure (EVAR) in relation to the Experien Trusts arises in relation to various note holdings that Investec Australia has in these Trusts. These notes are liabilities of the relevant trusts and treated as assets in the balance sheet. As the notes form part of the assets in the balance sheet they are treated in the same manner and using the same methodologies as are used for all assets in the banking book in the calculation of the EAR and EVAR.

Investec Australia also measures, on a monthly basis, the stress sensitivity of earnings to interest rate movements, utilising an EAR sensitivity. The calculation involves the measuring of the static interest rate repricing gaps arising as a result of the varying interest rate repricing characteristics of assets, liabilities and capital, and the impact, over a 12 month period, of a 200bps interest rate movement on earnings arising from the static gap position.

The table below shows the stress sensitivity to interest rates in the Banking Book utilising the EAR methodology as described above.

Consolidated $'m	High for the year Mar 10	Low for the year Mar 10	Average for the year Mar 10	As at Mar 10	High for the year Mar 09	Low for the year Mar 09	Average for the year Mar 09	As at Mar 09
Earnings at Risk	10.9	0.9	6.0	10.9	11.3	6.2	8.3	7.6

Non-trading interest rate risk description

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending and investment income and borrowing costs.

	Consolidated						
31 March 2010 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Non Rate	Total
Cash and liquid assets	1,016.0	49.7	-	-	-	-	1,065.6
Available-for-sale investments	237.0	583.1	5.3	170.1	15.7	20.4	1,031.5
Trading securities	-	-	-	-	-	-	-
Loans and receivables	1,702.1	1,014.7	88.3	170.2	6.6	46.8	3,028.7
Non-rate assets	-	-	-	-	-	245.7	245.7
Total assets	2,955.0	1,647.5	93.6	340.3	22.3	312.9	5,371.5
Customer accounts	819.2	535.8	223.0	144.1	7.7	(9.2)	1,720.6
Debt issued and other borrowed funds	1,030.3	879.0	14.9	850.0	-	12.0	2,786.2
Subordinated loans	-	45.0	-	-	-	0.4	45.4
Non-rate liabilities	-	-	-	-	-	135.9	135.9
Total liabilities	1,849.5	1,459.8	237.9	994.1	7.7	139.1	4,688.1
Equity	-	-	-	-	-	683.4	683.4
Balance Sheet	1,105.6	187.7	(144.3)	(653.8)	14.6	(509.7)	-
Hedges	138.4	(805.2)	50.3	634.6	(19.1)	1.0	-
Repricing gap	1,244.0	(617.5)	(94.0)	(19.2)	(4.5)	(508.6)	-
Cumulative repricing gap	1,244.0	626.5	532.4	513.2	508.6	-	-

	Consolidated						
31 March 2009 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Non Rate	Total
Cash and liquid assets	835.0	219.0	-	-	-	0.1	1,054.1
Available-for-sale investments	152.0	288.9	28.1	182.2	50.9	(40.1)	662.0
Trading securities	-	10.1	-	-	-	-	10.1
Loans and receivables	906.3	1,097.9	283.9	654.5	23.8	(36.3)	2,930.1
Non-rate assets	-	-	-	-	-	445.0	445.0
Total assets	1,893.3	1,615.9	312.0	836.7	74.7	368.6	5,101.3
Customer accounts	1,177.6	344.4	307.4	72.6	7.7	58.4	1,968.2
Debt issued and other borrowed funds	1,141.9	627.5	48.3	402.1	8.4	(15.1)	2,213.2
Subordinated loans	-	78.5	21.5	-	-	1.0	101.0
Non-rate liabilities	-	-	-	-	-	199.7	199.7
Total liabilities	2,319.5	1,050.4	377.2	474.7	16.1	244.0	4,482.1
Equity	-	-	-	-	-	619.2	619.2
Balance Sheet	(426.2)	565.5	(65.2)	361.9	58.6	(494.6)	-
Hedges	796.4	(345.9)	40.1	(349.5)	(59.9)	(81.2)	-
Repricing gap	370.2	219.6	(25.1)	12.4	(1.3)	(575.9)	-
Cumulative repricing gap	370.2	589.8	564.7	577.1	575.9	-	-

Non-trading interest rate risk description

Liquidity risk

Liquidity risk is the risk that we have insufficient capacity to fund contracted increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes 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.

Liquidity risk is further broken down into:

• Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements without adversely affecting the normal course of business, its financial position or its reputation.

• Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

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 in the absence of corresponding funding in-flows of appropriate maturity.

Management and measurement of liquidity risk

Cohesive 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. Inadequate liquidity can bring about the untimely demise of any financial institution. As such, Investec Group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following:

Our liquidity management processes encompass principles set out by the regulatory authorities (APRA).

• Investec Group complies with the Basel Committee on Banking Supervision’s Principles for Sound Liquidity Risk Management and Supervision.

• The risk appetite is clearly defined.

• Each geographic entity must have its own board-approved policies with respect to liquidity risk management.

• Each geographic entity must be self sufficient from a funding and liquidity stand point so that there is no reliance on inter-group lines either from or to other group entities.

• Branches and subsidiaries have no responsibility for contributing to group liquidity.

• We maintain a liquidity buffer in the form of unencumbered, cash, government, or rated securities (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.

• Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix.

• We monitor and evaluate each banking entity’s maturity ladder and funding gap (cashflow maturity mismatch) on a “liquidation”, “going concern” and “stress” basis.

• Liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, 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.

• The Balance Sheet Risk Management team independently monitors key funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators.

• Investec Group centrally manages access to funds in the market through the Central Treasury divisions.

• Maintenance of sustainable, prudent liquidity resources takes precedence over profitability.

• Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The Central Treasury function charges out the price of long and short term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business.

• Investec Group maintains adequate contingency funding plans.

Management and measurement of liquidity risk (continued)

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates, and projected balance sheet growth, to estimate 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. 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 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 so as to ensure a satisfactory overall funding mix.

Liquidity mismatch

The tables within Note 34 of the financial section of this report show our undiscounted contractual liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

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.
- Additionally the contractual profile for certain high quality liquid assets are modified to reflect the expected behavioural characteristic namely:
  - For Bank Bills, for the first $300 million the time horizon is set to "on demand", with the balance treated as per the treatment of other repo-eligible assets
  - For Other repo-eligible assets (i.e. those that are eligible for repurchase transaction with the Reserve Bank of Australia), the amount realisable under repo has the time horizon is set to "2-5 days", with the balance treated at the contractual maturity date.
- Behavioural profiling is also applied to loans that have passed their contractual maturity date to reflect a more reasonable future repayment profile.

Behavioural liquidity

	Consolidated						
31 March 2010 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Non Rate	Total
Behavioural liquidity gap	1,880.4	(314.5)	(693.8)	(514.4)	(357.7)	-	-
Cumulative	1,880.4	1,565.9	872.1	357.7	-	-	-

	Consolidated						
31 March 2009 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Non Rate	Total
Behavioural liquidity gap	776.3	(421.5)	(30.0)	(52.5)	(272.3)	-	-
Cumulative	776.3	354.8	324.8	272.3	-	-	-

Liquidity risk

Analysis of financial liabilities by remaining undiscounted contractual flows

31 March 2010 $'m	Consolidated Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Liabilities						
Customer accounts	763.7	542.8	271.8	173.6	10.9	1,762.8
Derivative financial instruments	16.3	22.7	45.5	52.6	9.4	146.5
Debt issued and other borrowed funds	187.2	296.3	822.4	1,919.2	0.8	3,225.9
Subordinated loans	-	0.8	26.9	28.7	-	56.4
Total liabilities	967.2	862.6	1,166.6	2,174.1	21.1	5,191.6

31 March 2009 $'m	Consolidated Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Liabilities						
Customer accounts	1,000.2	394.1	442.0	157.1	9.2	2,002.7
Derivative financial instruments	16.8	1.7	65.8	48.1	18.5	150.9
Debt issued and other borrowed funds	217.2	152.6	845.5	1,320.4	16.7	2,552.3
Subordinated loans	0.0	1.6	77.5	25.5	0.0	104.5
Total liabilities	1,234.2	549.9	1,430.7	1,551.2	44.4	4,810.4

Balance sheet risk year in review

In Australia the economy has seen a resilience related to stimulatory fiscal policy along with only muted impacts of the Global Financial Crisis on China and some of Australia's other Asian trading partners, and consequently, the Reserve Bank of Australia raised interest rates in the second half of the year. Consistent with the the stabilisation of the international environment and the actions of other governments internationally the Australian Federal Government announced the closing of its Government Guarantee Scheme for wholesale funding effective 31 March 2010. During this period, Investec Australia utilised the stronger availability of funding to lengthen the term profile of its wholesale funding and to reshape the mix of its Private Bank funding base by significantly increasing the diversified mix of funds across distribution channels and increasing client numbers while reducing the average size of deposits taken.

Investec Australia maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year, with cash and near cash balances increasing to $1.8 billion at 31 March 2010.

Total customer deposits increased through the year with Private Bank deposits increasing to $1.4 billion by 31 March 2010.

Operational risk management

Operational risk definition

Operational risk is defined as the risk of loss or earnings volatility arising from inadequate or failed internal processes, people and systems technology, or from external events. We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of sound operational risk management practices.

Operational risk governance structure

A common understanding of the definition of operational risk and its impact throughout the organisation is key to the successful management of operational risk.

The governance structure for Operational Risk Management is outlined below.

Board

The board reviews and monitors operational risk through the Board Australian Risk and Capital Committee. An Operational Risk Committee has been established to ensure the consistent implementation of the Operational Risk Management Framework.

Operational Risk Management

An independent specialist Operational Risk Management function promotes consistent and sound operational risk management practices and processes across Investec Australia, including enterprise risk programmes, e.g. business continuity and financial crime. In addition, subject matter experts focus on information security and change management.

Senior management

Senior management is responsible for the implementation and management of operational risk at business unit level.

Operational risk management framework

We have implemented an operational risk management framework as well as policies, practices and a technology system to provide a comprehensive means of promoting operational risk management throughout Investec Australia. The framework sets out a structured and consistent approach to implementing a systematic, effective and efficient process across the organisation to manage operational risk and thereby improve business performance and regulatory compliance.

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 a Risk Assessment Framework (RAF), as a first step to promote consistency.

The assessment of risks and controls is conducted at individual business unit and review levels. Risk assessments are subject to treatment and escalation in terms of our operational risk appetite policy.

Operational risk events

We respond to risk events with appropriate analysis and actions to correct and minimise losses and improve controls. Thresholds are in place for the monitoring and escalation of recorded events, which are in line with the risk appetite policy.

Operational risk indicators

Indicators provide information that allows management to assess the effectiveness of the controls and to highlight potential issues. Thresholds are in place for the monitoring and escalation if the threshold is breached.

New products

Operational risk has been tasked to sign off on all new products developed within Investec Australia and follow up with a post implementation review.

Capital management

The management of the capital at our disposal is paramount to our success. Strategically, we focus on ensuring that we only enter business activities that are expected to earn appropriate returns on our capital and satisfy the demands of our shareholders. Our objective is to increase shareholder value through a discipline that links capital allocation and structuring, performance measurement, investment decisions, risk management and capital-based incentive compensation into one integrated framework. The board of directors are ultimately responsible for capital management. At the highest level, the board has, through the Investec Board Australian Risk and Capital Committee, delegated direct responsibility for capital management to the Investec Australia Capital Committee to oversee the components contributing to effective control and use of capital.

Investec Australia has also implemented (in line with the wider Investec Group) a three year capital planning framework as a mechanism to achieve effective forecasting and management of capital demands over the medium term under both expected conditions and positive and negative stress scenarios.

In accordance with market convention, during the year Investec Australia called and redeemed $75m of subordinated debt, and undertook new issuance of $20m of subordinated debt which qualifies as Tier 2 Regulatory Capital.

Investec Australia is well capitalised and capital adequacy ratios exceed the minimum regulatory requirements.

Capital management

Capital adequacy

Entities within Investec Australia are subject to regulation by a variety of regulators. Investec Australia is subject to regulation by the Australian Prudential Regulation Authority (APRA) and is required to maintain certain minimum ratios of capital to assets. These ratios are applied to Investec Bank (Australia) Limited as a stand-alone entity and on a consolidated basis to Investec Australia.

Under APRA, Prudential Standards, capital falls into two categories, known as Tier 1 and Tier 2. Tier 1 capital consists of shareholders funds and certain capital instruments that meet the standards set by APRA. Intangible assets and future income tax benefits are deducted to arrive at Tier 1 capital.

Tier 2 capital consists of revaluation reserves, general provisions for doubtful debts, cumulative irredeemable preference shares and other hybrid capital instruments approved by APRA, mandatory convertible notes, term subordinated debt, limited life redeemable preference shares and other capital instruments approved by APRA. Tier 2 capital may not exceed Tier 1 capital and Lower Tier 2 capital may not exceed 50% of Tier 1 capital.

	Consolidated	
$'m	31 March 2010	31 March 2009
Regulatory capital		
Paid-up ordinary shares	291.7	291.7
Retained earnings, including current year earnings	360.3	336.2
Other reserves	(6.9)	(7.2)
Less: impairments, goodwill and other deductions	(165.6)	(183.4)
Tier 1 capital	479.5	437.3
Tier 2 capital (net of deductions)	76.3	116.9
Capital base	555.7	554.2
Risk-weighted assets (banking and trading)	2,897.3	3,026.3
Credit risk	2,484.2	2,610.7
Corporates	1,780.5	1,881.7
Secured on real estate property	37.2	44.1
Counterparty risk on trading positions	41.2	135.8
Short term claims on institutions and corporates	33.7	175.8
Retail	120.9	126.1
Institutions	68.6	82.5
Other exposure classes	402.1	164.7
Equity risk	61.1	82.8
Listed equities	15.8	7.3
Unlisted equities	45.3	75.5
Market risk	17.4	10.8
Interest rate	16.3	9.7
Foreign Exchange	1.1	0.7
Commodities	-	0.4
Operational risk	334.6	322.0

	Consolidated	
	31 March 2010	31 March 2009
Total capital adequacy ratio	19.2%	18.3%
Tier 1 ratio	16.5%	14.4%
Capital adequacy ratio - pre operational risk	21.7%	20.5%
Tier 1 ratio - pre operational risk	18.7%	16.2%

section 5

Financial statements

Directors' report

The directors of Investec Bank (Australia) Limited ("Investec Australia") submit the following report for the year ended 31 March 2010.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

David Gonski AC B Com LLB FAICD FCPA

Chairman

David is the Chairman of Investec Holdings Australia Limited and Investec Bank (Australia) Limited. He was the co-founder of Investec Wentworth Pty Limited (formerly Wentworth Associates) and was previously a partner in the leading law firm, Freehills. David is Chairman of Coca-Cola Amatil Limited and The Australian Securities Exchange Ltd. His other non-executive directorships include Singapore Airlines Ltd and Westfield Group. David is Chancellor of the University of New South Wales and Chairman of the Trustees of Sydney Grammar School. David was appointed a Companion of the Order of Australia in June 2007.

Geoffrey Levy AO B Com LLB F FIN

Deputy Chairman

Geoff retired as Executive Chairman of Investec Bank (Australia) Limited on 1 January 2008 and has, since that date, assumed the non-executive position of Deputy Chairman. Geoff was previously CEO of Investec Bank (Australia) Limited, a principal of Wentworth Associates and before that a partner in the leading law firm, Freehills. He has over 20 years experience in the corporate advisory environment where he is regarded as an expert in mergers and acquisitions, capital raisings and general corporate commercial law. Geoff is a non-executive Chairman of listed entities the Specialty Fashion Group Limited and Cromwell Group Limited and Chairman of MZL Investments Pty Limited manager of the MZL Opportunity Fund. Geoff was appointed an Officer of the Order of Australia in 2005.

David Clarke LLB (appointed 1 July 2009)

Chief Executive Officer (CEO)

David Clarke was appointed to the position of Chief Executive Officer with effect from 1 June 2009. Prior to joining Investec Bank (Australia) Limited, David was the CEO of Allco Finance Group and a Director of AMP Limited, following five years at Westpac Banking Corporation where he held a number of senior roles, including Chief Executive of the Wealth Management Business, BT Financial Group. David has 25 years experience in investment banking, funds management, property and retail banking. He was previously employed at Lend Lease Corporation Limited where he was an Executive Director and Chief Executive of MLC Limited, and prior to this was Chief Executive of Lloyds Merchant Bank in London.

