Investec Limited Group and Company Annual Financial Statements 2010

Out of the Ordinary®

Investec

Specialist Bank and Asset Manager

CONTENTS

Investec in perspective

ENTREPRENEURIAL

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Who we are

Investec (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.

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

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

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

What we do

We are organised as a network comprising 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.

Values

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

Distinctive Performance

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

Dedicated Partnership

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Mission statement

We strive to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values

Philosophies

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

Overview of Investec's and Investec Limited's organisational structure

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

In terms of the DLC structure Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius and Investec plc is the controlling company of the majority of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange.

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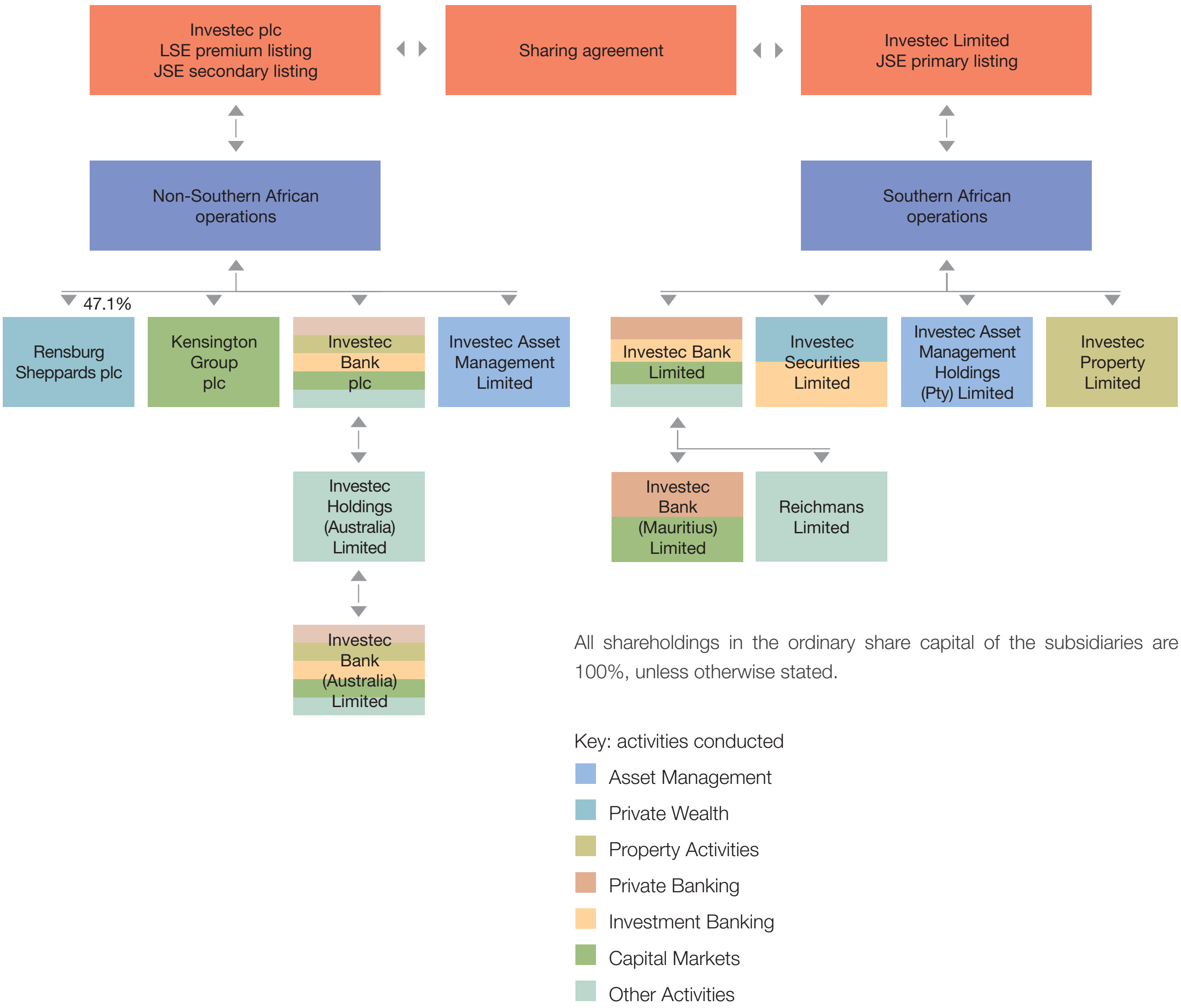
Our DLC structure and main operating subsidiaries as at 31 March 2010



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

Salient features of the DLC structure

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

Overview of the activities of Investec Limited

DISTINCTIVE

Overview of the activities of Investec Limited | **TWO**

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

1. Investec Asset Management

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

We have grown significantly since inception in 1991 in South Africa with R225 million of assets under management. Today, we are one of the largest managers of third party assets in Southern Africa, managing funds on behalf of individuals, retirement funds, insurance companies, government bodies, universities, corporations and other institutions. We are a multi-specialist investment manager and a market leader in specialist equity, fixed interest, balanced and absolute return funds. As at 31 March 2010, South African funds under management amounted to R274.8 billion.

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

2. Private Wealth (previously Private Client Portfolio Management and Stockbroking)

Private Wealth offers high net worth individuals a selection of personal investment and stockbroking services.

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

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

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

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

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

As at 31 March 2010, assets under management amounted to R113.0 billion.

3. Property Activities

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

4. Investec Bank Limited

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

Private Banking

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

- Banking
- Structured property finance
- Growth and acquisition finance
- Specialised lending
- Wealth management and advisory
- Trust and fiduciary

2

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

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

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

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

We focus on the following activities:

Banking

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

Structured property finance

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

Growth and acquisition finance

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

Specialised lending

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

Wealth management and advisory

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

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

2

Trust and fiduciary

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

Investment Banking

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

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

Corporate finance

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

Institutional Research, Sales and Trading

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

Direct investments

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

Private equity

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

Capital Markets

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

Capital Markets focuses on the following activities:

Asset and liability management

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

Treasury products and distribution

A broad range of treasury products and services is offered to the corporate and public sector markets. We offer corporate entities deposit product, spot, forward exchange, currency swaps and currency options, principally in G7 currencies.

Interest rates

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

Foreign exchange

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

Structured equity

The desks undertake structuring, finance, product issuance, market making, arbitrage and principal trading in equities and equity derivatives. We manufacture and deliver a comprehensive suite of solutions to the retail and wholesale markets. Business focus is to develop close relationships with clients, creating product synergies wherever possible.

Financial products

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

Principal finance

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

Structured and asset finance

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

Project finance

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

Commodities and resource finance

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

Group Services and Other Activities

Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations.

While these services do not form part of the operating divisions, we have a policy in place whereby a portion of these costs are allocated to the divisions.

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

Central Funding

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

Other Activities

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

International Trade Finance

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

Financial review

SHARPENING MINDS

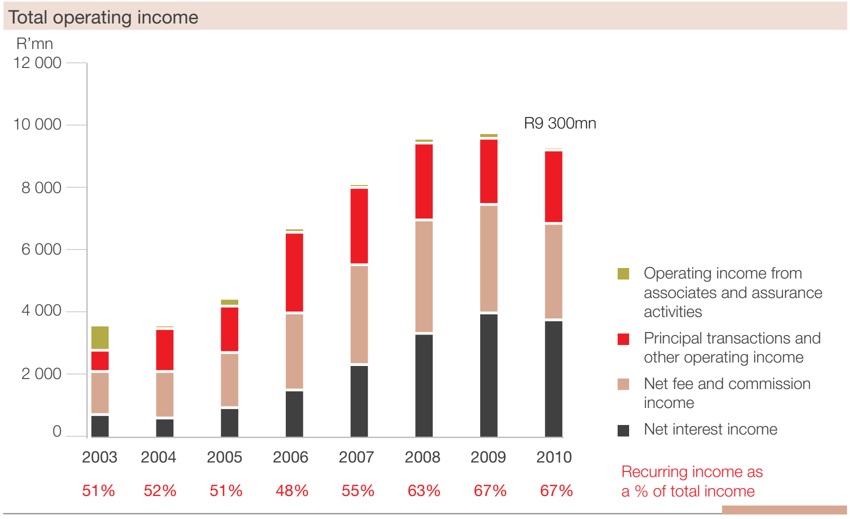
Financial review | **THREE**

Highlights

- Operational diversity continues to support a large recurring revenue base, totaling 66.6% of operating income
- The group has further improved the quality of its balance sheet, with an increase in both capital and liquidity:
  - Tier 1 ratio rose to 12.1%
  - Cash and near cash balances rose 46.7% to R48.0 billion
  - Customer deposits increased by 12.8% to R143.1 billion
  - The ratio of loans to deposits improved from 87.6% to 77.5%
- Strong growth recorded in third party assets under management of 27.4% to R409.4 billion
- The credit loss ratio was in line with guidance previously provided at 0.71% and we believe that the credit loss cycle is peaking
- Business units have moved onto the front foot and are taking advantage of new opportunities
- Investment in the Investec brand continues to deliver shareholder value.

Financial features

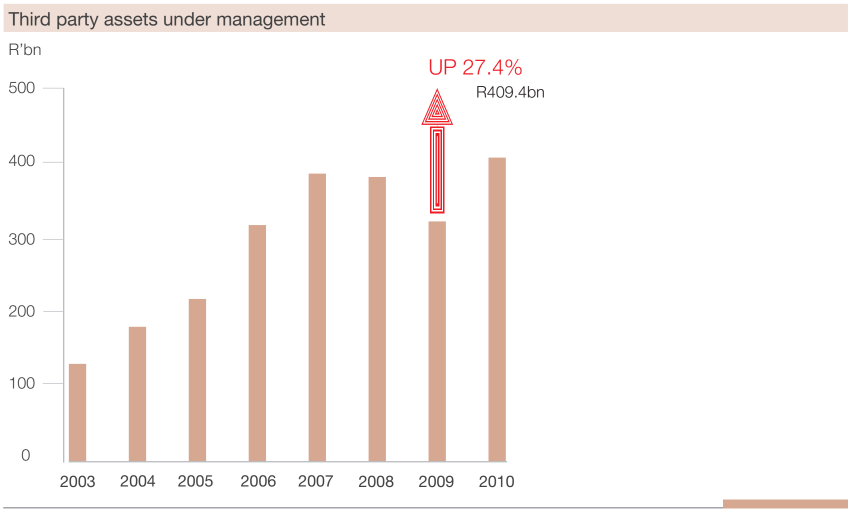
	31 March 2010	31 March 2009	% change
Operating profit before taxation and headline adjustments and impairments (R'million)	4 491	4 862	(7.6)
Operating profit before taxation and headline adjustments (R'million)	3 628	4 096	(11.4)
Headline earnings attributable to ordinary shareholders (R'million)	2 141	2 578	(17.0)
Cost to income ratio	51.7%	49.9%	
Total capital resources (including subordinated liabilities) (R'million)	23 932	21 260	12.6
Total equity (R'million)	18 591	16 169	15.0
Total assets (R'million)	277 104	246 225	12.5
Net core loans and advances (R'million)	118 155	120 444	(1.9)
Customer accounts (deposits) (R'million)	143 121	126 870	12.8
Capital adequacy ratio	15.6%	14.2%	
Tier 1 ratio	12.1%	10.8%	



Where recurring income is net interest income and annuity fees and commissions.

Diversified business model… continues to support a large recurring revenue base

Significant growth in assets under management



- Consolidation of wealth management businesses globally
- Investec Asset Management recorded strong net inflows

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Improved balance sheet strength… achieved capital targets

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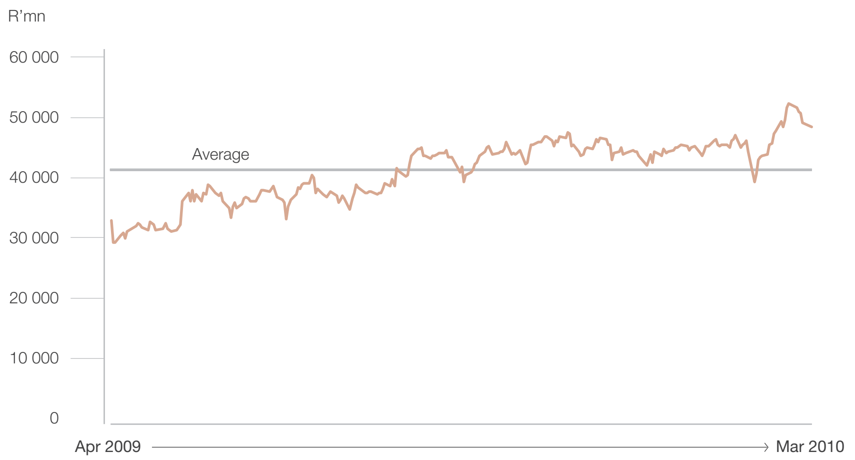
- The intimate involvement of senior management ensures stringent management of risk and liquidity
- Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- Investec has been successful in building its capital base and has met its targets in this period
- Capital strength has been maintained without recourse to shareholders, new investors or government assistance
- A well established liquidity management philosophy
- Continue to focus on:
  - Maintaining a high level of readily available, high quality liquid assets – representing 20% to 30% of our liability base
  - Diversifying funding sources
  - Limiting concentration risk
  - Reduced reliance on wholesale funding
  - Private Bank and the Capital Markets divisions have implemented a number of initiatives to increase funding from private client and retail deposits
- Growth in customer deposits of R16.2 billion since 31 March 2009 – up 12.8%
- Advances as a percentage of customer deposits is at 77.5%

Capital adequacy and Tier 1 ratios

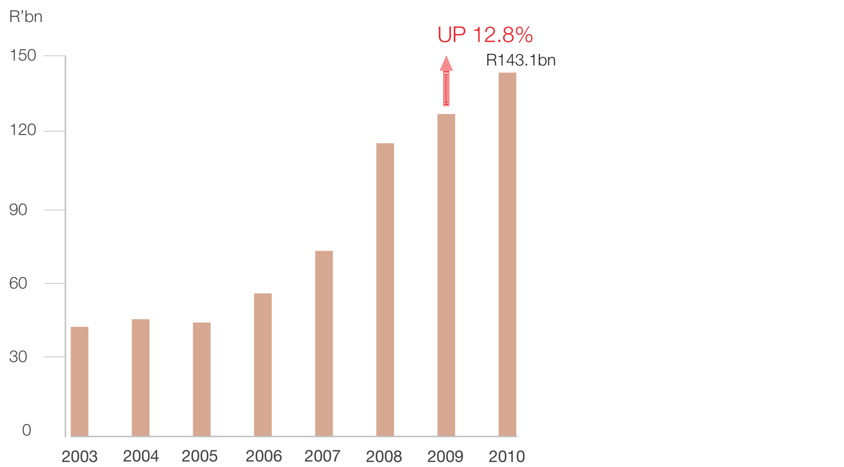
At 31 March 2010	Capital adequacy ratio	Tier 1 ratio
Investec Limited	15.6%	12.1%
Investec Bank Limited	15.5%	11.7%

Improved balance sheet strength… enhanced liquidity through building a diverse customer deposit base

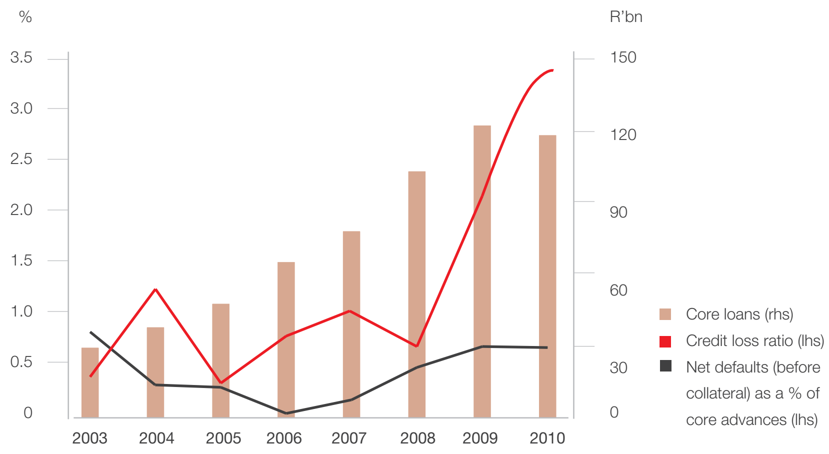
Cash and near cash trend



Customer accounts (deposits)



Defaults and core loans



Continue strategy of building our franchise… focus on key revenue drivers

- Generate high quality income through **diversified** revenue streams
- Further grow **funds** under management
- Increase **loan** growth
- Increase **transactional** activity
- Grow customer **deposits**.

Continue strategy of building our franchise... focus on clients and building the brand

- **Strengthen** existing client relationships
- Provide **distinctive** products and an **increased** breadth of services to clients.

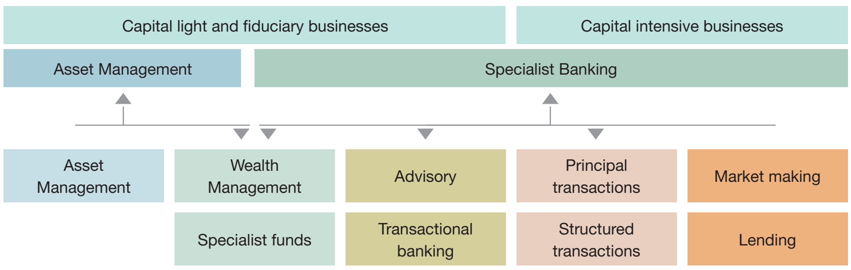
Improved balance sheet strength… impairments and defaults increased but are peaking

- Credit and counterparty exposures are to a select target market
  - Private Bank lends to high net worth and high income clients
  - Capital Markets transacts primarily with mid to large sized corporates, public sector bodies and institutions
- Continued focus on asset quality and credit risk
- The slower pace of economic recovery has caused a delay in the improvement of non-performing loans, however, we started to see signs of improvement towards the end of the period
- Credit risk however, remains appropriately managed and net defaults (after collateral and impairments) are covered 100%
- The credit loss ratio remains in line with guidance previously provided

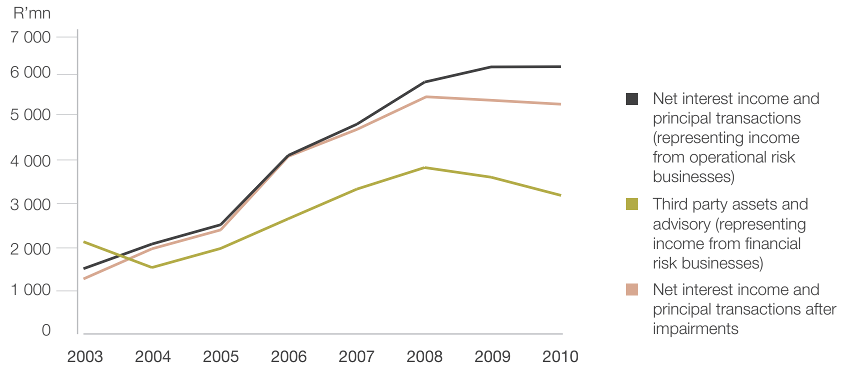
Continue strategy of building our franchise…evolving business model

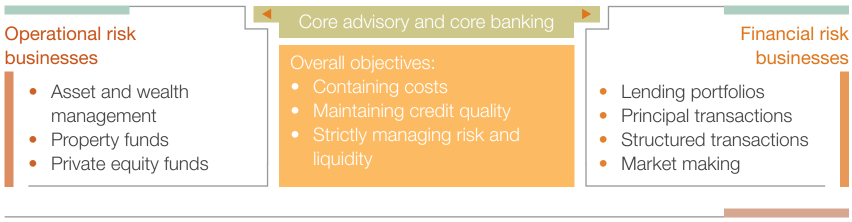
- Broadly defined, we operate in two distinct spaces, specialist banking and asset management
- We live in a world where the market requires a high degree of transparency and the appropriate management of conflicts of interest
- Within specialist banking, we offer a broad range of services from advisory, structuring, lending, securities trading, market making and principal transactions. These services are aimed at government, institutional, corporates and high net worth clients in our selected geographies
- We are in the process of creating a global wealth unit to serve the investment needs of high net worth clients directly or through our Private Banking network
- Operating completely independently from these structures is Investec Asset Management
- Its sole focus is the provision of investment management services to its predominantly global institutional client base

Business model (balancing operational risk businesses with financial risk businesses)



Continue strategy of building our franchise…balance operational risk businesses with financial risk businesses

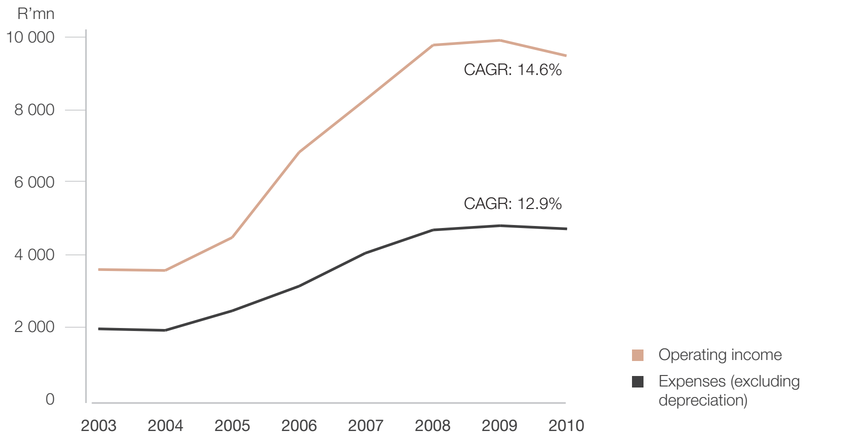




- We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses
- This ensures that we are not over reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives
- Our current strategic objectives include increasing the proportion of our non-lending revenue base which we largely intend to achieve through the continued strengthening and development of our wealth and asset management businesses.