Alan Chonowitz B Acc M Com CA

Deputy Chief Executive Officer and Chief Financial Officer (CFO)

Alan has been CFO of Investec Bank (Australia) Limited since 2001 and the Deputy CEO since March 2009. His responsibilities include finance, risk, and corporate governance. Alan is a director of Investec Bank (Australia) Limited, a number of its subsidiaries, and First Opportunity Fund Limited. Alan's experience includes significant exposure to the finance and funds management industries, where he has been responsible for financial structuring, financial and regulatory reporting, corporate advisory services and strategic planning.

Bradley Tapnack B Com C.A. (SA)

Group Head of Corporate Governance and Compliance

Bradley completed articles at Price Waterhouse, joined the partnership in 1977 and remained an audit partner until 1984. After three years in the advertising industry he joined I. Kuper & Co which was acquired by Investec in 1989. He became Financial Director of the Investec Group in 1984, a position which he held until 2002. He is presently a director of Investec Bank (Australia) Limited, Investec Bank Limited and Investec Asset Management Limited and holds the position of Investec Group Head of Corporate Governance and Compliance.

John Murphy B Com M Com ACA FASA

John is the Managing Director of Investec Wentworth Private Equity Limited and in this capacity is a board member of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited, Specialty Fashion Group Limited and Gale Pacific Limited. John Murphy is also a non-executive director of First Opportunity Fund Limited and an executive director of Investec Bank (Australia) Limited. During the last 3 years, Mr Murphy was a non-executive director of Australian Pharmaceutical Industries Limited (2004-2007).

Directors' report

Kate Spargo LLB (Hons) BA

Kate was appointed a Director of Investec Bank (Australia) Limited in October 2005. After graduating from Adelaide University, she practiced both as a litigator and in a partnership as a lawyer before moving to a broader business role. She was Chairman for seven years of HomeStart Finance, a government sponsored enterprise in South Australia with funds under management exceeding $1 billion. She was appointed chairman of the Accounting Professional and Ethical Standards Board in 2007 and director of the International Ethical Standards Board or Accountants as well as Australian Unity and the Australian Energy Market Operator. Since moving to Melbourne, she has been appointed to the boards of Pacific Hydro, Transfield Services Infrastructure Limited and CoInvest.

Peter Thomas C.A. (SA)

Peter is a Chartered Accountant and former Managing Director of The Unisec Group Limited. His current directorships include Investec plc, Investec Limited, Investec Bank Limited, Investec Bank (Mauritius) Limited, and JCI Limited.

Richard Longes BA LLB MBA

Richard is currently Chairman of Austbrokers Holdings Limited and a non-executive Director of Boral Ltd and Metcash Limited. He was a co-founder of Investec Wentworth Pty Limited (formerly Wentworth Associates) and was previously a partner in the leading law firm, Freehills. He holds, or has held, positions with Government advisory boards, including the Review of the National Museum and the Funds Management Committee for the IIF programme, and non-profit organisations. Richard was previously Chairman of MLC Ltd and General Property Trust.

Robert Mansfield AO B Com FCPA

Robert attended the University of NSW and graduated in 1974 with a Bachelor of Commerce degree with a major in Accounting. He held the CEO position at McDonald's Australia Limited, Wormald International Limited, Optus Communications Limited and John Fairfax Limited. In November 1999 Robert was appointed a Director of Telstra Corporation Limited and subsequently became Telstra's non-executive Chairman which he served through to April 2004. Robert has been honoured with an Order of Australia award for his contribution to Australian business and economic development and to the telecommunications industry.

Stephen Koseff B Com CA (SA) H Dip BDP MBA

Investec Group Chief Executive Officer

Stephen joined Investec in 1980. Stephen is the Chief Executive Officer of Investec Limited and Investec plc. His directorships include Investec Bank Plc, Investec Limited, Investec plc and Bidvest Group Limited.

Company secretary

Anthony Rubin B Com B Acc CA

Anthony joined the Investec Group in 1991. In addition to a Bachelor of Commerce and a Bachelor of Accountancy, Anthony is a member of the Australian Institute of Chartered Accountants.

Principal activities

The principal activities during the financial year were Private Banking Activities, Investment Banking Activities, Capital Markets and Property Investments. There have been no significant changes in the nature of these activities during the year ended 31 March 2010. For additional information refer to page 13.

Review of operations and results

Throughout the year Investec Australia has continued to focus on maintaining the strength and stability of our balance sheet.

For the financial year ended 31 March 2010, Investec Australia reported a consolidated profit pre-tax of $30.2 million (prior year profit before goodwill and tax of $1.9 million). Operating profit before impairments was $81.5 million (prior year $64 million).

For additional information refer to page 13.

Dividends

No dividends were paid or provided for during the year.

Share options

There are no share options on issue in the Consolidated Entity.

Significant events after the balance sheet date

There have been no significant events occurring after balance date which may affect the operations, results or the state of affairs.

Likely developments and expected results

We have entered the new financial year with a reasonable level of activity and pipelines across the business. Over the past year Investec Australia has successfully focused on maintaining a sound balance sheet to benefit from opportunities that emerge as markets recover. The competitive landscape in Australia has to some extent been reshaped and opened up opportunities for highly focused and specialist banks such as Investec Australia. We believe that our strong balance sheet and strategic focus position us well to benefit from the changed landscape and improving market conditions. However, local financial markets remain volatile and vulnerable to less favourable global developments, particularly in Europe.

Rounding

The financial report is presented in Australian dollars and all values have been rounded to the nearest hundred thousand dollars unless otherwise stated, under the option available to the company under ASIC Class Order 98/0100.

Indemnification and insurance of directors and officers

In addition to the indemnity set out in the Company's Constitution, the Consolidated Entity has, during the financial year, paid an insurance premium in respect of its directors and executive officers in terms of which the cover provides indemnity against liabilities, to the extent permitted under the Corporations Act 2001 and Regulations. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

Directors' report

	Meetings eligible to attend	Meetings attended
Board Meetings		
David Gonski	4	4
Geoffrey Levy	4	3
David Clarke	4	4
Alan Chonowitz	4	4
Bradley Tapnack	4	4
John Murphy	4	4
Kate Spargo	4	4
Peter Thomas	4	4
Richard Longes	4	4
Robert Mansfield	4	4
Stephen Koseff	4	4
Audit and Compliance Committee		
Bradley Tapnack	4	3
Peter Thomas	4	4
Kate Spargo	4	3
Remuneration Committee		
David Gonski	1	1
Robert Mansfield	1	1
Stephen Koseff	1	1
Board Australian Risk and Capital Committee		
Richard Longes	4	4
Kate Spargo	4	3
Peter Thomas	4	4
Bradley Tapnack	4	2
Alan Chonowitz	4	4

We have obtained the following independence declaration from our auditors, Ernst and Young.

Auditors' independence

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of Investec Bank (Australia) Limited

In relation to our audit of the financial report of Investec Bank (Australia) Limited for the financial year ended 31 March 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Steve Ferguson
Partner
11 June 2010

Signed in accordance with a resolution of the directors.

David Clarke	Alan Chonowitz
Director	Director
Sydney	Sydney
11 June 2010	11 June 2010

Income Statement

For the year ended 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m	Notes	2010	2009	2010	2009
Interest income	3	326.1	372.2	241.1	286.8
Interest expense	4	(225.1)	(246.3)	(158.7)	(183.8)
Net interest income		101.0	125.9	82.4	103.0
Fee and commission income	5	83.5	51.9	64.9	36.5
Fee and commission expense	6	(6.5)	(2.9)	(1.6)	(0.4)
Principal transactions	7	37.0	6.7	44.2	50.2
Share of (loss)/ profit of investments accounted for using the equity method	22	(0.9)	(8.2)	-	-
Other income		113.1	47.5	107.5	86.3
Total operating income		214.1	173.4	189.9	189.3
Impairment losses on financial assets	8	(51.3)	(62.1)	(46.4)	(72.3)
Net operating income		162.8	111.3	143.5	117.0
Operating expenses	9	(132.6)	(109.4)	(123.1)	(88.5)
Profit before goodwill and income tax		30.2	1.9	20.4	28.5
Share of goodwill write-off attributable to investments in associates accounted for using the equity method		-	(6.3)	-	-
Profit/ (Loss) before income tax		30.2	(4.4)	20.4	28.5
Income tax (expense)/ benefit	10	(6.9)	2.0	(1.1)	6.3
Profit/ (Loss) after income tax		23.3	(2.4)	19.3	34.8

Statement of Comprehensive Income

For the year ended 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m	Notes	2010	2009	2010	2009
Profit/ (Loss) after income tax		23.3	(2.4)	19.3	34.8
Foreign exchange movements net of tax	32	5.5	(5.5)	5.5	(5.6)
Fair value movements on cash flow hedges net of tax	32	21.9	(33.2)	(2.1)	0.3
Fair value movements on available for sale assets net of tax	32	13.5	(2.7)	13.5	(3.0)
Total gains and losses recognised directly in equity		40.9	(41.4)	16.9	(8.3)
Total comprehensive income		64.2	(43.8)	36.2	26.5

Statement of Financial Position

As at 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m	Notes	2010	2009	2010	2009
Assets					
Cash and liquid assets	13	1,065.6	1,054.1	1,010.7	1,004.4
Derivative financial instruments	16	66.6	222.3	65.8	221.7
Financial investments - available-for-sale	14	1,031.5	662.0	1,029.8	659.7
Financial assets held for trading	15	-	10.1	-	10.1
Loans and advances to customers	17	3,028.7	2,930.1	2,171.8	2,038.0
Investments accounted for using the equity method	22	4.6	7.9	6.1	4.4
Other financial assets	18	13.1	44.5	153.1	178.2
Property, plant and equipment	23	12.8	11.3	12.7	11.0
Deferred tax assets	10	30.4	23.4	43.7	21.3
Other assets	24	26.5	37.4	17.3	26.8
Goodwill	19	89.4	89.4	-	-
Assets held for sale	20	-	3.8	-	-
Intangible assets	21	2.3	5.0	1.5	2.9
Total assets		5,371.5	5,101.3	4,512.5	4,178.5
Liabilities					
Customer accounts	25	1,720.6	1,968.2	1,720.6	1,968.2
Derivative financial instruments	16	78.6	154.9	69.7	111.2
Debt issued and other borrowed funds	26	2,786.2	2,213.2	1,945.7	1,312.1
Other liabilities	29	57.3	44.8	45.6	36.7
Subordinated debt	27	45.4	101.0	45.4	101.0
Total liabilities		4,688.1	4,482.1	3,827.0	3,529.2
Total equity		683.4	619.2	685.5	649.3
Equity					
Share capital	30	291.7	291.7	291.7	291.7
Retained earnings	31	360.5	335.2	354.2	332.9
Other reserves	32	31.2	(7.7)	39.6	24.7
Total equity		683.4	619.2	685.5	649.3

Statement of Changes in Equity

		Consolidated				Investec Bank (Australia) Limited			
$'m	Note	Share capital	Other reserves	Retained earnings	Total	Share capital	Other reserves	Retained earnings	Total
Balance at 1 April 2008		291.7	17.7	353.6	663.0	291.7	17.0	314.1	622.8
Reversal/appropriation for unforeseeable credit risks and future losses		-	16.0	(16.0)	-	-	16.0	(16.0)	-
Net unrealised gains/(losses) on foreign exchange, net of tax	32	-	(5.5)	-	(5.5)	-	(5.6)	-	(5.6)
Fair value movement on cash flow hedge, net of tax	32	-	(33.2)	-	(33.2)	-	0.3	-	0.3
Net change in available-for-sale investments, net of tax	32	-	(2.7)	-	(2.7)	-	(3.0)	-	(3.0)
Net income recognised directly to equity		-	(25.4)	(16.0)	(41.4)	-	7.7	(16.0)	(8.3)
(Loss)/profit for the period		-	-	(2.4)	(2.4)	-	-	34.8	34.8
At 31 March 2009 / 1 April 2009		291.7	(7.7)	335.2	619.2	291.7	24.7	332.9	649.3
Reversal/appropriation for unforeseeable credit risks and future losses		-	(2.0)	2.0	-	-	(2.0)	2.0	-
Net unrealised gains/(losses) on foreign exchange, net of tax	32	-	5.5	-	5.5	-	5.5	-	5.5
Fair value movement on cash flow hedge, net of tax	32	-	21.9	-	21.9	-	(2.1)	-	(2.1)
Net change in available-for-sale investments, net of tax	32	-	13.5	-	13.5	-	13.5	-	13.5
Net income recognised directly to equity		-	38.9	2.0	40.9	-	14.9	2.0	16.9
Profit for the period		-	-	23.3	23.3	-	-	19.3	19.3
At 31 March 2010		291.7	31.2	360.5	683.4	291.7	39.6	354.2	685.5

Cash Flow Statement

For the year ended 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m	Notes	2010	2009	2010	2009
Cash flows from operating activities					
Interest and similar income		326.3	379.3	241.3	294.0
Interest expense and similar charges		(226.6)	(258.8)	(160.2)	(196.4)
Fees, income and receipts from customers		82.3	35.2	55.5	12.7
Trust distribution received		0.8	0.8	0.7	0.7
Payments to suppliers and employees		(119.2)	(143.8)	(112.7)	(107.0)
	33	63.6	12.7	24.6	4.0
(Increase)/decrease in operating assets and liabilities:					
Net increase in loans and other receivables		(176.0)	(424.9)	(206.2)	(285.3)
Net proceeds from gold bullion		-	(0.7)	-	(0.7)
Net increase in available-for-sale bonds and floating rate notes		(372.5)	(610.2)	(372.5)	(610.2)
Purchase of equity investments		(8.5)	(20.5)	(9.2)	(25.3)
Proceeds from sale of equity investments		45.7	4.1	45.7	0.4
Net proceeds of trading securities and derivatives		112.1	(17.1)	150.4	(69.1)
Net proceeds from deposits		(246.1)	675.5	(246.1)	675.5
Net cash from operating activities before income tax		(581.7)	(381.1)	(613.3)	(310.7)
Income tax paid		(2.0)	(21.8)	(2.0)	(21.8)
Net cash flows from operating activities		(583.7)	(402.9)	(615.3)	(332.5)
Cash flows from investing activities					
Disposal of assets held for sale		17.3	-	-	-
Dividend received		1.3	-	9.8	48.0
Sale/(purchase) of equity accounted investments		2.4	(2.6)	(0.3)	-
Acquisition of notes		-	-	3.4	(23.2)
Proceeds from / (Expenditure on) intangible assets		(2.4)	2.5	(1.7)	(1.8)
Acquisition of plant and equipment		(1.3)	(2.4)	(1.3)	(2.3)
Net cash flows from investing activities		17.3	(2.5)	9.9	20.7
Cash flows from financing activities					
Advances (to)/from related parties		59.8	12.0	32.9	32.9
Proceeds from issue of subordinated debt		20.0	-	20.0	-
Redemption of subordinated debt		(75.0)	-	(75.0)	-
Proceeds from issue of notes		750.0	528.1	750.0	430.9
Repayment of notes		(195.5)	-	(142.0)	-
Repayments/(extensions) of borrowings by related parties		18.5	(17.9)	25.6	(48.0)
Net cash flows (to)/from financing activities		577.8	522.2	611.5	415.8
Net increase in cash and cash equivalents		11.4	116.9	6.1	104.0
Cash and cash equivalents at beginning of the year		1,052.6	935.7	1,003.0	899.0
Cash and cash equivalents at end of year	13, 33	1,064.0	1,052.6	1,009.1	1,003.0

Financial statements

Notes to the Financial Statements

For the year ended 31 March 2010

1) Corporate information

Investec Bank (Australia) Limited is a company limited by shares that is incorporated and domiciled in Australia. Its ultimate Australian parent entity is Investec Holdings Australia Limited. Its ultimate parent is Investec plc, a UK entity listed on the London Stock Exchange.

The financial report of Investec Bank (Australia) Limited for the year ended 31 March 2010 was authorised for issue in accordance with a resolution of the directors on 13 May 2010.