Continue strategy of building our franchise…maintain operational efficiency

Efficiency ratio



Where CAGR is compound annual growth rate.

Leverage ratios

	31 March 2010	31 March 2009
Core loans to equity ratio	6.4x	7.4x
Core loans (excluding own originated assets which have been securitised) to customer deposits	77.5%	87.6%
Total gearing (assets excluding assurance assets to total equity)	11.7x	12.4x
Total gearing (excluding assurance and securitised assets)	11.5x	12.2x

Outlook

- We have built our capital, liquidity and third party assets under management over the period under review
- The foundation is now in place for further growth both in our non-capital intensive asset management businesses as well as our core specialist banking businesses
- Although the economic situation remains uncertain the business is oriented towards capturing available opportunities.

- Cost to income ratio is 51.7%
- Total expenses decreased by 0.87% to R4 809 million
- Total headcount continues to be tightly managed across the group
- A non-cash deferred component has been introduced to variable remuneration payments.

Continue strategy of building our franchise…maintain quality of balance sheet

- Continue to diversify funding sources and reduce reliance on wholesale funding
- Manage risk and maintain credit quality

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The global economy has shown some signs of recovery, however, operating fundamentals remain mixed with activity levels below historic trends

The commentary and analysis of Investec Limited's results for the year ended 31 March 2010 provides an overview of our financial performance relative to our results for the year ended 31 March 2009. Further detail on the performance of our business divisions is provided on pages 28 to 32. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of the operations of the bank going forward.

An overview of the operating environment impacting our business

South Africa

South Africa's general elections took place in April 2009, with the ANC retaining majority but resulting in a switch in leaders from acting President Kgalema Motlhanthe to South Africa's current leader, President Jacob Zuma. Despite unfounded fears that the leader of the ANC would alter economic policies once he gained the presidency, President Zuma proved not only to steer a steady course, but has soothed many opposing sectors while simultaneously providing both policy continuity and improved workings of monetary and fiscal operations. Draft work on current policies, from industrial to education, is aimed at setting South Africa on a higher growth and employment path, one which is achievable given the relatively robust way the country has weathered the international credit crisis.

While South Africa did slip into recession at the end of 2008, which bottomed in the first quarter of 2009, the contraction only lasted three quarters. With quarterly growth of 0.8% at the end of 2009, South Africa is expected to see an improved growth outcome this year, with 2010 averaging 2.7%, and the 2011 forecast running at 3.6%. In addition, the expectation of a fiscal deficit of 7.3% of GDP for 2009/2010 has been revised to 6.8% of GDP, due to improved revenue collection and subdued expenditure. The fiscal deficit was expected at 6.2% for 2010/2011 but this is likely to be revised closer to 5% as the economy grows at a faster pace than Treasury expected. Key is that South Africa itself did not experience a banking crisis due to the well regulated nature of the industry, aided by exchange controls and substantial bank supervision, which prevented any contagion. Instead, South Africa was afflicted by the fact that the international credit crises morphed into a global recession, decimating export markets and causing 8% of the workforce to become unemployed.

The institution of the NCA (National Credit Act) mid 2008 limited consumer indebtedness at the peak of the boom, but did not prevent the private sector from reaching a heady household debt to disposable income ratio of 80% in 2009, well up from 60% in 2005. The previous cumulative 5% hike in interest rates, beginning mid 2006, had little impact on the build up in debt, but coincided with the global economic slowdown, leading to five successive quarters of contraction in household consumption, beginning in the third quarter of 2008. Interest rates were then cut by 5.5% since December 2008, with 3% in the past financial year.

In early 2010, consumer spending showed signs of fragile recovery. CPI inflation continued on its downward path throughout 2009, ending the financial year at 5.1% year-on-year. Key to the easing in inflation has been Rand strength over most of 2009 and 2010, in particular against the Euro, supported by capital inflows into domestic bonds and equities on the back of a re-rating in sovereign risk, and still relatively high South African interest rates. Rand strength was broad based across all major currencies but most pronounced against the Dollar and the Euro.

2009/2010 was a very tough year for the South Africa economy, with over one million jobs lost, but not one which was catastrophic fiscally and South Africa has emerged in a much better position than most developed countries.

United Kingdom

Official data shows the UK lagging other international economies in emerging from recession. After six consecutive falls in output, accounting for a drop of 6¼% of GDP, the economy expanded by 0.4% in Q4 2009 and 0.3% in Q1 2010. The economy contracted by 3.7% in the 2009/2010 financial year. While Q1 2010 looks adversely affected by heavy snowfall, independent surveys point to a faster pace of expansion than officially recorded, suggesting that economic recovery may have started earlier in the UK. The course of this year has seen some encouraging developments: unemployment started to fall sooner than we had hoped and deterioration in public finances was less than government had forecast; both developments point to stronger economic activity.

Yet the public deficit still hit a hefty 11.1% of GDP and it became a central election issue. The MPC extended its process of 'quantitative easing' across the financial year – creating money in exchange for (mainly) government bonds – from a proposed £75 billion in March 2009 to £200 billion, purchases that it completed in January 2010. Since then the committee has become increasingly fretful of a more persistent rate of CPI inflation, which stood at 3.4% at the end of 2009/2010.

Eurozone

The Eurozone economy emerged from recession in Q3 2009, expanding by 0.4% in Q3, but posting softer growth in subsequent quarters. The larger economies of Germany and France led this expansion, posting growth of 0.4% and 0.3% respectively in Q2, both benefiting from international car scrappage schemes and Germany particularly lifted by a revival in world trade and exports to the Far East and China specifically. Growth softened to 0.1% in Q4 and 0.2% in Q1 2010, although survey evidence has suggested a quickening of growth thereafter.

Yet the Eurozone has become embroiled in a government debt crisis that began in October when the new Greek government revealed significant discrepancies in its national accounts, making it the Eurozone's most indebted nation. Greek financing costs rose gradually from here, but the increase accelerated in 2010. A bungled bail-out proposal, impeded by a German government facing a key election, added to market uncertainty and while Greek debt costs soared towards the financial year end there were some signs of worries spilling into other Eurozone economies including Portugal, Ireland and Spain.

The European Central Bank, which had been slower to react to economic slowdown than other international central banks, started this financial year still cutting its key refinancing rate to 1.00%. It then announced a series of technical measures in April 2009 that drove overnight interest rates to hover around 0.35% from July 2009 to the end of March 2010.

Australia

The Australian economy rebounded from just one quarter's contraction in the wake of the Lehman Brothers collapse, but has expanded consistently since then, posting an average quarterly growth rate of 0.7% across 2009/2010 to see annual GDP 1.8% higher. Yet this still sub-trend pace of expansion coincided with a rise in unemployment, which reached a peak of 5.8% in Q3 2009, before easing back to 5.4% by the year's close. The economy benefited from the recovery in Asian markets and exports provided a lift to the economy in the first half of 2009. However, this year has seen momentum spread into domestic demand, with household spending posting solid increases. The Reserve Bank of Australia (RBA) was still easing monetary policy at the start of the financial year and cut its key cash rate to 3.0% in April 2009. Yet the spread of recovery into the domestic economy led the RBA to withdraw some of this stimulus and rates began to rise in August 2009, taking rates to 4.0% by year end.

United States

The US economy started expanding again this year. Q2 2009 posted the fourth consecutive quarterly contraction, reducing GDP by 3.8% from its peak. Q3 saw the economy begin to grow again, expanding by 2.2% (annualised). This was followed by increases of 5.6% and 3.0% in the subsequent quarters, although these figures were boosted by the inventory cycle and growth averaged just 1.3% per quarter excluding this effect. GDP stood 1.0% lower in 2009/2010 compared with 2008/2009. The arbiter of the US economic cycle, the National Bureau of Economic Research, is yet to declare an end to the recession, but the quarterly pattern of growth suggests that this has indeed happened.

The economic downturn also led to a disproportionately aggressive labour market response, with dramatically reduced headcount. This boosted labour productivity, which should bode well for employment trends ahead. Indeed payrolls started to rise again towards the end of the period under review. But pay growth remains subdued and is contributing to a still softening rate of 'core' inflation. The Federal Reserve remains cautious over the economic outlook, and closed all but one of its special operations to support financial markets as conditions improved during 2009/2010. It also completed its 'credit easing' purchases. The Federal Reserve maintained its commitment to leave rates "exceptionally low" for "an extended period" although, since the start of 2010, one member has moved to drop this commitment. Overall the Fed now oversees an economy with a modest growth outlook, not one facing another depression.

The table below provides an overview of some key statistics that should be considered when reviewing our operational performance.