2) Summary of significant accounting policies

(a) Basis of Preparation

In this financial report Investec Bank (Australia) Limited is referred to as the "IBAL" or "Bank", and the "Investec Australia" or "Consolidated Entity" consists of the Chief Entity and its controlled entities.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, trading securities, bullion and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Investec Bank (Australia) Limited and its subsidiaries as at 31 March each year.

The financial statements of the subsidiaries are prepared for the same reporting period as the Chief Entity, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to Investec Australia and cease to be consolidated from the date on which control is transferred out of Investec Australia.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocation of the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(c) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards.

When a new Accounting Standard is first adopted, any change in accounting policy is accounted for in accordance with the specific transitional provisions (if any), otherwise retrospectively.

Investec Australia has adopted the following new and amended Australian Accounting Standards and AASB Interpretation as of 1 April 2010:

- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009

- AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity of Associate effective 1 January 2009

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Investec Australia for the annual reporting period ended 31 March 2010. These are outlined in the table below.

(c) Statement of compliance

Reference	Title	Summary	Application date of standard*	Impact on the financial report	Application date
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	Impact to the financial report is expected to be minimal.	1 April 2010
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	Refer to AASB 3 above	1 April 2010
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 above	1 April 2010
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.	1 July 2009	Refer to AASB 3 above	1 April 2010
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	The amendments are expected to directly impact on the measurement and recognition of amounts under the current AASB's. It is not possible for Investec Australia to determined this impact as yet.	1 April 2010

*designates the beginning of the applicable annual reporting period unless otherwise stated

(c) Statement of compliance

Reference	Title	Summary	Application date of standard*	Impact on the financial report	Application date
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	Impact to the financial report is expected to be minimal.	1 April 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which include: - two categories for financial assets being amortised cost or fair value - removal of the requirement to separate embedded derivatives in financial assets - strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost or fair value, (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows - an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition - reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The amendments are expected to directly impact on the measurement and recognition of amounts under the current AASB's. Investec Australia has not determined this impact as yet.	1 April 2013

*designates the beginning of the applicable annual reporting period unless otherwise stated

(c) Statement of compliance

Reference	Title	Summary	Application date of standard*	Impact on the financial report	Application date
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	The amendments are expected to directly impact on the measurement and recognition of amounts under the current AASB's. Investec Australia has not determined this impact as yet.	1 April 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)	1 Jan 2011	Impact to the financial report is expected to be minimal.	1 April 2011

*designates the beginning of the applicable annual reporting period unless otherwise stated

(d) Significant accounting judgements, estimates and assumptions

Investec Australia makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year ended 31 March 2010. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and receivables

Investec Australia reviews its loan portfolios to assets impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, we make judgement as to whether there is observable data indicating that there is a measurable decrease in the estimated future cash flows from loan or portfolio loans. The methodoldogy and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce and differences between loss estimates and actual loss experience.

(ii) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), probability fault, volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect reported fair value of financial instruments.

Where the fair values cannot be estimated, for example derivatives over unlisted equity securities, derivatives are carried at cost.

(iii) Impairment of available for-sale equity investments

Investec Australia determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, we evaluate among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(e) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is determined using valuation techniques. Transaction costs arising on the issue of equity instruments are recognised directly to equity.

Except for non-current assets or assets classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of Investec Australia's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than Investec Australia's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

When settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from independent financier under comparable terms and conditions.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Investec Australia and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and we retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party is recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

(ii) Interest and similar income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, we estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iii) Dividends

Revenue is recognised when Investec Australia's right to receive the payment is established.

(iv) Net trading income

Results arising from trading include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions.

(g) Foreign currency translation

Both the functional and presentation currency of Investec Bank (Australia) Limited and its subsidiaries is Australian dollars ($). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign equity accounted investments are translated at exchange rates prevailing at balance sheet date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve.

(h) Cash and liquid assets

Cash and cash equivalents

Cash and liquid assets includes cash on hand and in banks, Reserve Bank of Australia settlement accounts, bullion (refer to note 2 (i)), bank bills with a term of three months or less, and short-term deposits. Cash at bank earns interest at floating rates based on daily bank deposit rates. They are brought to account at the face value or the gross value of the outstanding balance. Interest is taken to profit and loss using the effective interest method when earned.

For the purposes of the cash flow statement purposes, cash and cash equivalent comprise of all instruments listed above excluding short term deposits not available for day to day operations.

(i) Bullion

Gold and silver bullion are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. They are measured as traded assets at fair (market) value. Any unrealised movements in fair value of these stocks are recognised in the income statement.

(j) Receivables due from other financial institutions

Receivables from other financial institutions include settlement account balances due from other banks. They are brought to account at the gross value of the outstanding balance. Interest is taken to profit and loss using the effective interest method.

(k) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that Investec Australia commits to purchase or sell the asset. Derivatives are recognised on trade date basis.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivatives recorded at fair value through profit or loss

Investec Australia uses derivative financial instruments as risk management tools and as part of its trading activities. Derivatives include interest rate swaps and futures, foreign exchange (including bullion) spot, forwards, swaps and options, credit default swaps, and base metal spot and forwards. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in the Income Statement in the line "Gains less losses arising from trading securities".

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through the profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(iv) Financial assets and liabilities held for trading

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in the Income Statement in the line "Gains less losses arising from trading securities" according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities, commodities and short positions in debt securities and securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(l) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded through the profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract.

Included in this classification are loans and receivables to customers economically hedged by credit derivatives which do not qualify for hedge accounting as well as structured notes which are managed at fair value.

(m) "Day 1" profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, we immediately recognises the difference between the transaction price and fair value (a "Day 1" profit) in the income statement in "Gains less losses arising from trading securities".

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when inputs become observable, or when the instrument is derecognised.

(n) Loans and receivables to customers

Loans and receivables to customers are financial assets with fixed or determined payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading or designated as available-for-sale investments.

After initial measurement, amounts due from banks and loans and receivables to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in "Interest and similar income" in the income statement. The losses arising from impairment of such investments are recognised in the income statement line "Impairment losses on loans and advances".

(o) Available-for-sale financial investments

Available-for-sale financial investments 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 equity instruments, investments in funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in "Other Reserves". When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in "Gains less losses arising from available-for-sale investments". Where Investec Australia holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in "Impairment losses on financial assets" and removed from the available-for-sale reserve.

(p) Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with Investec Australia's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

(q) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- We have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Investec Australia has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Investec Australia's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to repay.

Where continuing involvement takes the form of a written and/or purchase option (including a cash-settlement option or similar provision) on the transferred asset, the extent of Investec Australia's continuing involvement is the amount of the transferred asset that may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of Investec Australia's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Securitisation

As part of its operational activities, Investec Australia securitises financial assets, generally through the sale of these assets to special purposes entities which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Interests in the securitised financial assets may be retained and are primarily classified as loans and receivables. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of the transfer.

(iii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price of dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Where stocks of gold and silver bullion are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, they are measured as traded assets at fair (market) value. Any unrealised movements in fair value of these stocks are recognised in the income statement.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant calculation models.

(s) Impairment of financial assets

Investec Australia assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and receivables to customers

For amounts due from banks and loans and receivables to customers carried at amortised cost, we first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in the group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. 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 Investec Australia. If a write-off is later recovered, the recovery is credited to "Impairment losses on loans and advances" in the income statement.

The present value of the estimate future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial asset are grouped on the basis of Investec Australia's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experiences.

(ii) Held-to-maturity financial investments

For held-to-maturity investments we assess individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreased because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the income statement.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, we assess at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged declined in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost.

Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "Interest and similar income". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(iv) Renegotiated loans

Where possible, Investec Australia seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(t) Hedge accounting

Investec Australia makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. In order to manage particular risks, we apply hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, we formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, we assess whether the transactions is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

(i) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement in "Gains less losses arising from trading securities".

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is "recycled" in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in principal transactions in "Gains less losses arising from trading securities and derivatives".

(ii) Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedge derivative is recognised in the income statement in "Gains less losses arising from trading securities". The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statements in principal transactions in "Gains less losses arising from trading securities and derivatives".

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

(iii) Hedge of a net investment

Hedges of net investments in a foreign operation, including a hedge of monetary items that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the income statement in principal transactions in "Gains less losses arising from trading securities and derivatives". On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

(u) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting arrangements, and the related assets and liabilities are presented gross in the Statement of Financial Position.

(v) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to Investec Australia substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that we will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(w) 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.

(x) 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..

(y) Investments accounted for using the equity method

Investec Australia's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which Investec Australia has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in our share of net assets of associates. After application of the equity method, we determine whether it is necessary to recognise any additional impairment loss with respect to our net investment in associates.

The consolidated income statement reflects Investec Australia's share of the results of operations of its associates.

Where there has been a change recognised directly in an associate's equity, we recognise its share of any changes and discloses this in the consolidated statement of change in equity.

The associates accounting policies conform to those used by Investec Australia for like transactions and events in similar circumstances.

(z) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is provided on a diminishing value basis on all property, plant and equipment and is based on their expected useful lives.

	2010	2009
Office furniture and equipment	5 to 10 yrs	5 to 10 yrs
Computer equipment	2 to 3 yrs	2 to 3 yrs
Computer software	7 yrs	7 yrs
Leasehold Improvements	5 to 10 yrs	5 to 10 yrs

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

(i) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(aa) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over Investec Australia's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the primary or the secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(bb) Intangible assets

Intangible assets include the value of computer software, wind farms development assets and brand names acquired in a business combination. All intangible assets acquired separately are measured on initial recognition at cost.

The useful live's of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated on a straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	2010	2009
Brand name	3 yrs	3 yrs

(cc) Impairment of assets (except than financial assets and property, plant and equipment)

Investec Australia assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, we make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(dd) Customer accounts

Are brought to account at fair value plus directly attributable transaction costs at inception. Customer accounts are subsequently stated at amortised cost. Interest and yield related fees are taken to profit and loss based on the effective interest method when incurred.

Where we have hedged the deposits with derivative instruments, hedge accounting rules are applied (refer to Note 2(t) Derivative financial instruments).

(ee) Debt issued, subordinated loans and other borrowed funds

Are brought to account at fair value plus directly attributable transaction costs at inception. Deposits and other public borrowings are subsequently stated at amortised cost. Interest and yield related fees are taken to profit and loss based on the effective interest method when incurred.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(ff) Other liabilities

(i) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided prior to the end of the financial year that are unpaid and arise when we becomes obliged to make future payments in respect of the purchase of these goods and services.

(ii) Provisions

Provisions are recognised when we have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When we expect some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(gg) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include:

(i) Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other liabilities in respect of employees' services up to the reporting date.

They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions are made by the Consolidated Entity to an employee superannuation fund and are recognised as an expense on an accrual basis.

(iv) Share based payments

Investec Australia engages in cash-settled share-based payments and in certain circumstances equity settled share-based payments in respect of services received from employees.

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

A liability and expense in respect of cash settled share based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the liability that will eventually vest. The liability is recognised at the current fair value as at each balance sheet date, based on an estimate of the amount 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.

(v) Other employee benefits

The provision for other employee entitlements also includes liabilities for employee incentives under employee share plans and bonus schemes.

The level of these provisions has been determined in accordance with the requirements of AASB 119.

(hh) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Investec Bank (Australia) Limited and its 100% owned Australian controlled entities have formed a tax consolidated group with effect 1 April 2004.

The head entity, Investec Holdings Australia Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Investec Australia has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, we also recognises the tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable and payable to the head entity (Investec Holdings Australia Limited). Details of the tax funding agreement are disclosed in Note 11.

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority

(jj) Share capital

Ordinary share capital is the amount of paid up capital from the issue of ordinary shares.

(ii) Fiduciary activities

The Bank and designated controlled entities act as Responsible Entity, Trustee and/or Manager and/or Custodian for a number of Managed Investment Schemes, Wholesale Investment Funds, Trusts and Approved Deposit Funds. Further details are shown in Note 40.

The assets and liabilities of these Schemes, Trusts and Funds are not included in the consolidated financial statements as the Bank does not have direct or indirect control of the Schemes, Trusts and Funds as defined by AASB 127: Consolidated and Separate Financial Statements. Commissions and fees earned in respect of the activities are included in the consolidated profit and the designated controlled entity.

(kk) Rounding

The financial report is presented in Australian dollars and all values have been rounded to the nearest hundred thousand dollars unless otherwise stated, under the option available to the company under ASIC Class Order 98/0100.

(ll) Deferred acquisition

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the effective date of acquisition. The discount rate used is the entity's incremental borrowing rate.

(mm) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

Year ended 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009

3) Interest income

Cash and liquid assets		23.1	61.0	21.6	58.5
Available-for-sale investments		50.1	5.4	50.1	5.4
Trading securities		0.2	2.5	0.2	2.5
Loans and receivables		251.5	302.9	165.5	216.3
Related entities		-	0.2	3.7	4.0
Other		1.2	0.2	-	0.1
		326.1	372.2	241.1	286.8

4) Interest expense

Customer accounts					
- On demand and short-time deposits		21.1	19.1	21.2	19.1
- Term deposits		55.0	84.2	55.3	84.2
Debt issued and other borrowed funds					
- Interest bearing notes payable		66.8	62.5	-	-
- Debt issued		64.2	68.9	64.2	68.9
- Related entities - wholly owned group		0.2	0.6	0.2	0.6
Subordinated loans		3.8	7.3	3.8	7.3
Government guarantee costs		12.7	3.0	12.7	3.0
Other		1.3	0.7	1.3	0.7
		225.1	246.3	158.7	183.8

5) Fee and commission income

Corporate finance fees		20.9	25.7	8.5	11.9
Development fees		-	-	40.0	-
Profit on asset held for sale		40.0	-	-	-
Structuring and arrangement fees		18.1	19.3	7.6	15.7
Asset management and related fees		4.3	3.7	-	-
Other fees		0.2	3.2	-	0.3
Management fees received from subsidiaries		-	-	8.8	8.6
		83.5	51.9	64.9	36.5

6) Fee and commission expense

Brokerage fees paid		6.5	2.9	1.6	0.4
		6.5	2.9	1.6	0.4

7) Principal transactions

Dividend income - Available-for-sale securities		1.3	-	1.3	-
Dividend income - Related entities - wholly owned group		-	-	8.5	48.0
Disposal of property, plant and equipment		-	(0.2)	-	-
Trust distribution		0.8	0.8	0.7	0.7
Profit on sale of wind farms		-	10.0	-	-
Gains less losses arising from trading securities and derivatives	(i)	26.3	(4.6)	26.3	0.8
FX translation gains less losses on non-trading activities		(0.4)	0.8	(0.4)	0.8
Gains less losses arising from available-for-sale investments		9.0	(0.1)	7.8	(0.1)
		37.0	6.7	44.2	50.2

(i) Gains less losses arising from trading securities and derivatives:

Foreign exchange and commodities		4.2	(6.4)	4.2	(6.4)
Interest rate instruments		22.7	7.9	22.7	13.7
Equities		(0.6)	(6.1)	(0.6)	(6.5)
		26.3	(4.6)	26.3	0.8

Year ended 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009

8) Impairment losses on financial assets

Specific impairment		25.1	15.4	25.7	13.9
Portfolio impairment		2.0	-	-	-
Impairment of available-for-sale investments		-	4.4	-	3.2
Investments written off		0.5	7.7	0.5	21.7
Bad debts recovered		(0.7)	(0.8)	(0.2)	(0.8)
Bad debts written off		24.4	35.4	20.4	34.3
		51.3	62.1	46.4	72.3

9) Other operating expenses

Employee benefit expenses	(a)	96.3	77.1	92.1	65.4
Occupancy expenses	(b)	7.2	7.0	6.7	5.5
Asset expenses	(c)	1.9	1.5	1.6	1.0
Advertising and marketing		3.5	3.3	2.7	1.6
Travel and accommodation		3.2	3.8	2.9	3.3
Legal, compliance, consultancy and audit		6.7	6.8	5.9	5.7
Insurance		0.9	0.7	0.7	0.6
Printing, postage and stationery		1.0	0.6	0.9	0.5
Communication and information technology		2.6	2.5	2.4	1.9
Other expenses		9.3	6.1	7.2	3.0
		132.6	109.4	123.2	88.5