	31 March 2010 period end	31 March 2009 period end	Average over the period
Market indicators			
FTSE All share	2 910	1 984	2 513
JSE All share	28 748	20 364	25 114
Australia All ords	4 893	3 532	4 400
S&P	1 169	798	1 024
Nikkei	11 090	8 110	9 969
Dow Jones	10 857	7 609	9 534
Exchange rates			
Rand/Pounds Sterling	11.11	13.58	12.38
Rand/Dollar	7.28	9.51	8.40
US Dollar/Euro	1.35	1.33	1.34
Euro/Pounds Sterling	1.12	1.08	1.13
Australian Dollar/Pounds Sterling	1.66	2.07	1.88
US Dollar/Pounds Sterling	1.52	1.43	1.59
Rates			
UK overnight	0.40%	0.63%	0.46%
UK 10 year	3.94%	3.17%	3.75%
UK Clearing Banks Base Rate	0.50%	0.57%	0.51%
LIBOR – 3 month	0.65%	1.65%	0.85%
SA R153 (2010)	6.95%	6.88%	7.23%
SA R157 (2015)	7.95%	8.18%	8.32%
Rand overnight	6.28%	9.16%	7.09%
SA prime overdraft rate	10.00%	13.00%	10.90%
JIBAR – 3 month	6.67%	8.80%	7.40%
Reserve Bank of Australia cash target rate	4.00%	3.25%	3.33%
US 10 year	3.83%	2.67%	3.48%
Commodities			
Gold	USD1 113/oz	USD919/oz	USD1 023/oz
Gas Oil Futures	USD684/mt	USD420/mt	USD573/mt
Platinum	USD1 644/oz	USD1 129/oz	USD1 341/oz
Macro-economic			
UK GDP (% change over the period)	(3.70%)	(1.00%)	n/c
UK per capita GDP (£)	22 578	23 496	–
South Africa GDP (% real growth over the calendar year)	4.60%	3.10%	n/c
South Africa per capita GDP (real value) (R)	35 997	25 897	–
Australia GDP (% change over the period)	1.80%	1.60%	n/c
Per capita GDP (A$)	57 609	55 260	–

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

An overview of our key income drivers

We provide a wide range of financial products and services to a niche client base in South Africa and Mauritius. We are organised as a network comprising six principal business divisions: Asset Management, Private Wealth, Property Activities, Private Banking, Investment Banking and Capital Markets.

In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding and other activities, such as our Trade Finance operations.

There are therefore a number of key income drivers for our business which are discussed below.

Business activity	Key income drivers	Income impacted primarily by	Income statement – reflected as
Asset Management			
	• Fixed fees as a percentage of assets under management • Variable performance fees	• Movements in the value of the assets underlying client portfolios • Performance of portfolios against set benchmarks • Net sales	• Fees and commissions
Private Wealth			
	• Fees levied as a percentage of assets under management • Commissions earned for executing transactions for clients • Performance fees paid for achieving outperformance against benchmark	• Movement in the value of assets underlying client portfolios • The level of clients' investment activity, which, in turn, is affected by, among other things, the performance of the global stock markets, the equity investment risk appetite of our clients and market liquidity	• Fees and commissions
Property Activities			
	• Fees levied as a percentage of assets under management • Performance fees • Capital and debt raising fees • Asset acquisition fees	• Movements in the value of assets underlying client portfolios	• Fees and commissions
	• Trading and development activities	• Macro- and micro- economic market conditions • Availability of profitable exit routes Whether appropriate market conditions exist to maximise gains on sale	• Principal transactions
Private Banking			
	• Interest earned in connection with the bank's lending activities	• Size of loan portfolio • Interest rate environment	• Net interest income
	• Fees earned for advisory, banking and lending services	• Levels of activity	• Net interest income and fees and commissions
	• Income earned in respect of growth and acquisition finance activities	• Quality of transactions and deal flow	• Fees and commissions and principal transactions
Investment Banking			
Corporate Finance	• Fees resulting from the provision of capital raising and financial advisory work	• Macro- and micro- economic fundamentals • Industry-specific trends • Underlying stock market activity particularly in our primary markets • Idea generation	• Fees and commissions

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Business activity	Key income drivers	Income impacted primarily by	Income statement – reflected as
Institutional Research, Sales and Trading	• Brokerage commissions • Trading and market making activities	• Stock market trading volume and volatility • Client allocation of broking transactions • Our ability to source securities and execute trades on behalf of our clients	• Fees and commissions and principal transactions
Principal Investments	• Sale of investments and revaluation of trading investments • Dividends	• Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities	• Principal transactions
Capital Markets			
	• Trading and hedging	• Client activity • Market opportunities • Market risk factors primarily volatility and liquidity	• Principal transactions
	• Product structuring and distribution	• The level of clients' investment activity, which, in turn, is affected by among other things, the performance of the global markets and the investment risk appetite of our clients • Distribution channels • Ability to create innovative products	• Fees and commissions and principal transactions
	• Asset creation	• Rate environment • Size of loan portfolio • Credit spreads • Clients capital and infrastructural investments	• Fees and commissions • Net interest income • Principal transactions (in certain cases)
	• Advisory	• The demand for our specialised advisory services, which, in turn is affected by applicable tax, regulatory and other economic factors, e.g. project activity in the relevant markets	• Fees and commissions
Group Services and Other Activities			
International Trade Finance	• These businesses earn a variety of management and banking fees, brokerage commissions	A variety of factors including: • Interest rate environment • Rand/Dollar exchange rate in the case of the International Trade Finance operations • Level of client activity	• All categories of income other than net operating income from associates and assurance activities
Central Funding	• As this division is responsible for the group's central funding requirements, this income is offset by the cost of group funding (net of return on the group's central capital)		

Risks relating to our operations

An overview of key risks

In our ordinary course of business we face a number of risks that could affect our business operations.

These risks are summarised briefly in the table below with further detail provided in the Risk Management section of this report. For additional information pertaining to the management and monitoring of these risks, see the references provided.

Key risks	Reference
Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 39 to 62
Liquidity risk may impair our ability to fund our operations	See pages 74 to 80
Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 73 and 74
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 65 to 71
We may be unable to recruit, retain and motivate key personnel	See Our Business Responsibility website
Employee misconduct could cause harm that is difficult to detect	See pages 80 to 84
Operational risk may disrupt our business or result in regulatory action	See pages 80 to 84
We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 80 to 84
We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 85 to 96
The financial services industry in which we operate is intensely competitive	See pages 19 to 21
Legal and regulatory risks are substantial in our businesses	See page 85
Reputational, strategic and business risk	See page 84

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

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the results for the year ended 31 March 2009.

Overview

Investec Limited posted a decrease in headline earnings attributable to ordinary shareholders of 17.0% to R2 141 million (2009: R2 578 million).

Income statement analysis

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

Total operating income

Total operating income before impairment losses on loans and advances of R9 300 million is 4.3% lower than the prior year. The various components of total operating income are analysed below.

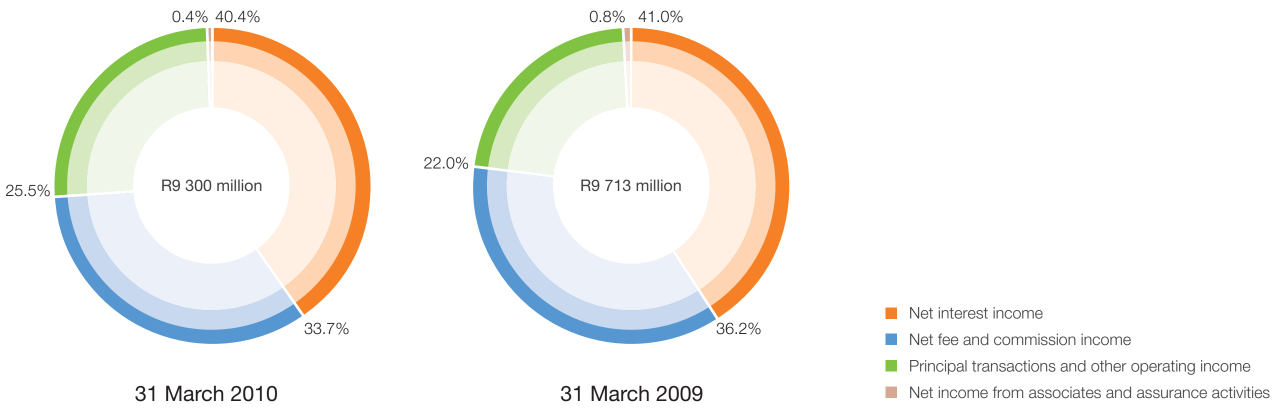
R'million	31 March 2010	% of total income	31 March 2009	% of total income	% change
Net interest income	3 756	40.4	3 978	41.0	(5.6)
Other income	5 544	59.6	5 735	59.0	(3.3)
Net fee and commission income	3 137	33.7	3 515	36.2	(10.8)
Principal transactions	2 315	24.9	2 249	23.1	2.9
Operating loss from associates	(47)	(0.5)	(1)	–	(>100.0)
Net income on assurance activities	80	0.9	75	0.8	(6.7)
Other operating income	59	0.6	(103)	(1.1)	>100.0
Total operating income before impairment losses on loans and advances	9 300	100.0	9 713	100.0	(4.3)

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

R'million	31 March 2010	% of total income	31 March 2009	% of total income	% change
Asset Management	1 617	17.4	1 523	15.7	6.2
Private Wealth*	496	5.3	507	5.2	(2.2)
Property Activities	556	6.0	471	4.8	18.0
Private Banking	2 225	23.9	2 230	23.0	(0.2)
Investment Banking	1 043	11.2	1 581	16.3	(34.0)
Capital Markets	1 998	21.5	2 315	23.8	(13.7)
Group Services and Other Activities	1 365	14.7	1 086	11.2	25.7
Total operating income before impairment losses on loans and advances	9 300	100.0	9 713	100.0	(4.3)

**Previously Private Client Portfolio Management and Stockbroking, further information is provided on page 7.*

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



Net interest income

Net interest income decreased by 5.6% to R3 756 million (2009: R3 978 million) largely as a result of a lower return generated on excess capital held given the declining rate environment.

Net fee and commission income

Net fee and commission income decreased by 10.8% to R3 137 million (2009: R3 515 million). Transactional activity remains mixed and below historic trends.

Principal transactions

Income from principal transactions increased by 2.9% from R2 249 million to R2 315 million. The bank benefited from an improved return on some of the investments within the Central Funding division. The underlying assets within the Principal Investments portfolio delivered a sound performance, whilst trading conditions within the Capital Markets division remained difficult as a result of declining volatility levels.

Impairment losses on loans and advances

The weaker credit cycle has caused a decline in the performance of the bank's loan portfolio resulting in an increase in impairment losses on loans and advances from R766 million to R863 million. The credit loss charge as a percentage of average gross loans and advances is 0.71%, marginally higher than the 0.68% reported at 31 March 2009. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 2.1% to 3.3% since 31 March 2009. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.53 times (2009: 1.42 times). Further information on our asset quality is provided on pages 51 to 61.

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Total expenses

The ratio of total operating expenses to total operating income increased from 49.9% to 51.7%.

Total expenses remained in line with prior year at R4 809 million. Total headcount is being closely monitored and expense growth (excluding variable remuneration) is targeted below the inflation rate. Total staff compensation costs remain in line with the prior year at R3 098 million, resulting in a compensation ratio of 33.3% (2009: 31.9%). Other operating expenses are 2.5% lower than the prior year at R1 711 million.

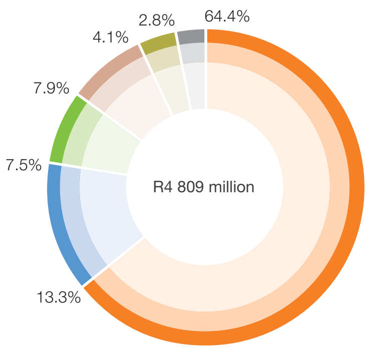
The various components of total expenses are analysed below.

R'million	31 March 2010	% of total expenses	31 March 2009	% of total expenses	% change
Staff costs (including directors' remuneration)	3 098	64.4	3 097	63.8	–
Business expenses	642	13.3	723	14.9	(11.2)
Equipment (excluding depreciation)	363	7.5	434	8.9	(16.4)
Premises (excluding depreciation)	378	7.9	313	6.5	20.8
Marketing expenses	196	4.1	195	4.0	0.5
Depreciation	132	2.8	89	1.9	48.3
Total expenses	4 809	100.0	4 851	100.0	(0.9)

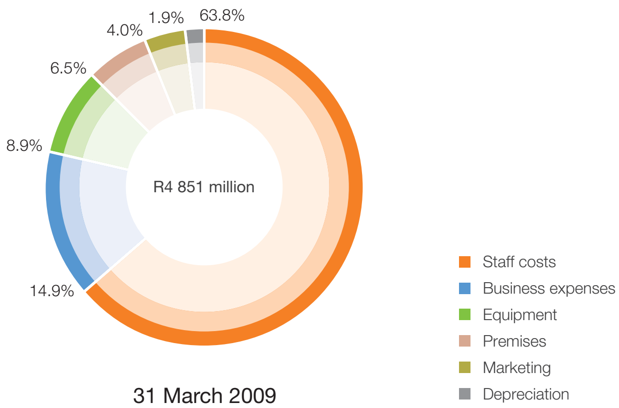
The following table sets out certain information on total expenses by division for the year under review.

R'million	31 March 2010	% of total expenses	31 March 2009	% of total expenses	% change
Asset Management	912	19.0	794	16.4	14.9
Private Wealth	320	6.7	328	6.8	(2.4)
Property Activities	192	4.0	160	3.3	20.0
Private Banking	1 379	28.7	1 430	29.5	(3.6)
Investment Banking	457	9.5	582	12.0	(21.5)
Capital Markets	1 017	21.1	1 053	21.7	(3.4)
Group Services and Other Activities	532	11.0	504	10.3	5.6
Total expenses	4 809	100.0	4 851	100.0	(0.9)

% of total expenses



31 March 2010



31 March 2009

Balance sheet analysis

Since 31 March 2009:

- Total shareholders' equity (including minority interests) increased by 15.0% largely as a result of retained earnings and the issue of shares
- Total assets increased by 12.5% to R277.1 billion largely as a result of increased cash holdings.

Business unit review

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

3

Segmental information

Investec is a focused, specialist bank and asset manager striving to be distinctive in all that it does. Our strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in our principal business areas. Our core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

As mentioned, we seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses. This ensures that we are not over reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives. Our current strategic objectives include increasing the proportion of our non-lending revenue base which we largely intend to achieve through the continued strengthening and development of our wealth and asset management businesses.

Against this background, we have modified our segmental reporting and divisional disclosure for the period, effectively separating out our asset and wealth management activities from our specialist banking activities. This has not resulted in a restatement of any segmental reporting numbers but has merely altered the format of the disclosure.

For the year to 31 March R'million	Asset Management	Private Wealth	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
2010								
Operating income	1 617	496	556	1 728	1 014	1 885	1 141	8 437
Operating expenses	(912)	(320)	(192)	(1 379)	(457)	(1 017)	(532)	(4 809)
Operating profit before goodwill and taxation	705	176	364	349	557	868	609	3 628
Cost to income ratio	56.4%	64.5%	34.5%	62.0%	43.8%	50.9%	39.0%	51.7%
2009								
Operating income	1 523	507	471	1 964	1 527	1 961	994	8 947
Operating expenses	(794)	(328)	(160)	(1 430)	(582)	(1 053)	(504)	(4 851)
Operating profit before goodwill and taxation	729	179	311	534	945	908	490	4 096
Cost to income ratio	52.1%	64.7%	34.0%	64.1%	36.8%	45.5%	46.4%	49.9%

Asset Management

Overview of performance

The Asset Management division posted a decrease in operating profit of 3.3% to R705 million (2009: R729 million). Investment performance generally remained positive and performance fee revenue was lower at R285 million (2009: R355 million). Funds under management increased by 28.7% to R274.8 billion.

Developments

- Over the financial year, we continued to deepen our distribution footprint and solidified our seven investment capabilities
- Our wider distribution footprint facilitated record net flows for the financial year and record assets under management
- With our breadth of investment products and sound performance across the range, we are experiencing good traction:
  - 69% by value and 67% by number of our mutual funds based in Southern Africa are in the first or second quartile over three years
  - 92% of institutional propositions outperformed their benchmarks since GIPS (Global Investment Performance Standards) inception.

Outlook

- Key risks for our business include market levels, key staff retention, reputational risk and a slump in investment performance
- We have good sales opportunities based on our broad range of investment capabilities and our wide distribution footprint.

Private Wealth

Overview of performance

The results of the Private Wealth division have been negatively impacted by lower average funds under management and lower levels of client trading. Operating profit was R176 million, in line with the prior year.

Funds under management increased by 33.0% to R113.0 billion.

Developments

- Global financial markets experienced one of the most impressive 12 month rallies on record as a result of unprecedented fiscal stimulus initiatives of the major central banks in response to the global economic crisis. South African equity markets followed suit but underlying investment activity was static in comparison
- Although overall revenues were lower year on year, the three main frontline business specialties of wealth management, stock broking and portfolio management performed satisfactorily considering the volatile operating environment over the past year. Operating expenses were controlled and contributed to the overall performance of the business for the reporting period.

Outlook

- We are starting to see early but selective signs of renewed private client investor confidence as financial markets continue to stabilise on improved economic and corporate news flow
- Brokerage execution rates are, however, being negatively affected by a combination of new discount online dealing platforms and more intense competition for traditional private client stockbroking market share
- Annuity income from the discretionary portfolio management speciality should benefit from higher base asset values owing both to higher share price levels relative to last year and consistent performance
- General costs are expected to rise above the rate of inflation in the new financial year as the business invests in new technology and additional headcount in the IT division to meet increased operational requirements related to strategic projects and general client service delivery initiatives. The benefits of this investment should become apparent in the short term through increased business efficiencies and a more scalable product and service distribution platform.

Property Activities

Overview of performance

The Property division reported an increase in operating profit of 17.0% to R364 million (2009: R311 million). The revaluation of investment properties net of funding costs amounted to R398 million (2009: R230 million). The prior period included significant fees earned on the completion of a number of projects.

Developments

- Market conditions are still uncertain and difficult to anticipate but our direct holdings are generally in a comfortable space as far as holding costs and acquisition prices are concerned, thereby allowing the business to be cautious and patient

- The ability to fund new grassroots developments is extremely expensive with yields hindering progress
- The global property products, i.e. investment in Investec GLL GSO Real Estate Fund I, UK REITs, and Investec Big Ben Property Fund with plans for the South African Property Fund and Investec GLL GSO Real Estate Fund II, provides a broader and diverse range of international property investment products for international investors.

Outlook

- New developments have been hampered due to a reduction in tenant demand, and many opportunities were unable to achieve the required rental levels that would give an acceptable return. Opportunities to enhance value of existing portfolios remain positive and the business will be more "front footed" on trading opportunities and the completion of current developments
- The business will proactively embark on trading and development of identified assets
- The Listed Property Investment business still has some capacity to procure a limited amount of new institutional business before full capacity is reached. However, growth in assets under management is limited to the size and liquidity of the listed property sector
- Listed property as an asset class is forecast to continue delivering better total returns than most other asset classes. This could result in increased asset allocation by asset managers
- The business will launch an unlisted South African Property Fund.

Private Banking

Overview of performance

The Private Banking division posted a decrease in operating profit of 34.6% to R349 million (2009: R534 million). The division focused resources during the period on substantially increasing its deposit book by 26.1% to R51.2 billion (2009: R40.6 billion). However, while the private client core lending book grew by 1.7% to R85.5 billion (2009: R84.0 billion) activity levels declined and impairment losses on loans and advances increased. Funds under advice decreased 4.6% to R20.9 billion (2009: R21.9 billion).

Developments

- The second half of the financial year saw an improvement in performance as deposit margins restored to normalised levels following a significant squeeze in the first half
- Deposit raising became more difficult due to the sideways movement of interest rates coupled with intense competition within the market. Growth achieved in the first half was not sustained
- Loan book growth remained suppressed due to lower activity levels and reduced settlements
- The rate at which loans moved into default slowed significantly towards the end of the period.

Outlook

- The business has come through the global banking crisis intact. The objectives set last year and delivered on in the current period providing a solid foundation for the Private Bank on which to build. This will enable us to be front footed and client focused, taking advantage of identified opportunities in a much changed competitive environment
- We expect impairments to decrease from the high experienced during this period
- Critical objectives for the coming period are to:
  - Grow and consolidate our position as a dominant player in the retail saving and deposit markets with continued investment in our product and distribution platform
  - Grow our loan portfolio in a recovering market
  - Manage non-performing loans and impairments as we come through the cycle
  - Continually align our cost base and level of investment to expected future revenue
  - Above all, to build our brand and market positioning around the 'entrepreneurial class' delivering a specialised offering to this client base
- The risk of a worsening of the current economic environment remains. This will impact activity levels, impairments and the cost of money.

Investment Banking

Overview of performance

Operating profit of the Investment Banking division decreased by 69.7% to R557 million (2009: R945 million). The Institutional Research, Sales and Trading operations were negatively impacted by challenging market conditions. The Corporate Finance division generated lower fee income in comparison to the prior year. The investments held within the Principal Investment portfolio generated a steady performance. The division, however, recorded lower revaluations and fewer realisations in the current year.