(a) Employee benefit expenses

Remuneration		75.0	55.8	72.7	45.9
Annual leave and long service leave		0.4	0.4	0.7	0.7
Superannuation		4.2	4.9	4.0	3.9
Workers' compensation costs		0.9	0.8	0.9	0.8
Termination benefits		1.6	2.9	1.6	2.9
Share-based payments expense		6.2	5.3	6.2	5.3
Payroll tax		4.4	3.9	4.2	3.1
Other		3.6	3.1	1.8	2.8
		96.3	77.1	92.1	65.4

(b) Occupancy expenses

Maintenance and repairs		0.6	0.6	0.2	-
Rental on operating leases		5.9	5.8	5.8	5.0
Depreciation - Leasehold improvements		0.7	0.6	0.7	0.5
		7.2	7.0	6.7	5.5

(c) Asset expenses

Depreciation		1.9	1.5	1.6	1.0
		1.9	1.5	1.6	1.0

Year ended 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

10) Income tax

The major components of income tax expense are:

Income statement

	2010	2009	2010	2009
Current income tax				
Current income tax charge	33.4	17.3	28.2	7.2
Deferred income tax				
Relating to origination and reversal of temporary differences	(26.5)	(19.3)	(27.1)	(13.5)
Income tax expense /(benefit) reported in the income statement	6.9	(2.0)	1.1	(6.3)

Statement of recognised change in equity

Deferred income tax related to items charged or (credited) directly to equity

	2010	2009	2010	2009
Unrealised gain/(loss) on available-for-sale investments	3.6	2.1	3.6	2.1
Unrealised gain/(loss) on cash flow hedge reserve	13.5	16.6	(1.3)	1.7
Unrealised gain/(loss) on foreign currency translation reserve	2.4	1.7	2.4	1.7
Income tax expense reported in equity	19.5	20.4	4.7	5.5

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the applicable income tax rate is as follows:

	2010	2009	2010	2009
Accounting profit before income tax	30.2	(4.4)	20.3	28.5
At the statutory income tax rate of 30%	9.1	(1.3)	6.1	8.6
Dividends received - wholly owned group	-	-	(2.6)	(14.4)
Non taxable income	(2.6)	(0.8)	(2.9)	(0.8)
Other non deductible expenditure	0.1	0.1	0.1	0.1
Other	0.3	-	0.4	0.2
	6.9	(2.0)	1.1	(6.3)

Tax consolidation

Investec Bank (Australia) Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect 1 April 2004. Investec Holdings Australia Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. The amount due to/from Investec Holdings Australia Limited in respect of the Consolidated Entity's notional tax liability is reflected under related entity disclosures (Note 40).

10) Income tax (continued)

Franking credit balance

On formation of the tax consolidated group, any surplus in the franking account balances were transferred to Investec Holdings Australia Limited's franking account. The franking account of the subsidiary members remains inoperative whilst they are members of the tax consolidated group.

Deferred income tax asset

Deferred income tax assets are recognised to the extent that realisation of the related tax benefit is probable. Changes in circumstances in future periods may adversely impact the assessment of recoverability. The uncertainty of the recoverability of the tax losses and tax credits is taken into account in establishing the deferred tax assets.

	Consolidated			
As at 31 March	Balance Sheet		Income Statement	
$'m	2010	2009	2010	2009
Deferred income tax				
Deferred income tax at 31 March relates to the following:				
Deferred tax assets				
Revaluations of available-for-sale investments to fair value	2.4	4.7	1.6	3.2
Loans and receivables	(5.3)	(6.5)	1.3	(6.0)
Employee entitlements	8.3	2.6	5.7	(8.7)
Fair value of derivative instruments & Foreign exchange	(0.2)	9.7	5.4	(15.6)
Unearned income	0.5	0.4	0.1	(0.1)
Specific provisions	16.0	8.2	7.8	3.9
Equity accounted for investments	4.9	4.8	0.1	4.3
Other provisions and accrual	3.8	(0.5)	4.5	(0.3)
	30.4	23.4		
Deferred tax income			26.5	(19.3)

	Investec Bank (Australia) Limited			
As at 31 March	Balance Sheet		Income Statement	
$'m	2010	2009	2010	2009
Deferred income tax				
Deferred income tax at 31 March relates to the following:				
Deferred tax assets				
Revaluations of available-for-sale investments to fair value	2.4	7.7	1.6	2.8
Loans and receivables	10.7	7.8	2.0	(0.7)
Employee entitlements	8.3	2.5	5.7	(8.6)
Fair value of derivative instruments	(2.7)	(10.0)	6.0	(18.0)
Specific provisions	15.2	8.1	7.1	2.7
Equity accounted investments	6.1	4.2	1.9	4.2
Other provisions and accrual	3.7	1.0	2.8	4.1
	43.7	21.3		
Deferred tax income			27.1	(13.5)

11) Analysis of operating income by category of financial instrument

Consolidated $'m	At fair value through profit and loss -Trading	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Other Activities	Total
31 March 2010						
Net interest income	0.2	274.6	50.1	(223.9)	-	101.0
Fee and commission receivable	-	10.1	0.1	-	73.3	83.5
Fee and commission payable	-	(3.2)	-	(0.2)	(3.1)	(6.5)
Principal transactions	4.5	-	30.1	-	2.4	37.0
Share of profit/(loss) of investments accounted for using the equity method	-	-	-	-	(0.9)	(0.9)
Total operating income	4.7	281.5	80.3	(224.1)	71.7	214.1
Impairment losses on financial assets	-	(50.8)	(0.5)	-	-	(51.3)
Operating income	4.7	230.7	79.8	(224.1)	71.7	162.8
31 March 2009						
Net interest income	2.5	364.0	5.4	(245.6)	(0.4)	125.9
Fee and commission receivable	-	20.0	-	-	31.9	51.9
Fee and commission payable	-	(1.6)	-	-	(1.3)	(2.9)
Principal transactions	(4.6)	-	0.7	-	10.6	6.7
Share of profit/(loss) of investments accounted for using the equity method	-	-	-	-	(8.2)	(8.2)
Total operating income	(2.1)	382.4	6.1	(245.6)	32.6	173.4
Impairment losses on financial assets	-	(50.0)	(12.1)	-	-	(62.1)
Operating income	(2.1)	332.4	(6.0)	(245.6)	32.6	111.3

12) Analysis of financial assets and liabilities by measurement basis

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

- Level 1 - The use of quoted market prices for identical instruments in an active market.
- Level 2 - The use of a valuation technique using observable inputs. This may include:
  - using quoted prices in active markets for similar instruments;
  - using quoted prices in inactive markets for identical or similar instruments, or
  - using models where all significant inputs are observable.
- Level 3 - Using models where one or more significant inputs are not observable.

								Valuation Technique applied		
As at 31 March 2010 - Consolidated $'m	At fair value through profit and loss -Trading	Loans and receiv-ables	Available for sale	Financial liabilities at amortis-ed cost	Other Activities	Total	Assets and liabilities carried at fair value	Level 1	Level 2	Level 3
Assets										
Cash and liquid assets	-	1,065.6	-	-	-	1,065.6	-	-	-	-
Derivative financial instruments	66.6	-	-	-	-	66.6	66.6	0.3	66.3	-
Financial investments - available-for-sale	-	-	1,031.5	-	-	1,031.5	1,031.5	13.4	989.8	28.3
Loans and advances to customers	-	3,028.7	-	-	-	3,028.7	-	-	-	-
Investments accounted for using the equity method	-	-	-	-	4.6	4.6	-	-	-	-
Other financial assets	-	-	-	-	13.1	13.1	-	-	-	-
Property, plant and equipment	-	-	-	-	12.8	12.8	-	-	-	-
Deferred tax assets	-	-	-	-	30.4	30.4	-	-	-	-
Other assets	-	-	-	-	26.5	26.5	-	-	-	-
Goodwill	-	-	-	-	89.4	89.4	-	-	-	-
Intangible assets	-	-	-	-	2.3	2.3	-	-	-	-
Total assets	66.6	4,094.3	1,031.5	-	179.1	5,371.5	1,098.1	13.7	1,056.1	28.3
Liabilities										
Customer accounts	-	-	-	1,720.6	-	1,720.6	-	-	-	-
Derivative financial instruments	78.6	-	-	-	-	78.6	78.6	-	78.6	-
Debt issued and other borrowed funds	-	-	-	2,786.2	-	2,786.2	-	-	-	-
Other liabilities	-	-	-	-	57.3	57.3	-	-	-	-
Subordinated loans	-	-	-	45.4	-	45.4	-	-	-	-
Total liabilities	78.6	-	-	4,552.2	57.3	4,688.1	78.6	-	78.6	-

12) Analysis of financial assets and liabilities by measurement basis

As at 31 March 2009 - Consolidated $'m	At fair value through profit and loss -Trading	Loans and receiv-ables	Available for sale	Financial liabilities at amortis-ed cost	Other Activities	Total	Assets and liabilities carried at fair value	Valuation Technique applied Level 1	Level 2	Level 3
Assets										
Cash and liquid assets	-	1,054.1	-	-	-	1,054.1	-	-	-	-
Derivative financial instruments	222.3	-	-	-	-	222.3	222.3	-	222.3	-
Financial investments										
- available-for-sale	-	-	662.0	-	-	662.0	662.0	399.1	224.6	38.3
Financial assets held for trading	10.1	-	-	-	-	10.1	10.1	10.1	-	-
Loans and advances										
to customers	-	2,930.1	-	-	-	2,930.1	-	-	-	-
Investments accounted for										
using the equity method	-	-	-	-	7.9	7.9	-	-	-	-
Other financial assets	-	-	-	-	44.5	44.5	-	-	-	-
Property, plant and equipment	-	-	-	-	11.3	11.3	-	-	-	-
Deferred tax assets	-	-	-	-	23.4	23.4	-	-	-	-
Other assets	-	-	-	-	37.4	37.4	-	-	-	-
Goodwill	-	-	-	-	89.4	89.4	-	-	-	-
Assets held for sale	-	-	-	-	3.8	3.8	-	-	-	-
Intangible assets	-	-	-	-	5.0	5.0	-	-	-	-
Total assets	232.4	3,984.2	662.0	-	221.7	5,101.3	894.4	409.2	446.9	38.3
Liabilities										
Customer accounts	-	-	-	1,968.2	-	1,968.2	-	-	-	-
Derivative financial instruments	154.9	-	-	-	-	154.9	154.9	-	154.9	-
Debt issued and other										
borrowed funds	-	-	-	2,213.2	-	2,213.2	-	-	-	-
Other liabilities	-	-	-	-	44.8	44.8	-	-	-	-
Subordinated loans	-	-	-	101.0	-	101.0	-	-	-	-
Total liabilities	154.9	-	-	4,282.4	44.8	4,482.1	154.9	-	154.9	-

Movements in level 3 financial instruments measured at fair value

The following tables shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

$'m	At 1 Apr 2009	Total gains /(losses) recorded in equity reserves	Purchases	Sales	Settlements	Transfers from level 1 and level 2	At 31 Mar 2010
Financial assets							
Financial investments available-for-sale:							
- Unlisted investments	38.3	(0.7)	11.6	(14.5)	(9.6)	3.3	28.3
Total level 3 financial assets	38.3	(0.7)	11.6	(14.5)	(9.6)	3.3	28.3
Total net level 3 financial assets/(liabilities)	38.3	(0.7)	11.6	(14.5)	(9.6)	3.3	28.3

$'m	At 1 Apr 2008	Total gains /(losses) recorded in profit or loss	Purchases	Sales	Settlements	Transfers from level 1 and level 2	At 31 Mar 2009
Financial assets							
Financial investments available-for-sale:							
- Unlisted investments	34.7	(9.3)	13.1	(0.1)	-	(0.1)	38.3
Total level 3 financial assets	34.7	(9.3)	13.1	(0.1)	-	(0.1)	38.3
Total net level 3 financial assets/(liabilities)	34.7	(9.3)	13.1	(0.1)	-	(0.1)	38.3

Notes to the Financial Statements

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

13) Cash and liquid assets

Cash at bank	85.4	53.4	33.2	8.0
Reserve Bank of Australia Settlement Account	827.3	0.7	827.3	0.7
Bank Bills - with less than three months' maturity	112.5	679.2	112.5	679.2
Short term deposits	38.8	219.1	36.1	214.9
Short term deposits with related parties	-	100.2	-	100.2
Included in cash and cash equivalents (Note 33 (b))	1,064.0	1,052.6	1,009.1	1,003.0
Short term deposits not available for day to day operations	1.6	1.5	1.6	1.4
	1,065.6	1,054.1	1,010.7	1,004.4

14) Available-for-sale investments

Bonds	187.1	187.7	187.1	187.7
Floating rate notes	810.7	430.9	810.7	430.9
Equity securities at fair value:				
- listed	13.4	2.4	13.4	2.4
- unlisted	20.3	41.0	18.6	38.7
	1,031.5	662.0	1,029.8	659.7

Impairment of available-for-sale investments are included in Note 8

15) Trading securities

Floating rate notes	-	10.1	-	10.1
Listed equity securities at fair value	-	-	-	-
	-	10.1	-	10.1

16) Derivative financial instruments

Investec Australia 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 in an orderly market transaction at balance sheet date.

	Consolidated			Investec Bank (Australia) Limited		
As at 31 March 2010 $'m	Contract/ notional amount	Fair values Assets	Fair values Liabilities	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for hedging						
Derivatives designated as fair value hedges						
- Interest rate swaps	1,451.8	10.3	(26.5)	1,451.8	10.3	(26.5)
Derivatives designated as cashflow hedges						
- Interest rate swaps	930.0	3.2	(11.2)	187.0	2.4	(2.3)
Derivatives designated as hedge of foreign operation						
- Forward exchange contracts	-	-	-	-	-	-
	2,381.8	13.5	(37.7)	1,638.8	12.7	(28.8)
Derivatives not held for hedging						
- Forward exchange contracts	223.1	23.1	(17.8)	223.1	23.1	(17.8)
- Currency swaps	1,069.4	15.9	(5.8)	1,069.4	15.9	(5.8)
- Interest rate option	-	-	-	-	-	-
- Other foreign exchange contracts	2.5	-	-	2.5	-	-
- Interest rate swaps	1,511.3	12.2	(11.4)	1,511.3	12.2	(11.4)
- Interest rate exchange traded futures	232.4	0.3	-	232.4	0.3	-
- Commodity options	33.7	1.6	(1.6)	33.7	1.6	(1.6)
- Commodity swaps and forwards	10.4	-	(4.2)	10.4	-	(4.2)
- Credit swaps	21.3	-	(0.1)	21.3	-	(0.1)
	3,104.1	53.1	(40.9)	3,104.1	53.1	(40.9)
Total derivatives assets/(liabilities)	5,485.9	66.6	(78.6)	4,742.9	65.8	(69.7)

	Consolidated			Investec Bank (Australia) Limited		
As at 31 March 2009 $'m	Contract/ notional amount	Fair values Assets	Fair values Liabilities	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for hedging						
Derivatives designated as fair value hedges						
- Interest rate swaps	905.5	5.5	(17.4)	905.5	5.5	(17.4)
Derivatives designated as cashflow hedges						
- Interest rate swaps	994.6	47.8	(43.8)	211.5	47.2	(0.1)
Derivatives designated as hedge of foreign operation						
- Forward exchange contracts	32.9	-	(8.0)	32.9	-	(8.0)
	1,933.0	53.3	(69.2)	1,149.9	52.7	(25.5)
Derivatives not held for hedging						
- Forward exchange contracts	524.3	101.5	(20.4)	524.3	101.5	(20.4)
- Currency swaps	490.9	9.6	(11.2)	490.9	9.6	(11.2)
- Interest rate option	34.8	3.3	(3.3)	34.8	3.3	(3.3)
- Other foreign exchange contracts	7.1	-	-	7.1	-	-
- Interest rate swaps	1,350.5	32.8	(23.8)	1,350.5	32.8	(23.8)
- Interest rate exchange traded futures	202.9	1.7	-	202.9	1.7	-
- Commodity options	114.1	0.5	(0.5)	114.1	0.5	(0.5)
- Commodity swaps and forwards	15.0	17.8	(26.5)	15.0	17.8	(26.5)
- Credit linked note	2.7	-	-	2.7	-	-
- Equity options	-	1.8	-	-	1.8	-
	2,742.3	169.0	(85.7)	2,742.3	169.0	(85.7)
Total derivatives assets/(liabilities)	4,675.3	222.3	(154.9)	3,892.2	221.7	(111.2)

16) Derivative financial instruments

Cash flow hedges

Investec Australia is exposed to variability in future interest cash flows on non-trading liabilities which bear interest at a variable rate. Investec Australia uses interest rate swaps as cash flow hedges of these interest rate risks.

During the year Investec Australia designated foreign debt held into cash flow hedge relationships using cross currency swaps to hedge foreign exchange and interest rate risk. The amount recognised in the cash flow hedge reserve is the net of foreign currency translation on the hedged and hedging item.

	As at 31 March 2010		As at 31 March 2009	
$'m	Consolidated	Investec Bank (Australia) Limited	Consolidated	Investec Bank (Australia) Limited
Fair value of hedge instrument	(8.1)	0.1	3.9	47.1
Amount recognised in equity during the period	9.8	3.0	(7.3)	47.3
Amount removed from equity and included in P&L during the period	21.9	-	5.6	0.2
Period cash flow expected to occur	1 to 5 yrs	3 months	1 to 5 yrs	3 months
Period cash flow expected to affect profit or loss	1 to 5 yrs	3 months	1 to 5 yrs	3 months

Fair value hedges

Fair value hedges are used by Investec Australia to protect it against changes in fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include loans, available-for-sale debt securities, debt issued and other borrowed funds. We use forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks, and interest rate swaps, interest rate futures and options to hedge interest rate risk.

	As at 31 March 2010				As at 31 March 2009			
	Consolidated		Investec Bank (Australia) Limited		Consolidated		Investec Bank (Australia) Limited	
$'m	Asset	Liabilities	Asset	Liabilities	Asset	Liabilities	Asset	Liabilities
Fair value of hedge instrument	(1.3)	(23.9)	(1.3)	(23.9)	(8.6)	(3.3)	(8.6)	(3.3)
Life to date cumulative gains and losses on hedging instrument	(1.3)	(23.9)	(1.3)	(23.9)	(8.6)	(3.3)	(8.6)	(3.3)
Year to date current year gains and losses on hedging instrument	6.5	(20.7)	6.5	(20.7)	(10.3)	(2.2)	(10.3)	(2.2)
Fair value of hedged item	1.4	24.0	1.4	24.0	379.0	578.0	379.0	578.0
Life to date cumulative gains and losses on hedged item	1.4	24.0	1.4	24.0	10.2	3.1	10.2	3.1
Year to date current year gains and losses on hedged item	(6.6)	19.7	(6.6)	19.7	11.9	2.0	11.9	2.0

As at 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009

17) Loans and receivables

Term lending	(i)	3,049.9	2,897.9	2,189.5	2,003.7
Loans - related parties	(ii)	38.2	64.5	38.2	64.5
		3,088.1	2,962.4	2,227.7	2,068.2
Less: impairment for loans and receivables		(59.4)	(32.3)	(55.9)	(30.2)
		3,028.7	2,930.1	2,171.8	2,038.0
Specfic impairment allowance for losses on loans and advances					
Balance at 1 April		32.3	19.2	30.2	19.2
Increase in specific impairment for loan impairment		46.4	48.5	44.3	45.3
Amounts utilised (written off) during the year		(21.3)	(35.4)	(18.6)	(34.3)
Balance at 31 March		57.4	32.3	55.9	30.2
Portfolio impairment allowance for losses on loans and advances					
Balance at 1 April		-	-	-	-
Increase in portfolio impairment for loan impairment		2.0	-	-	-
Amounts utilised (written off) during the year		-	-	-	-
Balance at 31 March		2.0	-	-	-

(i) Term lending maturity analysis is contained in Note 34

(ii) Details of the terms of conditions of related party receivables are set out in Notes 40 and 41

As at 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009
Finance lease receivables					
Minimum lease payments receivable:					
No later than one year		131.9	20.7	24.3	2.1
Later than one year but not later than five years		835.3	296.6	180.0	3.7
Later than five years		44.6	29.7	6.1	-
		1,011.8	347.0	210.4	5.8
Unearned future finance income on finance leases		(138.4)	(51.3)	(33.8)	(0.3)
Net investment in finance leases		873.4	295.7	176.6	5.5

18) Other financial assets

Investments in controlled entities		-	-	103.7	101.7
Notes issued by controlled entities		-	-	36.4	41.8
Loans to parent entity		13.1	44.5	13.0	34.7
	(i)	13.1	44.5	153.1	178.2

(i) Details of the terms of conditions of related party transactions are set out in Note 40 and 41

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

19) Goodwill

Goodwill acquired through business combinations has been allocated to two individual cash generating units, which are reportable segments for impairment testing as follows:
- Investment banking; and
- Investec Experien

The carrying amount allocated to each of the cash generating units is as follows:

	2010	2009	2010	2009
- Investment Banking	49.1	49.1	-	-
- Experien	40.3	40.3	-	-
	89.4	89.4	-	-

Impairment testing of goodwill

Goodwill is subject to annual impairment testing. No impairment loss was considered necessary in the 2010 financial year.

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-taxation rates that refl ect current market conditions, adjusted for the specific risks associated with the cash generating unit. Growth rates are based on industry growth forecasts. Cash fl ow 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.

Investment Banking - Goodwill acquired through business combinations has been allocated to investment banking, which is a reportable segment, for impairment testing purposes.

The recoverable amount of goodwill represents a nomalised pre-tax historic average earnings multiple of approximately four times. Management are comfortable that this carrying value is supported based on discussions with investment banking executives and available market data for comparable businesses. Management believe that it is highly unlikely that a change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

Investec Experien - Experien was acquired through a business combination in October 2007. The goodwill amount is derived from the estimated purchase consideration taking into account an upfront payment plus future expected earn-out payments which have now substantially been achieved.

The recoverable amount of goodwill represents a pre-tax historic average earnings multiple of approximately five times. Management are comfortable that this carrying value is supported based on discussions with Experien executives and available market data for comparable businesses. Management believe that it is highly unlikely that a change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

20) Assets held for sale

	2010	2009	2010	2009
Collgar wind farm	-	3.8	-	-
	-	3.8	-	-

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As at 31 March	Consolidated				Investec Bank (Australia) Limited			
$'m	Brand Name	Wind farms	Computer Software	Total	Brand Name	Wind farms	Computer Software	Total

21) Intangible assets

Balance as at 1 April 08	0.4	1.7	1.3	3.4	-	1.7	1.3	3.0
Additions	-	8.0	3.5	11.5	-	3.7	3.5	7.2
Reclassification	-	(3.8)	(1.9)	(5.7)	-	-	(1.9)	(1.9)
Sale of Wind farms	-	(4.0)	-	(4.0)	-	(5.4)	-	(5.4)
Balance as at 31 March 09 / 1 April 09	0.4	1.9	2.9	5.2	-	-	2.9	2.9
Additions	-	0.8	1.7	2.5	-	-	1.7	1.7
Reclassification	-	-	(3.1)	(3.1)	-	-	(3.1)	(3.1)
Disposals	-	(1.9)	-	(1.9)	-	-	-	-
Balance as at 31 March 10	0.4	0.8	1.5	2.7	-	-	1.5	1.5
Amortisation:								
Balance as at 1 April 08	(0.1)	-	-	(0.1)	-	-	-	-
Amortisation and impairment	(0.1)	-	-	(0.1)	-	-	-	-
Balance as at 31 March 09 / 1 April 09	(0.2)	-	-	(0.2)	-	-	-	-
Amortisation and impairment	(0.2)	-	-	(0.2)	-	-	-	-
Balance as at 31 March 10	(0.4)	-	-	(0.4)	-	-	-	-
Net balance 1 April 2009	0.2	1.9	2.9	5.0	-	-	2.9	2.9
Net balance 31 March 2010	-	0.8	1.5	2.3	-	-	1.5	1.5

Intangible assets

Brand name represents the value attributed to the Experien brand name on acquisition. Windfarms include costs incurred in developing windfarm assets prior to the commencement of the construction. Computer Software comprises the cost of developing a new banking system. All costs acquired separately are measured on initial recognition at cost.

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

22) Investments accounted for using the equity method

Investment in associates	4.6	7.9	6.1	4.4
	4.6	7.9	6.1	4.4

Details of associate	Balance Date	Ownership interest held	Place of incorporation	Principal activity
Rozelle Bay Unit Trust	30 June	22.6%	Australia	Development of a commercial property
Global Ethanol Holdings Limited	30 June	20.5%	Australia	Holding investments in various ethanol plants
Canberra Estates Consortium No 19	30 June	25%	Australia	Development of a residential property
Spinnakers Lake Macquarie	30 June	50%	Australia	Development of a commercial property
Apollo Hotel (land) Pty Limited	30 June	50%	Australia	Development of a commercial property
Apollo Hotel (business) Pty Limited	30 June	50%	Australia	Development of a commercial property
Tall Trees Motel (business) Pty Limited	30 June	50%	Australia	Development of a commercial property
Tall Trees Motel (land) Pty Limited	30 June	50%	Australia	Development of a commercial property
Hotel Townsville Pty Limited	30 June	50%	Australia	Development of a commercial property
Mackenzie Towers	30 June	50%	Australia	Development of a commercial property
Bluewater Development (WA) P/L	30 June	50%	Australia	Development of a commercial property
IPCO Investments Limited	30 June	49.99%	Australia	Development of a commercial property
Experien Insurance Services Pty Limited	30 June	33%	Australia	Insurance broker

There are no significant restrictions on the ability of the associates to transfer funds to the Bank in the form of cash dividends, repayment of loans or advances.

Notes to the Financial Statements

22) Investments accounted for using the equity method

$'m	Viridis Energy Capital Pty Limited	Rozelle Bay Unit Trust	Spinnakers Lake Macquarie	Global Ethanol Holdings Limited	Canberra Estates Consortium No 19	Apollo Hotel (land) Pty Limited	Apollo Hotel (business) Pty Limited
Balance 1 April 2008	-	2.5	0.1	14.0	2.0	0.1	0.1
New investments	-	0.4	-	-	0.2	-	-
Share of profits/(losses)	-	(0.3)	(0.1)	(11.0)	1.0	(0.1)	(0.1)
Share of income tax	-	0.1	-	3.3	(0.3)	-	-
Disposals	-	-	-	-	-	-	-
Goodwill impairment	-	-	-	(6.3)	-	-	-
Balance 31 March 2009	-	2.7	-	-	2.9	-	-
New investments	-	-	-	-	-	-	-
Share of profits/(losses)	-	(1.3)	-	-	2.7	-	-
Share of income tax	-	0.4	-	-	(0.8)	-	-
Disposal	-	-	-	-	(2.6)	-	-
Balance 31 March 2010	-	1.8	-	-	2.2	-	-
Groups proportionate share of assets & liabilities:							
Current assets	0.4	0.1	0.1	12.9	-	0.8	0.1
Non-current assets	-	2.7	4.3	61.6	22.2	3.1	1.0
Current liabilities	(0.3)	(1.0)	(0.1)	(10.8)	-	-	(0.8)
Non-current liabilities	-	-	(4.2)	(46.6)	(19.8)	(4.2)	(0.2)
Net assets/(liabilities) 31 March 2009	0.1	1.8	0.1	17.1	2.4	(0.3)	0.1
Current assets	-	-	0.4	8.6	-	0.5	0.1
Non-current assets	-	2.7	0.1	35.7	6.5	2.8	0.8
Current liabilities	-	(0.1)	(0.3)	(24.3)	-	(0.2)	(0.2)
Non-current liabilities	-	-	-	(16.2)	(2.8)	(4.0)	(0.8)
Net assets/(liabilities) 31 March 2010	-	2.6	0.2	3.8	3.7	(0.9)	(0.1)

Tall Trees Motel (business) Pty Limited	Tall Trees Motel (land) Pty Limited	Hotel Townsville Pty Limited	Mackenzie Towers	Bluewater Development (WA) P/L	IPCO Investments Limited	Experien Insurance Services Pty Limited	Consolidated
0.3	-	0.7	-	-	-	-	19.8
-	-	0.3	0.5	0.3	1.0	-	2.6
(0.3)	-	(0.3)	-	-	(0.6)	-	(11.8)
0.1	-	0.1	-	-	0.2	-	3.5
	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(6.3)
0.1	-	0.8	0.5	0.3	0.6	-	7.9
-	-	0.2	-	-	-	-	0.2
(0.1)	-	(1.5)	-	(0.3)	(0.9)	-	(1.4)
-	-	0.5	-	0.1	0.3	-	0.5
-	-	-	-	-	-	-	(2.6)
-	-		0.5	0.1	-	-	4.6
0.1	1.9	0.1	0.1	1.2	14.8	-	32.6
2.6	1.7	4.3	-	-	10.0	0.2	113.7
(2.0)	(0.3)	(0.2)	(0.1)	-	(14.5)	-	(30.1)
(0.5)	(3.4)	(3.6)	-	-	(5.8)	(0.1)	(88.4)
0.2	(0.1)	0.6	-	1.2	4.5	0.1	27.8
0.1	1.8	0.1	-	1.2	4.5	0.2	17.5
2.6	3.2	4.2	-	-	26.7	-	85.3
-	(0.1)	(0.5)	-	-	(11.0)	-	(36.7)
(2.3)	(5.4)	(3.6)	-	-	(24.4)	(0.2)	(59.7)
0.4	(0.5)	0.2	-	1.2	(4.2)	-	6.4

23) Property, plant and equipment

$'m	Consolidated				Investec Bank (Australia) Limited			
	Leasehold improve-ments	Office equipment & furniture & fittings	Computer equipment	Total	Leasehold improve-ments	Office equipment & furniture & fittings	Computer equipment	Total
At 1 April 2008, net of accumulated depreciation and impairment	5.0	1.9	2.4	9.3	5.0	1.3	2.4	8.7
Additions	1.3	0.7	0.4	2.4	1.3	0.6	0.4	2.3
Reclassification	-	-	1.9	1.9	-	-	1.9	1.9
Disposals	-	(0.2)	-	(0.2)	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Depreciation charge for the year	(0.7)	(0.6)	(0.8)	(2.1)	(0.7)	(0.4)	(0.8)	(1.9)
At 31 March 2009 / 1 April 2009, net of accumulated depreciation and impairment	5.6	1.8	3.9	11.3	5.6	1.5	3.9	11.0
Additions	0.2	0.4	0.7	1.3	0.2	0.4	0.7	1.3
Reclassification	-	-	3.1	3.1	-	-	3.1	3.1
Disposals	(0.1)	(0.1)	(0.2)	(0.4)	(0.1)	(0.1)	(0.2)	(0.4)
Depreciation charge for the year	(0.7)	(0.5)	(1.3)	(2.5)	(0.7)	(0.3)	(1.3)	(2.3)
At 31 March 2010, net of accumulated depreciation and impairment	5.0	1.6	6.2	12.8	5.0	1.5	6.2	12.7
At 31 March 2009								
Cost or fair value	7.9	3.6	8.7	20.2	7.9	2.6	8.7	19.2
Accumulated depreciation and impairment	(2.3)	(1.8)	(4.8)	(8.9)	(2.3)	(1.1)	(4.8)	(8.2)
Net carrying amount	5.6	1.8	3.9	11.3	5.6	1.5	3.9	11.0
At 31 March 2010								
Cost or fair value	8.0	3.5	11.7	23.2	8.0	2.7	11.7	22.4
Accumulated depreciation and impairment	(3.0)	(1.9)	(5.5)	(10.4)	(3.0)	(1.2)	(5.5)	(9.7)
Net carrying amount	5.0	1.6	6.2	12.8	5.0	1.5	6.2	12.7

As at 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009
24) Other assets					
Trade debtors		8.2	9.4	4.0	3.4
Sundry debtors		11.8	9.2	7.1	7.1
Underwriting deposit		-	12.1	-	12.1
Prepayments		1.6	4.2	1.3	1.9
Receivables from related entities		4.9	2.5	4.9	2.3
		26.5	37.4	17.3	26.8
Details of the terms of conditions of related party payables are set out in Note 40					
25) Customer accounts					
On demand and short-term deposits *		507.2	514.5	507.2	514.5
Term deposits *		1,213.4	1,453.7	1,213.4	1,453.7
	(a)	1,720.6	1,968.2	1,720.6	1,968.2
a) The maturity analysis is contained in Note 34					
26) Debt Issued and other borrowed funds					
Interest bearing notes payable *		853.3	906.8	-	-
Debt issued *		1,909.8	1,301.7	1,909.8	1,301.7
Unsecured loans from related entities		20.1	-	20.1	-
Loans from controlled entities		-	-	12.8	5.7
Loans from parent entity		3.0	4.7	3.0	4.7
		2,786.2	2,213.2	1,945.7	1,312.1
• Details of the terms of conditions of related party payables are set out in Note 40 • The maturity analysis is contained in Note 34					
27) Subordinated debt					
Fixed rate subordinated notes *		-	22.3	-	22.3
Floating rate subordinated notes (9.21%) *		20.2	-	20.2	-
Floating rate subordinated notes (5.08%) *		25.2	78.7	25.2	78.7
	(a)	45.4	101.0	45.4	101.0

a) Subordinated notes are subordinated in right of payment to the claims of depositors and all other creditors of the company. Subordinated notes with an original maturity of at least 5 years constitute lower Tier 2 capital as defined by the Australian Prudential Regulation Authority for capital adequacy purposes. These subordinated notes were issued 12 February 2007 ($25 million) maturing August 2015 and 12 February 2010 ($20m) maturing February 2020.