Developments

Corporate Finance

- We maintained our strong positioning with a similar level of activity to that of the prior year
- Our main focus was on M&A and restructuring transactions
- We retained all our major clients and gained several new mandates during the period
- The total value of Corporate Finance transactions increased to R26.8 billion (2009: R23.4 billion) during the period and the number of transactions decreased to 56 (2009: 60)
- Sponsor broker deals completed during the period decreased to 82 (2009: 96) with the value also decreasing to R46.7 billion (2009: R51 billion)
- The Corporate Finance division was ranked first in volume of listed M&A transactions and first in general corporate finance by volume in Dealmakers Magazine Survey for Corporate Finance (2009 calendar year). This is the sixth year out of seven that we have been awarded the M&A Gold Medal. We were also awarded "Dealmaker of the Decade" by volume
- The Sponsor division was ranked first in volume of M&A transactions and second in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2009 calendar year). This is the seventh year running that we have won this M&A award
- The Corporate Finance and Sponsor divisions were also both ranked first in volume of M&A transactions in the Ernst & Young review for M&A (2009 calendar year).

Institutional research, sales and trading

- Our equity research activity posted marked gains over the year. Over 100 South African companies are now being analysed and our research is ranked firmly in the top three among our target client base
- Our USA distribution hub has been strengthened to ensure greater penetration into this lucrative market
- The Africa (excluding South Africa) initiative was launched during the period and good progress has been achieved in creating the foundations for this platform
- Ongoing progress was made in strengthening our position and improving our market share in both the prime broking and electronic trading activities.

Principal Investments

- The Direct Investments portfolio decreased to R1 587 million at 31 March 2010 (March 2009: R1 816 million). The decrease in value was primarily due to realisations on listed equities
- The Private Equity portfolio was R3 301 million at 31 March 2010 (March 2009: R2 525 million). We continued to expand the capacity of our private equity investments through the acquisition of two new private equity assets, two bolt on acquisitions within the portfolio and large capital projects and expenditure. The benefits of these activities will only be felt in future financial years. The increase in value in the current year was driven by a good performance of the underlying investments and acquisitions mentioned.

Outlook

Corporate Finance

- M&A and restructuring transactions are expected to continue to drive activity at a reasonable level.

Institutional research, sales and trading

- The quality of our Institutional Securities platform has been strengthened over the past 12 months and, as a result, we are well positioned to benefit from an economic upswing. Key risks to the upside are activity levels on the JSE, ongoing downward pressure on brokerage rates and team stability in an environment characterised by a shortage of talent.

Principal Investments

- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and building black economic empowerment platforms
- The majority of the companies in our Private Equity portfolio are trading in line with expectations in very difficult market conditions and the overall outlook remains positive.

Capital Markets

Overview of performance

The Capital Markets division posted a decrease in operating profit of 4.6% to R868 million (2009: R908 million). In line with the bank's liquidity management policies, the Central Treasury division has been successful in increasing the bank's cash and near cash balances held. Given the declining rate environment, the division's results have, however, been impacted by a reduced return on the excess cash held. In addition, the results have been impacted by lower levels of activity with the division's lending book declining by 11.4% to R28.8 billion (2009: R32.5 billion).

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Developments

- Activity levels in our Specialised Lending businesses were subdued and our core advances book showed a net year on year decrease
- Average margins were however maintained throughout the year
- Impairments reduced substantially from the prior year and were in line with anticipated levels
- We continue to hold a number of equity positions emanating from our lending activities and the overall impact on profits was negative but an improvement on the prior year. We anticipate a number of realisations over the next 12 months
- We took advantage of certain dislocations in the credit markets (local and international) and created a portfolio of highly rated yield enhancing credit transactions
- Client flows continued to decrease across our Financial Market Derivative businesses and this negatively affected the results from Equity and Foreign Exchange Treasury and Trading Activities. Results from Interest Rate Activities remained consistent. We did however maintain or increase market share across all market segments in which we operate. We continue to hold significant market share in listed derivative products
- Significant surplus liquidity levels were maintained throughout the year. This is invested in highly liquid assets and we continue to be a provider of liquidity to the interbank market.

Outlook

- We are a focused business targeting markets where we can be distinctive and competitive
- We remain committed to building a sustainable business franchise with diversified revenue streams
- We will continue to strive for depth and greater penetration
- The effects of the recession have lead to reduced activity in the structuring and lending businesses and trading volumes are down. Reduced activity is to some extent offset by wider margins and the landscape for PFI has improved
- The division is well positioned for any potential upturn in the general economy, although we do not expect this until the second half of the financial year
- The overall credit portfolio is robust with higher margins
- Volumes and activity in the financial markets remain subdued and therefore trading and structuring opportunities are expected to remain at lower levels for at least the first half of the next financial year
- We anticipate growing both our credit portfolio and investment product retail offerings which will increase the level of annuity based income
- We anticipate that we will continue to be a net provider of liquidity to the interbank market and plan to increase the average duration of our wholesale funding base.

Group Services and Other Activities

Overview of performance

Group Services and Other Activities posted a 24.3% increase in operating profit to R609 million (2009: R490 million), benefitting from an improved return on certain investments held in the Central Funding portfolio.

Risk and governance

FINANCIAL THINKING

Risk and governance | FOUR

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Group Risk Management 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 the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the boards reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees, as mandated by the board

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1: Presentation of Financial Statements (IAS 1) are included within this section of the annual report (pages 35 to 98) with further disclosures provided within the financial statements section (pages 127 to 193). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

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

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

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

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

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group.

Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives. Group Risk Management continually seeks new ways to enhance its techniques.

Overall group summary of the year in review from a risk perspective

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 19 to 21.

Investec has continued to maintain a sound balance sheet with low leverage, and a diversified business model. This has been supported by the following key operating fundamentals:

- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised Economic Value Added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium

term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity, a core competency and a sound track record in the activity funded. We have, however, continued to experience an increase in impairments and defaults as a result of weak economic conditions. The credit loss ratio increased marginally to 0.71% of core loans and advances, in line with guidance provided previously
- Limited exposure to rated and unrated structured credit investments; representing 1.5% of total assets
- A low leverage (gearing) ratio of approximately 12 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with "level 3" assets amounting to less than 0.1% of total assets
- Low equity (investment) risk exposure; within total investments comprising 5.5% of total assets
- Modest proprietary market risk within our trading portfolio; value at risk and stress testing scenarios remain at prudent levels
- Potential losses that could arise in our trading book portfolio stress tested under extreme market conditions (15 standard deviations) amount to less than 0.4% of total operating income
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately R41 billion, representing 20% to 30% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- A significant increase in retail customer deposits
- Healthy capital ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We have continued to strengthen our capital base during the period
- Operational diversity with a high level of recurring income which continues to support sustainability of operating profit.

The global financial market crisis and weakened global economies have resulted in increasing risk levels and have impacted the markets in which we operate on a number of fronts over the past two years. Our overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held us in good stead. Maintaining credit quality, strictly managing risk and liquidity and continuing to grow our capital base remain core strategic imperatives.

Detailed information on key developments during the financial year in review is provided in the sections that follow (refer to pages 44 and 45), with a high level summary of the most salient aspects provided below.

Credit risk: The impact of lower average interest rates has yet to make a significant mark on key credit and arrear indicators. The credit quality of our core loans and advances deteriorated throughout the year under review resulting in an increase in our Private Banking impairments raised. There has, however, been a slow down in the number of default loans in the second half of the financial year and impairments appear to have peaked.

Traded market risk: Markets have been relatively difficult to gauge over the past year resulting in a significant decline in client flow and trading activity.

Maintaining credit quality, strictly managing risk and liquidity and continuing to grow our capital base remain core strategic imperatives

Cash and near cash balances

up 46.7% to

R48 billion

Customer deposits

up 12.8% to

R143 billion

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Advances as a %
of customer deposits:

77.5%

Balance sheet risk: The interest rate environment was stable and relatively uneventful during the financial year. The cost of term deposits, however, rose steadily throughout 2009 which placed interest rate margins under pressure. This was compensated for by higher yields earned on liquid and trading assets. The Private Bank aggressively grew its deposit book and moderated its asset base resulting in a substantial increase in surplus cash reserves which we placed largely in higher yielding treasury bills. Our liquidity position was further boosted by several successful medium term senior and subordinated notes issues totaling over R4 billion. Cash and near cash balances increased significantly over the period.

Salient features

A summary of key risk indicators for Investec Limited is provided in the table below.

	31 March 2010	31 March 2009
Net core loans and advances (R'million)	118 155	120 444
Gross defaults as a % of gross core loans and advances	3.96%	2.94%
Defaults (net of impairments) as a % of net core loans and advances	3.32%	2.12%
Credit loss ratio^	0.71%	0.68%
Structured credit investments as a % of total assets	1.5%	0.9%
Banking book investment and equity risk exposures as a % of total assets	5.5%	4.7%
Traded market risk: one-day value at risk (R'million)	3.6	4.1
Cash and near cash (R'million)	47 986	32 704
Customer accounts (deposits) (R'million)	143 121	126 870
Core loans to equity ratio	6.4x	7.4x
Total gearing/leverage ratio*	11.7x	12.4x
Core loans (excluding own originated assets which have been securitised) to customer deposits	77.5%	87.6%
Capital adequacy ratio	15.6%	14.2%
Tier 1 ratio	12.1%	10.8%

^Income statement impairment charge on loans as a percentage of average advances.