* Items flagged are included in the Concentration of Risk disclosure in the Risk Management section of this report

As at 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009
28) Concentration of risk					
The consolidated entity has an exposure to grouping of individual deposits & debt issuances (including subordinated debt) which concentrate risk and create exposure to particular segments as follows:					
Private client		1,427.6	1,358.0	1,427.6	1,358.0
Corporate and institutional		3,101.5	2,919.7	2,248.2	2,012.9
		4,529.1	4,277.7	3,675.8	3,370.9
29) Other liabilities					
Trade payables		3.6	3.6	2.1	1.9
Other payables		26.1	32.6	15.9	26.5
Employee benefits		27.6	8.6	27.6	8.3
		57.3	44.8	45.6	36.7
30) Share capital					
291,697,616 Ordinary shares fully paid	(i)	291.7	291.7	291.7	291.7
		291.7	291.7	291.7	291.7

(i) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up Investec Australia, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up to shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of Investec Australia.

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

31) Retained earnings

Movements in retained earnings were as follows:				
Balance 1 April	335.2	353.6	332.9	314.1
Net profit for the year	23.3	(2.4)	19.3	34.8
Net income recognised directly to equity	-	-	-	-
Transfer to/from general reserve for credit losses	2.0	(16.0)	2.0	(16.0)
Balance 31 March	360.5	335.2	354.2	332.9

Notes to the Financial Statements

32) Other reserves

$'m	Consolidated				
	Net unrealised gains reserve	Employee benefits reserve	Foreign currency translation reserve	Cash flow hedge reserve	General reserve for credit losses
Balance 1 April 2008	(0.2)	0.9	(1.6)	0.8	17.8
Net unrealised gains / (losses) on available-for-sale investments net of tax effect	(5.1)	-	-	-	-
Impairment of available-for-sale investments net of tax effect	2.4	-	-	-	-
Net unrealised gains / (losses) on foreign exchange net of tax effect	-	-	(5.5)	-	-
Fair value movement on cash flow hedges net of tax effect	-	-	-	(33.2)	-
Transfer from retained Earnings	-	-	-	-	16.0
Balance 31 March 2009	(2.9)	0.9	(7.1)	(32.4)	33.8
Net unrealised gains / (losses) on available-for-sale investments net of tax effect	13.5	-	-	-	-
Impairment of available-for-sale investments net of tax effect	-	-	-	-	-
Net unrealised gains / (losses) on foreign exchange net of tax effect	-	-	5.5	-	-
Fair value movement on cash flow hedges net of tax effect	-	-	-	21.9	-
Transfer to retained Earnings	-	-	-	-	(2.0)
Balance 31 March 2010	10.6	0.9	(1.6)	(10.5)	31.8

Net unrealised gains reserve

This reserve records fair value changes on available-for-sale investments. Also recorded here is the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Amounts are recorded net of tax.

General reserve for credit losses

The general reserve for credit losses represents transfers from retained earnings to meet requirements under relevant banking regulations. We make an appropriation to the general reserve for credit losses for unforeseeable risks and future losses.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

Cash flow hedge reserve

This reserve comprises the portion of gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Employee benefits reserve

The Employee benefits reserve represents equity settled share-based payments in respect of services received from employees.

	Investec Bank (Australia) Limited						
Total	Net unrealised gains reserve	Employee benefits reserve	Foreign currency translation reserve	Cash flow hedge reserve	General reserve for credit losses	Total
17.7	(0.1)	0.9	(1.6)	-	17.8	17.0
(5.1)	(5.4)	-	-	-	-	(5.4)
2.4	2.4	-	-	-	-	2.4
(5.5)	-	-	(5.6)	-	-	(5.6)
(33.2)	-	-	-	0.3	-	0.3
16.0	-	-	-	-	16.0	16.0
(7.7)	(3.1)	0.9	(7.2)	0.3	33.8	24.7
13.5	13.5	-	-	-	-	13.5
-	-	-	-	-	-	-
5.5	-	-	5.5	-	-	5.5
21.9	-	-	-	(2.1)	-	(2.1)
(2.0)	-	-	-	-	(2.0)	(2.0)
31.2	10.4	0.9	(1.7)	(1.8)	31.8	39.6

As at 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009

33) Notes to the statement of cash flow

(a) Reconciliation of profit for the year to net cash flows from operating activities

	2010	2009	2010	2009
Net profit / (loss) before income tax	30.2	(4.4)	20.3	28.5
Net decrease / (increase) in assets at fair value through the Income Statement	(25.9)	3.9	(25.9)	(1.6)
Write off of intangible assets	1.9	-	-	-
Amortisation of leasehold improvements	0.7	0.7	0.7	0.7
Amortisation of intangibles	0.1	0.1	-	-
Asset expense	1.9	1.4	1.6	1.2
Loss on sale property plant and equipment	0.5	0.2	0.4	-
Net loss/(gains) on disposal of available-for-sale investments	(9.0)	0.1	(7.8)	0.1
Net loss/(gains) on disposal of intangible assets	-	(10.0)	-	-
Impairment of available-for-sale investments	-	4.7	-	3.2
Write-off of available-for-sale investments	0.5	7.7	0.5	21.7
Bad debts written off / (recovered)	23.6	34.6	20.2	33.5
Management fees received from subsidiaries	-	-	(8.8)	(8.6)
Dividends received	(1.3)	-	(9.8)	(48.0)
Share of net (gain) / loss of associate accounted for using the equity method	0.9	14.5	-	-
Increase / (decrease) in capitalisation of net fees and interest relating to an integral part of a loan	0.2	7.2	0.2	7.2
Increase / (decrease) in interest payable on deposits	(1.4)	(12.5)	(1.4)	(12.5)
(Increase) / decrease in provision for employee entitlements	18.9	(28.9)	19.3	(28.6)
Decrease/(increase) in net receivables	(1.4)	(16.8)	(0.6)	(15.1)
Decrease/(increase) in prepayments	2.6	0.1	0.6	0.7
(Decrease) / Increase in trade and other creditors	(6.5)	(2.9)	(10.4)	9.5
Increase in provision for impairments	27.1	13.1	25.7	12.2
	63.6	12.7	24.6	4.0

(b) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes money at short call, bills, at call deposits with other financial institutions and settlement account balances with other banks.

		2010	2009	2010	2009
Cash at bank		85.4	53.4	33.2	8.0
Bank bills - with less than three months' maturity		112.5	679.2	112.5	679.2
Short term deposits		38.8	219.1	36.1	214.9
Due from other financial institutions - at call		827.3	0.7	827.3	0.7
Short term deposits with related parties		-	100.2	-	100.2
	(a)	1,064.0	1,052.6	1,009.1	1,003.0

a) Of this balance $ 10 million (2009 $Nil million) relates to a commitment to hold a pool of assets at a quality specified by the RBA in relation to its gold deposit. This pool of assets is classified as a cash equivalent on the basis that it is readily convertible to known amounts of cash and is subject to an insignificant risk of changes in value.

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

33) Notes to the statement of cash flow

(c) Financing facilities

At reporting date, the following financing facilities had been negotiated and were available:

	2010	2009	2010	2009
Total facilities				
- Bank overdraft	-	-	-	-
- Standby facilities	-	-	-	-
- Bill acceptance/discount facilities	10.0	20.0	10.0	20.0
- Securitisation warehouse	905.2	1,093.0	-	-
Facilities used at reporting date				
- Bank overdraft	-	-	-	-
- Standby facilities	-	-	-	-
- Bill acceptance/discount facilities	-	0.3	-	0.3
- Securitisation warehouse	860.0	918.0	-	-
Facilities unused at reporting date				
- Bank overdraft	-	-	-	-
- Standby facilities	-	-	-	-
- Bill acceptance/discount facilities	10.0	19.7	10.0	19.7
- Securitisation warehouse	99.2	175.0	-	-

34) Maturity analysis of assets and liabilities

The following tables analyse the assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. Refer to the Risk Management section of this report for the contractual undiscounted repayment obligations.

	Consolidated						
Maturity period at 31 March 2010 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Not specified	Total
Assets							
Cash and liquid assets	1,060.9	4.7	-	-	-	-	1,065.6
Available-for-sale investments	0.6	-	50.3	839.9	140.7	-	1,031.5
Trading securities	-	-	-	-	-	-	-
Loans and receivables (1)	243.9	259.2	1,108.8	1,291.6	125.2	-	3,028.7
Investments accounted for using the equity method	-	-	-	-	-	4.6	4.6
Other assets	-	-	-	-	-	241.1	241.1
Total assets	1,305.4	263.9	1,159.1	2,131.5	265.9	245.7	5,371.5
Liabilities							
Customer accounts (2)	755.9	550.3	252.9	154.0	7.5	-	1,720.6
Debt issued and other borrowed funds	180.6	225.0	709.7	1,647.5	23.4	-	2,786.2
Other liabilities	-	-	-	-	-	135.9	135.9
Subordinated loans	-	-	25.2	20.2	-	-	45.4
Total liabilities	936.5	775.3	987.8	1,821.7	30.9	135.9	4,688.1

(1) Includes past maturity loans that have been behaviourally spread to reflect the unlikelihood that those loans will berepaid within a month.

(2) Includes substantial "core" deposits that are contractually at call and are represented as such in this disclosure, but history demonstrates such accounts provide a stable source of long term funding.

The above maturity analysis reflects Investec Australia's financial assets and liabilities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of Investec Australia. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity and its exposure to changes in interest rates and exchange rates.

34) Maturity analysis of assets and liabilities

	Consolidated						
Maturity period at 31 March 2009 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Not specified	Total
Assets							
Cash and liquid assets	835.0	219.0	-	-	-	0.1	1,054.1
Available-for-sale investments	-	16.5	76.4	528.1	41.0	-	662.0
Trading securities	-	10.1	-	-	-	-	10.1
Loans and receivables (1)	143.5	294.8	1,105.0	1,221.6	143.7	21.5	2,930.1
Investments accounted for using the equity method	-	-	-	-	-	7.9	7.9
Other assets	-	-	-	-	-	437.1	437.1
Total assets	978.5	540.4	1,181.4	1,749.7	184.7	466.6	5,101.3
Liabilities							
Customer accounts (2)	1,207.0	398.4	232.1	122.7	8.0	-	1,968.2
Debt issued and other borrowed funds	205.0	130.4	688.3	1,171.5	13.1	4.9	2,213.2
Other liabilities	-	-	-	-	-	199.7	199.7
Subordinated loans	-	-	75.8	25.2	-	-	101.0
Total liabilities	1,412.0	528.8	996.2	1,319.4	21.1	204.6	4,482.1

Notes to the Financial Statements

35) Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

As at 31 March $'m	Carrying value 2010	Fair value 2010	Unrecognised Gain/(loss) 2010	Carrying value 2009	Fair value 2009	Unrecognised Gain/(loss) 2009
Financial assets						
Cash and liquid assets	1,065.6	1,065.6	-	1,054.1	1,054.1	-
Derivative financial instruments	66.6	66.6	-	221.8	221.8	-
Financial investments - available-for-sale	1,031.5	1,031.5	-	662.0	662.0	-
Financial assets held for trading	-	-	-	10.1	10.1	-
Loans and advances to customers	3,028.7	2,945.6	(83.1)	2,930.1	2,915.3	(14.8)
Financial liabilities						
Customer accounts	1,720.6	1,720.6	-	1,968.2	1,968.2	-
Derivative financial instruments	78.6	78.6	-	154.5	154.5	-
Debt issued and other borrowed funds	2,786.2	2,786.2	-	2,213.2	2,206.4	(6.8)
Subordinated loans	45.4	45.4	-	101.0	101.2	0.2
Total unrecognised change in unrealised fair value			(83.1)			(21.4)

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

Assets of which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to all Private client deposits without a specific maturity, government guaranteed exposures and variable rate financial instruments.

Fixed rate financial instruments

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

As at 31 March		Consolidated		Investec Bank (Australia) Limited	
$'m		2010	2009	2010	2009

36) Commitments and contingencies

Operating lease commitments - As lessee					
- not later than one year		6.2	9.7	6.2	9.7
- later than one year and not later than five years		12.2	17.6	12.2	17.6
- longer than five years		1.4	2.1	1.4	2.1
	(a)	19.8	29.4	19.8	29.4
Operating lease commitments - As lessor					
- not later than one year		1.1	4.2	1.1	4.2
- later than one year and not later than five years		-	1.1	-	1.1
- longer than five years		-	-	-	-
		1.1	5.3	1.1	5.3
Capital commitments					
- not later than one year		0.8	2.1	0.4	2.1
- later than one year and not later than five years		-	-	-	-
		0.8	2.1	0.4	2.1

There are no restrictions imposed on the lease of space other than those forming part of the negotiated lease arrangements for each specific premise.

a) The commitment is mainly in respect of an operating lease arrangement entered into for the rental of office space in The Chifley Tower, Sydney.

Guarantees and commitments to provide credit

Investec Bank (Australia) Limited is involved in a range of transactions that give rise to contingent and/or future liabilities. These transactions meet the financing requirements of customers and include guarantees and commitments to provide credit.

These transactions combine varying levels of credit, interest rate and liquidity risk. In accordance with Investec Australia's policy, exposure to any of these transactions is not carried at a level that would have a material effect on the financial condition of Investec Australia.

Details of contingent liabilities and off balance sheet business (excluding derivatives) are:

	Consolidated			
As at 31 March	Carrying Amount		Credit Equivalent	
$'m	2010	2009	2010	2009
Guarantees entered into in the normal course of business	66.9	60.6	66.9	60.6
Commitments to provide credit:				
- One year or less	64.6	246.8	64.6	160.3
- Over one year	148.1	-	74.2	-
	279.6	307.4	205.7	220.9

36) Commitments and contingencies

Guarantees represent unconditional undertakings by Investec Bank (Australia) Limited to support the obligations of its customers to third parties.

Commitments to provide credit include all obligations on the part of Investec Bank (Australia) Limited to provide credit facilities.

The transactions are categorised and credit equivalents calculated under APRA guidelines for the risk based measurement of capital adequacy.

The credit equivalent exposure from direct credit substitutes (guarantees) is the face value of the transaction. The exposure to commitments to provide credit is calculated by applying given credit conversion factors to the face value to reflect the duration, the nature and the certainty of the contractual undertaking to provide the facility.

Where the potential loss depends on the performance of a counterparty, Investec Bank (Australia) Limited utilises the same credit policies and assessment criteria for off balance sheet business as it does for on balance sheet business and if it is deemed necessary, collateral is obtained based on management's credit evaluation of the counterparty. If a probable loss is identified, suitable provisions are raised.

Remuneration commitments

Investec Bank (Australia) Limited has a commitment to make certain performance based payments in future years to two former employees. A provision of $2.7 million has been recognised in these financial statements ($0.5m as at 31 March 2009).

Legal claims

There are no outstanding material legal claims as at 31 March 2010.

37) Events after the balance date

There have been no significant events which have occurred subsequent to 31 March 2010.

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'m	2010	2009	2010	2009

38) Fiduciary activities

The Consolidated Entity conducts investment management and other fiduciary activities for numerous investment funds and trusts. The aggregate amounts of funds concerned, which are not included in the Consolidated Entity's balance sheet, are as follows:				
Funds under advice	625.7	495.8	-	-
Funds under management	852.8	806.7	-	-
Funds managed and committed	1,478.5	1,302.5	-	-

As at 31 March	Consolidated		Investec Bank (Australia) Limited	
$'000	2010	2009	2010	2009

39) Auditor's remuneration

The auditor of Investec Bank (Australia) Limited is Ernst & Young. The following amounts were paid to the auditors:				
• Audit fees	932	828	846	828
• Audit related fees	188	375	151	375
• Tax fees	451	348	194	348
• Other services	25	-	405	-
	1,596	1,551	1,896	1,551
Audit Fees by audit firm:				
Ernst & Young	1,596	1,551	1,840	1,551
	1,596	1,551	1,896	1,551

The Audit and Compliance Committee has considered the non-audit services provided by the auditors and is satisfied that the services and the level of fees are compatible with maintaining the auditor's independence.

Audit fees consist of fees for the audit of the annual consolidated financial statements of Investec Australia, the audit of the annual financial statements of Investec Bank (Australia) Limited and each of its controlled entities that are required to prepare financial statements and review and audit opinions to the head office auditor of the ultimate controlling entity.

Audit-related fees consist of (i) fees for services required by statute or regulation that are reasonably related to the performance of the audit or review of the financial statements and which are traditionally performed by the external auditor, and (ii) fees for other assurance services reasonably related to the audit or review of the financial statements, including accounting and regulatory consultations.

Tax fees consist of fees for tax advisory and tax compliance services.

Ernst & Young are also auditors of a number of funds and trusts that Investec Australia conduct investment management and other fiduciary activities. These funds and trusts are not consolidated into the Consolidated Entity's balance sheet. The audit fees for these funds and trusts in the period were $312,000 (2009: $229,000).

40) Related party disclosure

The consolidated financial statements include the financial statements of Investec Bank (Australia) Limited and the subsidiaries listed in the following table. All subsidiaries have the same reporting year end as the parent entity.

As at 31 March		% Beneficial Interest		Investment ($)	
Name	Country of incorporation	2010	2009	2010	2009
Investments					
Parent Entity:					
Investec Bank (Australia) Limited	Australia	-	-	-	-
Subsidiaries of Investec Bank (Australia) Limited:					
Wentworth Associates Pty Limited	Australia	100%	100%	64,176,015	64,176,015
Investec Wentworth Pty Limited	Australia	100%	100%	-	-
Investec Wentworth Private Equity Limited	Australia	100%	100%	5	5
IWPE Nominees Pty Limited	Australia	100%	100%	12	12
Investec Australia Direct Investments Pty Limited	Australia	100%	100%	12	12
Investec Property Limited	Australia	100%	100%	5,000,000	5,000,000
Investec Private Advisers Pty Limited	Australia	100%	100%	862,456	862,456
Dartgrove Pty Limited	Australia	100%	100%	24	24
Investec Australia Funds Management Limited	Australia	100%	100%	100	100
Investec (Australia) Investment Management Pty Limited	Australia	100%	100%	100	100
Investec Experien Pty Limited	Australia	100%	100%	31,679,609	31,679,609
Experien Securitisation Trust	Australia	100%	100%	-	-
Experien Securitisation Trust No. 2	Australia	100%	100%	-	-
Experien Securitisation Trust No. 3	Australia	100%	100%	-	-
Experien Warehouse Trust	Australia	100%	100%	-	-
Impala Trust No. 1	Australia	100%	100%	-	-
Nyala Trust	Australia	100%	100%	-	-
Experien Nominees Pty Limited	Australia	100%	100%	-	-
MSN 1438 Pty Limited	Australia	100%	100%	2	2
Investec Power Holdings Pty Ltd	Australia	100%	100%	-	-
Mannum PowerCo Pty Ltd	Australia	100%	100%	100	100
Collgar Wind Farm Pty Ltd	Australia	-	100%	-	-
Tungkillo PowerCo Pty Ltd	Australia	100%	100%	-	-
Investec Securities Australia Pty Ltd	Australia	100%	-	2,000,000	-
Total investments in controlled entities				103,718,435	101,718,437
Notes Issued					
Impala Trust No. 1				36,382,983	41,817,538
Total notes issued by controlled entities				36,383,983	41,817,538

Investec Bank (Australia) Limited's ultimate Australian parent entity is Investec Holdings Australia Limited. Its ultimate parent is Investec plc, incorporated in the United Kingdom.

40) Related party disclosure

The following provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Wholly owned group transactions

Loans

1. Interest free loans were made between Investec Bank (Australia) Limited to wholly owned subsidiaries with no fixed repayment date.

2. On entering into tax consolidation, interest free loans were made between Investec Holdings Australia Limited (parent entity) and its subsidiaries (Investec Australia) with no fixed repayment date.

3. Investec Bank (Australia) Limited has provided Investec Experien Pty Limited a variable line of credit. Balance as at 31 March 2010 is $7,277,347 (2009: $6,926,625). The facility is at normal commercial terms. $502,894 interest was earned on the facility.

Management fees

1. Investec Bank (Australia) Limited receives management fees from wholly owned subsidiaries in respect of services provided by personnel employed by the Chief Entity.

Other related party transactions

Related party	Balance Mar 10	Balance Mar 09	Interest rate	Term	Interest expense/ (income) Mar 10	Interest expense Mar 09
Investec Limited (current account)	$(4,102,807)	$(1,985,864)	-	no fixed repayment date	-	-
Investec Bank Mauritius	-	-	-	90 day term USD facility	-	$64,864
Investec Bank Mauritius	-	-	-	90 day term	-	$304,350
Investec Bank Mauritius	$1,564,814	-	8.12%	CDS Deposit	$79,788	-
Investec Bank Mauritius	$5,000,000	-	9.12%	CDS Deposit	$146,042	-
Investec Bank Mauritius	$13,580,805	-	11.12%	CDS Deposit	$522,969	-
Investec Bank Mauritius	$1,188,417	-	2.50%	CDS Deposit	$1,295	-
Investec 1 Limited	$13,000,000	-	9.21%	Subordinated Debt	157453	-
Investec Asset Management UK Limited (current account)	$(70,064)	$(1,056)	-	no fixed repayment date	-	-
Investec Bank Plc (current account)	$(678,203)	$(459,151)	-	no fixed repayment date	-	-
Investec Bank Plc	$17,136,657	-	0.65%	Repo deposit	$1,111	-
Investec Bank Plc	$8,238,778	-	0.65%	Repo deposit	$534	-
Investec Bank Plc	-	$(100,151,370)	4.00%	10 day Notice deposit	-	$(151,370)
Investec Bank Plc	-	$170,008	17.76%	semi-annual coupon	-	$170,008
Investec Bank Plc	$3,032,967	$4,624,675	6.18%	10 year amortising loan - started in 2002 financial year.	$255,053	$327,630

40) Related party disclosure

Loans to associates

Related party	Balance Mar 10	Balance Mar 09	Interest rate	Original term
Global Ethanol Holding Limited	$21,407,856	$21,407,856	0.00%	6 year Interest free facility
Canberra Estates Consortium No 19	-	$3,915,920	8.21%	3 year interest capitalising facility
Spinnakers Lake Macquarie	$1,579,997	$1,580,000	10.04%	2 year interest only facility
Spinnakers Lake Macquarie	$1,080,356	$998,817	10.19%	2 year interest only facility
Apollo Hotel (land) Pty Limited	$1,076,838	$976,838	10.05%	2 year interest only facility
Apollo Hotel (land) Pty Limited	$819,833	$759,189	10.20%	2 year interest only facility
Apollo Hotel (business) Pty Limited	$230,000	$230,000	10.05%	2 year interest only facility
Apollo Hotel (business) Pty Limited	$238,016	$220,410	10.20%	2 year interest only facility
Tall Trees Motel (business) Pty Limited	$649,062	$649,062	10.13%	2 year interest only facility
Tall Trees Motel (business) Pty Limited	$430,785	$399,598	10.28%	2 year interest only facility
Tall Trees Motel (land) Pty Limited	$197,306	$183,022	10.28%	2 year interest only facility
Tall Trees Motel (land) Pty Limited	$300,000	$300,000	10.13%	2 year interest only facility
Hotel Townsville Pty Limited	-	$1,548,000	6.11%	2 year interest only facility
IPCO Investments Pty Ltd	$10,149,133	$14,514,292	6.38%	2 year interest capitalising facility

Credit Linked Notes

Investec Bank (Australia) Limited holds unfunded Credit Linked Notes issued by Investec Bank Plc of A$32,383,251. The Credit Linked Notes issued indemnify Investec Bank (Australia) Limited against A$32,383,251 of the A$72,514,899 exposure on three specific loan facilities provided to lending clients. Investec Bank (Australia) Limited pays a fee to Investec Bank Plc calculated as a percentage of the value of Credit Linked Notes issued.

Derivatives

Investec Bank (Australia) Limited entered into an interest rate swap and commodity averaging contracts with Investec Bank Plc valued at a negative market value of AUD265,658 (2009: positive market value of AUD 11,259,532).

Investec Bank (Australia) Limited (IBAL) entered into Credit Default Swap agreements with Investec Bank Mauritius (IBM) during the year. IBM is taking the credit risk exposure on three separate junior notes in the Experien Impala Trust (C note: $1,564,814; D note: $5,000,000 and E note: $13,580,805). IBM maintains a USD deposit account with IBAL equal to the AUD CDS balance ($20,145,620). A coupon payment is payable for the CDS balance on a monthly basis to IBM until the CDS expiry. IBM has also taken 12/42 (capped at A$12,000,000) of IBAL's total exposure to Holdmark Finance Co. IBM maintains a USD deposit account with IBAL equal to the AUD CDS balance $1,188,417. A coupon payment is payable for the CDS balance on a monthly basis to IBM until the CDS expiry.

41) Director and relevant executive disclosure

(a) Details of directors and relevant executives

Directors	
David Gonski	Chairman
Geoffrey Levy	Deputy Chairman
David Clarke	Chief Executive Officer (CEO), appointed 1 July 2009
Alan Chonowitz	Deputy CEO and Chief Financial Officer
John Murphy	Executive Director
Bradley Tapnack	Non -Executive Director
Kate Spargo	Non-Executive Director
Peter Thomas	Non-Executive Director
Richard Longes	Non-Executive Director
Robert Mansfield	Non-Executive Director
Stephen Koseff	Non-Executive Director
Brian Schwartz	Former CEO, Resigned 31 March 2009

Certain directors are directors of other companies in the Investec plc and Investec Limited Group.

(b) Compensation of directors and relevant executives

	Consolidated		Investec Bank (Australia) Limited	
As at 31 March	2010	2009	2010	2009
Short-term employee benefits	6,444,274	4,423,077	6,444,274	4,423,077
Post-employment benefits	238,955	374,974	238,955	374,974
Other long-term benefits	38,995	(33,978)	38,995	(33,978)
Termination benefits	-	-	-	-
Share-based payments	1,038,179	1,636,174	1,038,179	1,636,174
	7,760,403	6,400,248	7,760,403	6,400,248

(c) Loans and guarantees to directors and relevant executives

Guarantees

Related party	Balance Mar 10	Balance Mar 09	Term
Alan Chonowitz	$130,000	-	Normal commercial terms, fully cash backed

41) Director and relevant executive disclosure

(c) Loans and guarantees to director and relevant executives

Loans

Related party	Balance Mar 10	Balance Mar 09	Average Interest rate	Facility Limit	Term
Alan Chonowitz	$2,196,911	$2,820,906	6.58%	$4,641,875	Normal commercial terms
Alan Chonowitz	$159,701	$159,701	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
APM Enterprises Pty Ltd (1)	$189,731	$189,768	7.31%	$300,000	Normal commercial terms
APM Enterprises Pty Ltd (1)	$485,000	$535,786	10.00%	$2,250,000	Non recourse loan
Brian Schwartz	$159,701	$159,701	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Brian Schwartz	$672,064	$683,464	6.65%	$3,000,000	Normal commercial terms
David Gonski	$159,701	$159,701	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Eminence Grise Pty Limited (6)	250,000	$226,486	8.48%	$250,000	Normal commercial terms
GDL Investments Pty Ltd (2)	$767,109	$1,029,054	6.15%	$1,100,000	Normal commercial terms
Geoffrey Levy	$159,701	$159,701	0.00%	$159,701	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Gooinda Pty Limited (3)	$738,183	$1,338,021	7.16%	$2,100,000	Normal commercial terms
John Murphy	$1,217,717	$3,371,568	6.53%	$1,450,000	Normal commercial terms
John Murphy	$144,000	$144,000	0.00%	$144,060	Interest free, 3 yr bullet non-revolving cash advance facility (4)
Tuwele Pty Limited (5)	$1,944,000	$2,14 1,168	10.00%	$9,000,000	Non recourse loan

1) John Murphy's wife is a director of APM Enterprises Pty Limited.

2) Geoffrey Levy is a director of GDL Investments Pty Limited.

3) Brian Schwartz is a director of Gooinda Pty Limited.

4) Loan provided in connection with and part of the Investec Group's long term incentive plan.

5) John Murphy is a director of Tuwele Pty Limited.

6) Kate Spargo is a director of Eminence Grise Pty Limited.

42) Financial risk management

Key risks

- Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients
- Liquidity risk may impair our ability to fund our operations
- Our net interest earnings and net asset value may be adversely affected by interest rate risk
- Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways
- We may be unable to recruit, retain and motivate key personnel
- Employee misconduct could cause harm that is difficult to detect
- Operational risk may disrupt our business or result in regulatory action
- We may be vulnerable to the failure of our systems and breaches of our security systems
- We may have insufficient capital in the future and may be unable to secure additional financing when it is required
- The financial services industry in which we operate is intensely competitive
- Legal and regulatory risks are substantial in our businesses
- Reputational and strategic risk

The sections that follow provide information on the main risks the entity faces - credit, liquidity and market risk.

For further information pertaining to the management and monitoring of financial risks, refer to the Risk Management section of this report set out on page 17 – 50.

Credit risk

Credit 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.

To manage, measure and mitigate credit risk, we have an independent credit function and committee, which operate under Board approved delegated limits, policies and procedures. These are consistent with those of the Investec Group and comply with the prudential standards issued by the Australian Prudential Regulatory Authority.

The credit function has significant interaction with Group Credit, which includes the requirement for Group Credit approval for all transactions outside of local delegated limits. Regular credit reporting to Group Risk management for a and periodic on site credit reviews by members of Group Credit. There is a high level of executive and non-executive involvement in credit decision making forums. All decisions to enter a transaction are based on unanimous consent.

We use the following fundamental principles to manage credit risk:

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

42) Financial risk management

Credit risk – maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Consolidated $'m	31 March 2010	31 March 2009
On balance sheet exposures	5,218.1	4,867.5
Debt instruments - Non Sovereign (NCDs, bonds held, MBSs)	1,110.3	1,307.9
Bank placements (including Sovereign, government placements)	943.1	257.7
Loans and advances to customers	3,088.1	2,962.4
Trading exposures (positive fair value excluding potential future exposures)	76.6	222.3
Inter-group assets	-	117.2
Off balance sheet exposures	279.6	307.4
Guarantees entered into in the normal course of business	66.9	60.6
Commitments to provide credit	212.7	246.8
Total gross exposures pre collateral or other credit enhancements	5,497.7	5,174.9

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Investec Australia's credit risk is predominantly focussed on the Australian market with in excess of 95% of committed exposures to this geography.