**Total assets excluding assurance assets to total equity.*

An overview of key risks

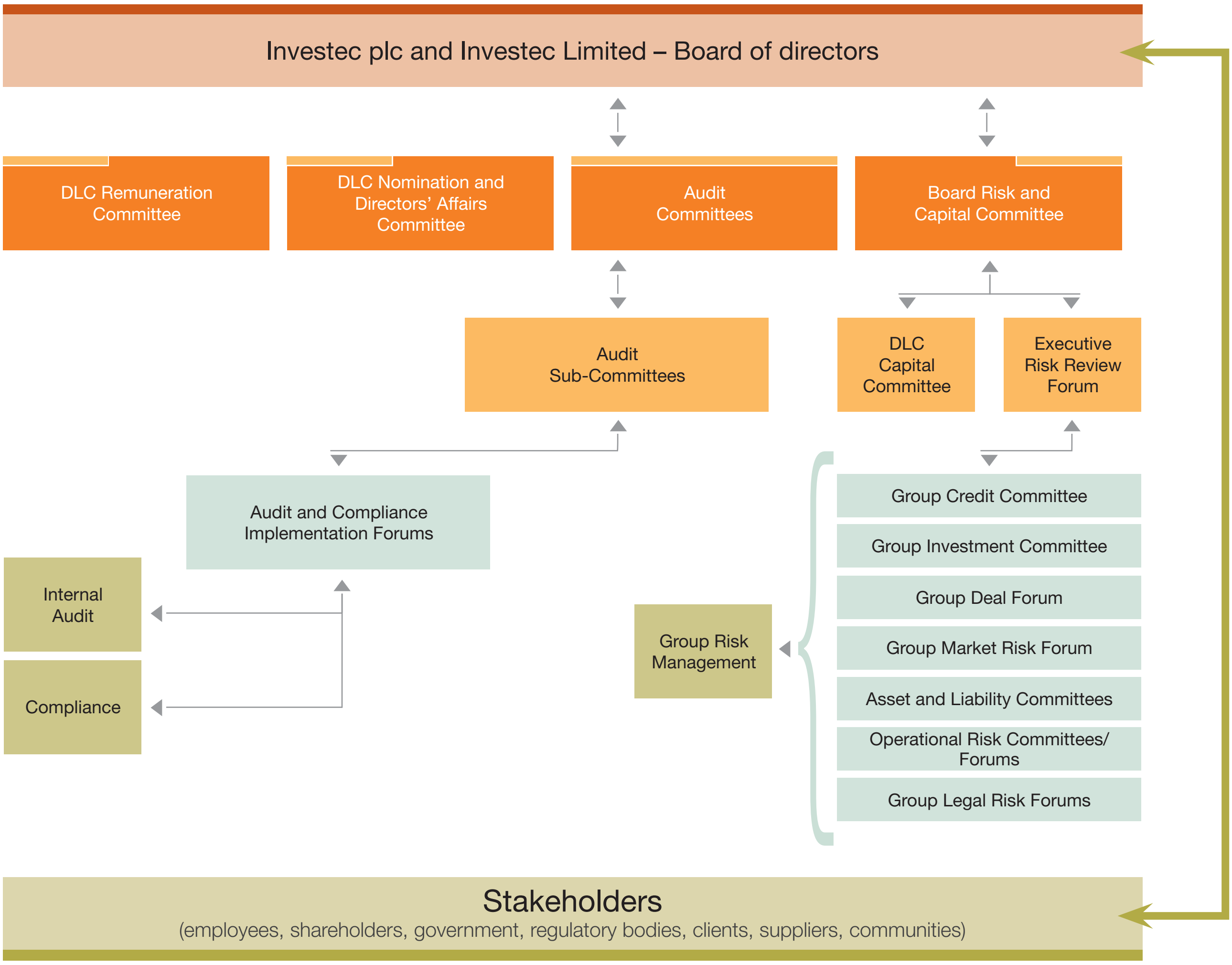
In our ordinary course of business we face a number of risks that could affect our business operations. These risks have been highlighted on page 24. The sections that follow provide information on a number of these risk areas.

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

Risk management framework, committees and forums

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

Our governance framework



In the sections that follow the following abbreviations are used on numerous occasions:

BRCC	Board Risk and Capital Committee
ERRF	Executive Risk Review Forum
SARB	South African Reserve Bank

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Credit and counterparty risk management

Credit and counterparty risk description Audited

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

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

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

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

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

Credit and counterparty risk governance structure Audited

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

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

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

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

Credit and counterparty risk appetite

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 62 for further information).

Target clients include high net worth individuals, certain professionally qualified individuals, high income earning individuals, corporates, parastatals, government, institutions and banks. Corporates must have scale, relevance, experienced management, able board members and strong earnings/cash flow. Interbank lending is reserved for those banks and institutions in the group's core geographies of activity, which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures tend to be avoided.

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and longstanding relationship with our clients. In certain instances we have elected to sell certain assets down and/or securitised them (refer to page 63 for further information).

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

Management and measurement of credit and counterparty risk Audited

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

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

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

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

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

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

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

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

- In relation to sovereigns, Fitch has been selected by Investec as the primary ECAI, with Standard & Poors or Moodys being used as support where a Fitch rating is not available
- In relation to banks and securities firms, Fitch has been selected by Investec as the primary ECAI, with Standard & Poors being used as support where a Fitch rating is not available

- In relation to corporates, and small to medium enterprises, both Standard & Poors and Moody's are considered to be eligible ECAIs. Where the assessments of these two ECAIs differ, the more conservative rating will be applied
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

Credit and counterparty risk in South Africa

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

Private Banking

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

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

An analysis of the Private Banking loan portfolio and asset quality information is provided on page 61.

Capital Markets

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

As part of the daily management of liquidity, the treasury function places funds with central banks (the SARB) and other commercial banks and financial institutions. These market counterparties are highly rated, investment grade entities with credit risk of a systemic nature.

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

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

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

An analysis of the Capital Markets loan portfolio and asset quality information is provided on page 61.

ReichmansCapital

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

Credit and counterparty risk in Mauritius

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

Asset quality analysis – credit risk classification and provisioning policy Audited

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

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see pages 51 and 52). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the "International Convergence of Capital Measurement and Capital Standards" Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of assets with credit risk where a "loss trigger event" has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date, although management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfill their credit obligation to the group (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 restructured 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.

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Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected. • The risk that such credit exposure may become an impaired asset is probable; • The bank is relying, to a large extent, on available collateral; or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in "Sub-standard" (or a lower quality category).
		Doubtful	• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or • Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets is remote.

Credit risk mitigation Audited

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

The bulk of collateral taken by the Private Bank, which makes up a substantial portion of on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. In the year under review, as a result of the global economic slowdown, downward pressure on the value of commercial and residential real estate continued in the first half of the financial year 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 commercial property offered as collateral for a lending facility before advancing funds under the credit facility and to revalue all commercial properties held as collateral on a regular basis, at the discretion of the Credit Committee. Residential properties are valued by a combination of Computer Aided Valuation (CAV) and approved valuers, if applicable. Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios.

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

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

Set-off has been applied between assets subject to credit risk and related liabilities in the financial statements where:

- A legally enforceable right to set-off exists; and
- There is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty;
- Debit and credit balances be denominated in the same currency and have identical maturities;
- Exposures subject to set-off are risk managed on a net basis; and
- Market practice considerations.

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

An analysis of collateral is provided on page 62.

Credit and counterparty risk year in review

The financial year in review has seen a combination of trends and factors impacting on the credit quality and assessment of credit and counterparty risk:

- The impact of the global financial crisis on the current domestic economic cycle
- Continuation of a conservative lending approach with some relaxation towards the end of the first quarter of 2010
- Reduced discretionary spending, even in a lower interest rate environment
- Early signs of the domestic economy emerging out of recession in first quarter of 2010
- Increased interbank activity reflecting the reversal of the previous year's liquidity constraints
- Strong appreciation in the value of the Rand against major trading currencies, with the largest appreciation against the US Dollar
- Market volatility continued with the JSE reflecting growth of 41% year on year, albeit coming off a low base
- The property market remains under pressure with low or static growth across the residential and commercial property markets.

We are conscious of the effect of the slowdown of growth in the property market (both global and local) and the impact on our portfolio secured by property. The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values. Over the past few years as property values increased, many clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values.

As at 31 March 2010 the average loan to value ratio within the property development portfolio stood at 69% based on net sell out values.

Lower levels of volatility relative to the 2009 financial year have resulted in lower profitability levels and exposure for the majority of our trading divisions.

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

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

For assets written during the current year there has been strict adherence to lower loan to value lending and increased pricing requirements although there has been some downward pricing pressures towards the end of the first quarter of 2010.

Credit quality on gross core loans and advances deteriorated throughout the year under review, with the majority of impairments raised in the Private Bank division, distributed between the residential and commercial property portfolios. These defaults largely comprise a relatively small number of clients where finance was provided at reasonably conservative loan to values but with no obvious serviceability except realisation of collateral. Defaults have occurred when clients have been unable to realise sales to service and repay. There has, however, been a slowdown in the number of default loans in the second half of the financial year.

Investec Capital Markets reported no material defaults for the current financial year.

Core loans and advances decreased by 1.9% to R118.2 billion. Default loans (net of impairments) as a percentage of core loans and advances increased from 2.12% to 3.32%. The credit loss ratio has increased from 0.68% to 0.71% in line with guidance previously provided. A lot of emphasis has been placed on the strengthening of recoveries and administrative areas and increased involvement from executive and senior management to deal with potential problematic loans and working on the best outcome/solution for our clients and ourselves.

Credit and counterparty risk information

Pages 39 to 45 describe where and how credit risk is assumed in our operations. The tables that follow provide an analysis of the our credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 3.5% to R225 billion largely as a result of significant increases in cash and near cash balances over the period. Cash and near cash balances increased by 46.7% to R48.0 billion and are largely reflected in the following line items in the table below: debt instruments; bank placements; sovereign, government placements.

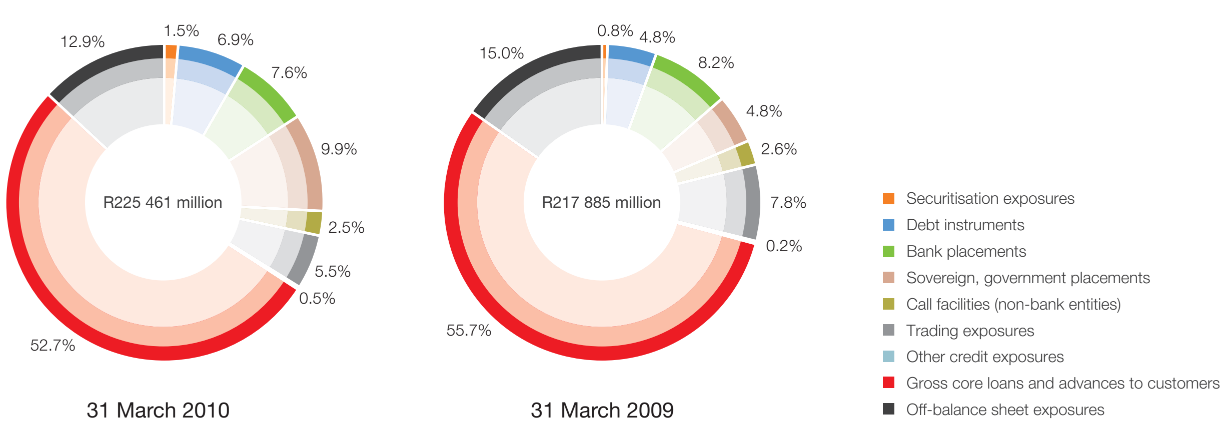
Audited R'million	31 March 2010	31 March 2009	% change	Average*
On–balance sheet exposures	196 392	185 298	6.0	190 848
Securitisation exposures arising from securitisation/principal finance activities	3 298	1 782	85.1	2 541
Rated instruments	1 794	–	>100.0	897
Unrated instruments	383	644	(40.5)	514
Other	1 121	1 138	(1.5)	1 130
Debt instruments (NCDs, bonds held, debentures)	15 576	10 579	47.2	13 078
Bank placements	17 206	17 783	(3.2)	17 495
Sovereign, government placements	22 366	10 468	>100.0	16 417
Call facilities (non–bank entities)	5 577	5 755	(3.1)	5 666
Trading exposures (positive fair value excluding potential future exposures)	12 372	17 019	(27.3)	14 696
Other credit exposures	1 060	450	>100.0	755
Gross core loans and advances to customers**	118 937	121 462	(2.1)	120 200
Off–balance sheet exposures	29 069	32 587	(10.8)	30 829
Guarantees^	4 643	6 898	(32.7)	5 771
Contingent liabilities, committed facilities, other	24 426	25 689	(4.9)	25 058
Total gross credit and counterparty exposures pre collateral or other credit enhancements	225 461	217 885	3.5	221 677

**Where the average is based on a straight line average.*

***As calculated on page 51.*

^Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.