Risk concentration of the maximum exposure to credit risk

Consolidated $'m	31 March 2010	31 March 2009
Private Bank, professional and HNW individuals	3,039.1	2,828.4
Agriculture	3.6	77.3
Electricity, gas and water (utility services)	124.1	91.2
Public and non-business services	827.3	0.4
Finance and insurance	1,177.9	1,845.4
Real estate	114.1	-
Manufacturing and commerce	23.7	13.0
Mining and resources	129.3	230.3
Leisure, entertainment and tourism	5.1	8.7
Transport and communication	53.5	80.2
	5,497.7	5,174.9

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty and the requirements of the relevant credit committee. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The bulk of collateral taken is within the Private Bank division which makes up a substantial portion of our on balance sheet assets. This tends to be residential and commercial real estate. Other forms of security are cash, motor vehicles, cash and shares.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during the adequacy of the allowance for impairment losses.

It is the Investec Australia's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, we do not occupy repossessed properties for business use.

Collateral given - The carrying amount of securities sold under agreements to repurchase at 31 March 2010 was $32 million which were classified available-for-sale (Note 14). The counterparty is allowed to sell or repledge those securities in the absence of default by the Bank.

Collateral received - The Bank received collateral of $32.4m of credit linked notes. Refer to Note 40 for details.

42) Financial risk management

Asset quality of non-impaired banking assets

The table below provides details of the categorisation of on balance sheet banking assets for which Investec Australia rates individual exposures. The basis used for determining grading of non-impaired banking assets are:

Performing – graded 1 to 6	- Facilities graded 1-6 inclusive of all Experien Group facilities (equivalent to S&P AAA -> B-)
Performing – graded 7 and above	- Facilities graded 7 and above (equivalent to S&P CCC -> C)
Un-graded	- Grading not yet determined

	Neither past due nor impaired			
Consolidated $'m	Performing – graded 1 to 6	Performing – graded 7 and above	Un-graded	Total
As at 31 March 2010:				
Financial investments - available-for-sale	1,003.2	-	28.3	1,031.5
Loans and advances to customers	2,024.3	625.2	-	2,649.5
Investments accounted for using the equity method	-	-	4.6	4.6
As at 31 March 2009:				
Financial investments - available-for-sale	618.6	-	43.4	662.0
Loans and advances to customers	2,178.7	416.8	-	2,595.5
Investments accounted for using the equity method	-	-	7.9	7.9

Aging analysis of past due but not impaired assets

Consolidated $'m	1 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	>365 days	Total
31 March 2010							
Private Bank, professional and HNW individuals	24.3	32.9	13.2	4.5	84.5	97.6	257.1
Corporate sector	-	-	-	1.0	0.8	1.9	3.7
	24.3	32.9	13.2	5.5	85.3	99.5	260.8
31 March 2009							
Private Bank, professional and HNW individuals	10.6	22.6	19.6	63.5	77.8	46.7	240.8
Corporate sector	1.4	-	0.5	0.9	-	-	2.8
	12.0	22.6	20.1	64.4	77.8	46.7	243.6

Impairment assessment

Impaired facilities include any facility (on balance sheet or off balance sheet) where there is doubt over the timely collection of the full amounts of cash flows contracted to be received by Investec Australia.

As a minimum, the following events constitute doubt and require a facility to be regarded as impaired.

- a facility 90 days past due unless otherwise well secured
- an entity to which facilities have been provided is subject to administration or bankruptcy proceedings, unless the facilities are otherwise well secured
- a write off has been taken on the facility even if the facility is not in breach of contractual requirements. This does not apply in the case of some restructured facilities and assets acquired through enforcement of security; and
- with respect to off-balance sheet facilities Investec Australia is unlikely to receive timely payment of the full amounts which it has exchanged or is contracted to advance

Consolidated $'m	31 March 2010	31 March 2009
Gross core loans and advances to customers that are impaired	177.8	123.3
Collateral and other credit enhancements	(121.9)	(91.4)
Specific impairments	(57.4)	(32.3)
Net impaired loans and advances to customers (limited to zero)	-	-

42) Financial risk management

Liquidity risk

Liquidity risk is the risk that we have insufficient capacity to fund contracted 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.

A key component of our liquidity management framework is assumptions-based planning and scenario modelling to estimate the funding requirement to meet expected growth. Anticipated on- and off-balance sheet cash flows are subjected to a variety of scenarios in order to evaluate the impact of both likely outcomes and unlikely but plausible events on liquidity positions. Scenarios and liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under both normal and stressed conditions. Operationally the preparation of cash flow projections (for assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch are translated into short- and long-term funding strategies. 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 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 authority, namely APRA.

Analysis of financial liabilities by remaining undiscounted contractual flows

	Consolidated					
As at 31 March 2010 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Liabilities						
Customer accounts	763.7	542.8	271.8	173.6	10.9	1,762.8
Derivative financial instruments	16.3	22.7	45.5	52.6	9.4	146.5
Debt issued and other borrowed funds	187.2	296.3	822.4	1,919.2	0.8	3,225.9
Subordinated loans	-	0.8	26.9	28.7	-	56.4
Total liabilities	967.2	862.6	1,166.6	2,174.1	21.1	5,191.6

	Consolidated					
As at 31 March 2009 $'m	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Liabilities						
Customer accounts	1,000.2	394.1	442.0	157.1	9.2	2,002.7
Derivative financial instruments	16.8	1.7	65.8	48.1	18.5	150.9
Debt issued and other borrowed funds	217.2	152.6	845.5	1,320.4	16.7	2,552.3
Subordinated loans	0.0	1.6	77.5	25.5	0.0	104.5
Total liabilities	1,234.2	549.9	1,430.7	1,551.2	44.4	4,810.4

42) Financial risk management

Market risk

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.

Traded market risk

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 to our clients, arbitrage, and investments in the commodity, foreign exchange, equity, capital and money markets. The focus of these businesses is on supporting client activity. Our philosophy is that trading should be conducted largely to facilitate clients in deal execution.

Measurement techniques used to quantify the market risk arising from our trading activities include sensitivity analysis and Value at Risk (VaR). Stress testing is also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored at the 95% confidence interval. 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 exceeds the one-day VaR, a "back testing breach" is considered to have occurred. There were three back testing breaches for the past financial year, predominantly due to continued high volatility in interest rate markets.

VaR is calculated using a historical simulation model based on the latest 510 business days of unweighted historical rates data.

Consolidated $'m	31 March 2010	31 March 2009
VaR 99% (one-day)		
Position	0.009	0.006
Option	-	0.008
Interest Rate	0.146	0.052
Consolidated	0.154	0.066
High	0.230	0.307
Low	0.069	0.060
Average	0.141	0.139

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the investment portfolio.

The effect on equity due to a reasonably possible change in equity indices held over a one year time horizon with all other variables held constant, is as follows:

	Change in equity price	Effect on equity	Change in equity price	Effect on equity
	2010	2010	2009	2009
	%	$'m	%	$'m
Market Indices				
ASX small cap	+ / - 49.3	6.4 / (6.0)	+ / - 72.3	3.7 / (2.3)

42) Financial risk management

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 interest rate risk include 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.

We utilise a number of measures to monitor and control interest rate risk in the Banking Book, including static gap analysis, % of a balance sheet limits, Earnings at Risk measures and limits, and Economic Value at Risk (EVaR) sensitivity.

Non-traded interest rate risk is stress tested on a monthly basis utilising an Economic Value at Risk sensitivity. The calculation involves measuring the present value of cashflows in the Banking Book, then recalculating the present value of cashflows having stressed the interest rate curve by 2%. The difference between the two is the measured EVaR.

The table below shows the stress sensitivity to interest rates in the Banking Book utilising EVaR:

Consolidated $'m	High for the year Mar 10	Low for the year Mar 10	Average for the year Mar 10	As at Mar 10	High for the year Mar 09	Low for the year Mar 09	Average for the year Mar 09	As at Mar 09
Economic Value at Risk	4.4	0.1	2.0	1.4	5.2	0.0	1.8	1.9

The Banking Book constitutes all assets balance sheet including (but not limited to) loans, investments, deposits, debt securities issued etc. but excluding those exposures that are arising specifically within the trading book.

Investec Australia's interest sensitivity to earnings risk (EAR) and economic value exposure (EVAR) in relation to the Experien Trusts arises in relation to various note holdings that we have in these Trusts. These notes are liabilities of the relevant trusts and treated as assets in the balance sheet. As the notes form part of the assets in the balance sheet they are treated in the same manner and using the same methodologies as are used for all assets in the Banking Book the calculation of the EAR and EVAR.

We also measure, on a monthly basis, the stress sensitivity of earnings to interest rate movements, utilising an Earnings at Risk sensitivity. The calculation involves the measuring of the static interest rate repricing gaps arising as a result of the varying interest rate repricing characteristics of assets, liabilities and capital, and the impact, over a 12 month period, of a 2% interest rate movement on earnings arising from the static gap position

The table below shows the stress sensitivity to interest rates in the Banking Book utilising the EAR methodology as described above.

Consolidated $'m	High for the year Mar 10	Low for the year Mar 10	Average for the year Mar 10	As at Mar 10	High for the year Mar 09	Low for the year Mar 09	Average for the year Mar 09	As at Mar 09
Earnings at Risk	10.9	0.9	6.0	10.9	11.3	6.2	8.3	7.6

43) Capital management

The management of the capital at our disposal is paramount to our success. Strategically, we focus on ensuring that we only enter business activities that are expected to earn appropriate returns on our capital and satisfy the demands of our shareholders. Our objective is to increase shareholder value through a discipline that links capital allocation and structuring, performance measurement, investment decisions, risk management and capital-based incentive compensation into one integrated framework. The Board of directors are ultimately responsible for capital management. At the highest level, the Board has, through the Investec Board Australian Risk and Capital Committee, delegated direct responsibility for capital management to the Investec Australia Capital Committee to oversee the components contributing to effective control and use of capital.

Investec Australia has also implemented (in line with the wider Investec Group) a three year capital planning framework as a mechanism to achieve effective forecasting and management of capital demands over the medium term under both expected conditions and positive and negative stress scenarios.

In accordance with market convention, during the year Investec Australia called and redeemed $75m of subordinated debt, and undertook new issuance of $20m of subordinated debt which qualifies as Tier 2 Regulatory Capital.

Investec Australia is well capitalised and capital adequacy ratios exceed the minimum regulatory requirements.

44) Share based payment plans

The Investec Group operates internationally through a Dual Listed Company structure ("DLC"). Investec plc, the Group's ultimate parent company, is listed on the London Stock Exchange. Investec Limited is listed on the Johannesburg Securities Exchange. Investec plc and Investec Limited are linked by the DLC.
The employees of the Group in Australia are eligible to participate in the employee share schemes operated by Investec plc and Investec Limited. These schemes operate on an equity settled basis and were created to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance, and to provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the Group. From the perspective of Investec Bank (Australia) Limited and it's consolidated Group, share based payments are reimbursed through cash settlement back to the issuing entity.
There are two types of plans in which employees may participate:

Security purchase and options plans

Investec plc or Investec Limited grant share options to selected Company employees. The exercise price of the options is equal to the market price of the shares on the date of grant. The options vest in tranches of 25% on each of the second, third, fourth and fifth anniversary of grant.The portion of options granted under these plans that have not been exercised lapse as follows:

- Investec plc Share Option Plan 2002 (unapproved plan) - on expiry of 90 days after each vesting date
- Investec Limited Security Purchase and Option Scheme 2002 Trust - on expiry of 90 days after each vesting date
- Investec Limited Security Purchase and Option Scheme Trust- on the 10th anniversary of the grant

Long Term Share Incentive Plans

Investec plc or Investec Limited grant share options to selected Company employees. There is a zero exercise price of the options and they vest in tranches of 75% in year 4 and 25% in year 5.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 9 (a).
The exercise price range and weighted average remaining contractual life for options outstanding at 31 March 2010, were as follows:

Exercise price range	£0 - £4.99
Weighted average remaining contractual life	2.89 years

The fair value of options granted were calculated using a Black-Scholes option pricing model. For options granted during the period, the inputs were as follows;

	2010	2009
Share price at date of grant	£3.20 - £4.36	£2.60 - £3.02
Exercise price	£0	£0
Expected volatility	33% - 45%	34% - 45%
Option life	5 Years	5 - 5.25 Years
Expected dividend yield	3.97%	11.55% - 11.95%
Risk-free rate	2.14% - 8.55%	2.84% - 6.12%

44) Share based payment plans

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

Investec plc Share Option Plan 2002 (unapproved plan)	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	50,459	£ 2.80	218,335	£ 2.40
Granted during the year	-	£ 0.00	-	£ 0.00
Re-allocation of employees during the year	1,440	£ 4.99	12,500	£ 2.39
Exercised during the year	(36,729)	£ 2.52	(67,216)	£ 2.15
Lapsed during the year	(6,910)	£ 3.71	(113,160)	£ 2.34
Outstanding at the end of the year	8260	£ 3.65	50,459	£ 2.80
Exercisable at the end of the year	-	£ 0.00	2,500	£ 3.41

Investec Limited Security Purchase and Option Scheme 2002 Trust	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	1,644	R 31.06	2,871	R 29.55
Granted during the year	-	R -	-	R 0.00
Re-allocation of employees during the year	250	R 33.93	6,201	R 23.30
Exercised during the year	(1,524)	R 25.86	(7,238)	R 23.20
Lapsed during the year	(190)	R 54.41	(190)	R 54.41
Outstanding at the end of the year	180	R 54.41	1,644	R 31.06
Exercisable at the end of the year	-	R -	-	R -

Investec Limited Share Incentive Plan - Nil Cost Option	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	145,705	R -	105,860	R -
Granted during the year	-	R -	-	R -
Re-allocation of employees during the year	278,550	R -	57,500	R -
Exercised during the year	(211,313)	R -	(17,655)	R -
Lapsed during the year	(5,235)	R -	-	R -
Outstanding at the end of the year	207,707	R -	145,705	R -
Exercisable at the end of the year	-	R -	-	-

44) Share based payment plans

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

Investec Group Limited Share Option Plan	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	2,220	£ 3.04	2,220	£ 3.04
Granted during the year	-	£ 0.00	-	£ 0.00
Re-allocation of employees during the year	-	£ 0.00	-	£ 0.00
Exercised during the year	(2,220)	£ 3.04	-	£ 0.00
Lapsed during the year	-	£ 0.00	-	£ 0.00
Outstanding at the end of the year	-	£ 0.00	2,220	£ 3.04
Exercisable at the end of the year	-	£ 0.00	2,220	£ 3.04

Investec Limited Security Purchase & Option Scheme Trust Plan - Nil Cost Option	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	686,450	R 42.93	733,550	R 42.46
Granted during the year	-	R 0.00	-	R 0.00
Re-allocation of employees during the year	15,000	R 33.32	-	R 0.00
Exercised during the year	(156,935)	R 44.85	(38,900)	R 34.35
Lapsed during the year	(20,000)	R 46.02	(8,200)	R 50.18
Outstanding at the end of the year	524,515	R 41.83	686,450	R 42.83
Exercisable at the end of the year	524,515	R 41.83	686,450	R 42.46

Investec 1 Limited Share Incentive Plan - Nil Cost Option	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	3,810,870	£ -	3,576,717	£ -
Granted during the year	2,603,100	£ -	492,650	£ -
Re-allocation of employees during the year	42,500	£ -	59,800	£ -
Exercised during the year	(890,173)	£ -	(190,042)	£ -
Lapsed during the year	(58,165)	£ -	(128,255)	£ -
Outstanding at the end of the year	5,508,132	£ -	3,810,870	£ -
Exercisable at the end of the year	1,750	£ -	6,750	£ -

Directors' Declaration

In accordance with a resolution of the Directors of Investec Bank (Australia) Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2010 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

David Clarke

Director
Sydney
11 June 2010

Alan Chonowitz

Director
Sydney
11 June 2010

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the member of Investec Bank (Australia) Limited

Report on the Financial Report

We have audited the accompanying financial report of Investec Bank (Australia) Limited, which comprises the statement of financial position as at 31 March 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Investec Bank (Australia) Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Investec Bank (Australia) Limited and the consolidated entity at 31 March 2010 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

Steve Ferguson
Partner
Sydney
11 June 2010