An analysis of gross credit and counterparty exposures



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

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

Audited R'million	Securitisation exposures arising from securitisation/principal finance activities Total	Rated instruments	Unrated instruments	Other	Debt instruments (NCDs, bonds held, debentures)
As at 31 March 2010					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	1 326
Trading securities	230	–	230	–	12 469
Derivative financial instruments	–	–	–	–	–
Investment securities	1 869	1 794	75	–	1 237
Loans and advances to customers	1 108	–	23	1 085	–
Securitised assets	91	–	55	36	–
Deferred taxation assets	–	–	–	–	–
Other assets	–	–	–	–	544
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Insurance assets	–	–	–	–	–
Total	3 298	1 794	383	1 121	15 576
As at 31 March 2009					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–
Trading securities	567	–	567	–	9 259
Derivative financial instruments	–	–	–	–	–
Investment securities	–	–	–	–	493
Loans and advances to customers	1 089	–	21	1 068	–
Securitised assets	126	–	56	70	–
Deferred taxation assets	–	–	–	–	–
Other assets	–	–	–	–	827
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Insurance assets	–	–	–	–	–
Total	1 782	–	644	1 138	10 579

1. *Largely relates to exposures that are classified as equity risk in the banking book*
2. *Relates to impairments. Further information is provided on page 173*
3. *Largely includes liquidity facilities provided to third party corporate securitisation vehicles. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposures to the bank*

	Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
	43	3 617	–	–	–	–	3 660	–		3 660
	14 318	–	4	301	2	–	14 625	–		14 625
	–	–	5 573	–	882	–	6 455	–		6 455
	2 841	–	–	509	–	–	4 676	–		4 676
	–	18 749	–	3 049	–	–	34 497	8 771	1	43 268
	–	–	–	7 400	–	–	7 400	450	1	7 850
	–	–	–	–	–	–	3 106	57	1	3 163
	–	–	–	–	–	111 682	112 790	(858)	2	111 932
	–	–	–	–	–	7 255	7 346	2 650	3	9 996
	–	–	–	–	–	–	–	403		403
	4	–	–	1 113	176	–	1 837	5 482		7 319
	–	–	–	–	–	–	–	180		180
	–	–	–	–	–	–	–	188		188
	–	–	–	–	–	–	–	3 033		3 033
	–	–	–	–	–	–	–	280		280
	–	–	–	–	–	–	–	98		98
	–	–	–	–	–	–	–	59 978		59 978
	17 206	22 366	5 577	12 372	1 060	118 937	196 392	80 712		277 104
	24	3 134	–	–	–	–	3 158	–		3 158
	11 711	–	–	474	–	–	12 185	–		12 185
	–	–	5 158	175	45	–	5 378	–		5 378
	6 048	–	597	1 743	–	–	8 388	–		8 388
	–	7 334	–	3 947	–	–	21 107	5 875	1	26 982
	–	–	–	9 611	105	–	9 716	275	1	9 991
	–	–	–	–	–	–	493	142	1	635
	–	–	–	–	–	112 153	113 242	(1 081)	2	112 161
	–	–	–	–	–	9 309	9 435	3 578	3	13 013
	–	–	–	–	–	–	–	508		508
	–	–	–	1 069	300	–	2 196	2 696		4 892
	–	–	–	–	–	–	–	166		166
	–	–	–	–	–	–	–	190		190
	–	–	–	–	–	–	–	2 568		2 568
	–	–	–	–	–	–	–	308		308
	–	–	–	–	–	–	–	88		88
	–	–	–	–	–	–	–	45 614		45 614
	17 783	10 468	5 755	17 019	450	121 462	185 298	60 927		246 225

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Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
As at 31 March 2010					
On-balance sheet exposures	86 156	438	1 174	23 966	1 811
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs, bonds held, debentures)	–	–	230	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	22 366	–
Call facilities (non-bank entities)	–	50	–	–	336
Trading exposures (positive fair value excluding potential future exposures)	238	10	222	–	613
Other credit exposures	1	–	–	1	–
Gross core loans and advances to customers	85 917	378	722	1 599	862
Off-balance sheet exposures	21 367	–	18	–	53
Guarantees	2 745	–	18	–	53
Contingent liabilities, committed facilities, other	18 622	–	–	–	–
Total gross credit and counterparty exposures pre collateral or other credit enhancements	107 523	438	1 192	23 966	1 864
As at 31 March 2009					
On-balance sheet exposures	84 681	370	1 159	12 617	2 657
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs, bonds held, debentures)	–	–	60	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	10 468	–
Call facilities (non-bank entities)	–	51	247	–	369
Trading exposures (positive fair value excluding potential future exposures)	121	4	80	–	177
Other credit exposures	–	–	–	–	1
Gross core loans and advances to customers	84 560	315	772	2 149	2 110
Off-balance sheet exposures	25 362	–	1	–	221
Guarantees	5 733	–	1	–	107
Contingent liabilities, committed facilities, other	19 629	–	–	–	114
Total gross credit and counterparty exposures pre collateral or other credit enhancements	110 043	370	1 160	12 617	2 878

	Finance and insurance	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport and communi-cation	Total
	57 607	3 533	8 973	3 470	1 546	1 935	5 783	196 392
	3 110	91	–	97	–	–	–	3 298
	1 794	–	–	–	–	–	–	1 794
	231	55	–	97	–	–	–	383
	1 085	36	–	–	–	–	–	1 121
	15 204	–	–	–	–	–	142	15 576
	17 206	–	–	–	–	–	–	17 206
	–	–	–	–	–	–	–	22 366
	1 466	1 224	1 804	–	259	–	438	5 577
	9 646	660	206	510	34	44	189	12 372
	1 015	3	26	–	14	–	–	1 060
	9 960	1 555	6 937	2 863	1 239	1 891	5 014	118 937
	5 274	83	325	8	1 015	309	617	29 069
	1 467	–	211	–	147	–	2	4 643
	3 807	83	114	8	868	309	615	24 426
	62 881	3 616	9 298	3 478	2 561	2 244	6 400	225 461
	58 461	4 939	5 054	4 486	2 797	1 487	6 590	185 298
	1 656	126	–	–	–	–	–	1 782
	–	–	–	–	–	–	–	–
	588	56	–	–	–	–	–	644
	1 068	70	–	–	–	–	–	1 138
	10 262	70	–	–	159	–	28	10 579
	17 783	–	–	–	–	–	–	17 783
	–	–	–	–	–	–	–	10 468
	1 300	1 563	1 593	–	273	–	359	5 755
	15 695	79	172	497	38	–	156	17 019
	167	39	167	2	67	1	6	450
	11 598	3 062	3 122	3 987	2 260	1 486	6 041	121 462
	4 657	504	1 040	102	286	98	316	32 587
	207	204	518	64	9	–	55	6 898
	4 450	300	522	38	277	98	261	25 689
	63 118	5 443	6 094	4 588	3 083	1 585	6 906	217 885

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Summary analysis of gross credit and counterparty exposures by industry

Private Banking loans account for 72.2% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals'. A description of the type of lending we undertake within the Private Bank is provided on page 41, and a more detailed analysis of the Private Banking loan portfolio is provided on page 61. The remainder of core loans and advances largely reside within our Capital Markets division and are evenly spread across industry sectors. A description of the type of lending we undertake within the Capital Markets division is provided on page 41, and a more detailed analysis of the Capital Markets loan portfolio is provided on page 61.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and professional individual Private Banking clients.

	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
HNW and professional individuals	85 917	84 560	21 606	25 483	107 523	110 043
Agriculture	378	315	60	55	438	370
Electricity, gas and water (utility services)	722	772	470	388	1 192	1 160
Public and non-business services	1 599	2 149	22 367	10 468	23 966	12 617
Business services	862	2 110	1 002	768	1 864	2 878
Finance and insurance	9 960	11 598	52 921	51 520	62 881	63 118
Retailers and wholesalers	1 555	3 062	2 061	2 381	3 616	5 443
Manufacturing and commerce	6 937	3 122	2 361	2 972	9 298	6 094
Real estate	2 863	3 987	615	601	3 478	4 588
Mining and resources	1 239	2 260	1 322	823	2 561	3 083
Leisure, entertainment and tourism	1 891	1 486	353	99	2 244	1 585
Transport and communication	5 014	6 041	1 386	865	6 400	6 906
Total	118 937	121 462	106 524	96 423	225 461	217 885

The following methodology has been applied:

- Warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities have been deducted
- Loans and advances which have been originated by the group and securitised primarily to provide an alternative source of funding are added to loans and advances

An analysis of our core loans and advances, asset quality and impairments

In order to assess and analyse the credit risk associated with loans and advances we believe that certain adjustments should be made to "loans and advances to customers" as reflected on the IFRS consolidated balance sheet. We believe that these adjustments are necessary in order to derive a number that reflects actual core lending activities.

Calculation of core loans and advances to customers

Audited R'million	31 March 2010	31 March 2009
Loans (pre-impairments) as per balance sheet	112 790	113 242
Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments)	(1 108)	(1 089)
Add: own-originated securitised assets	7 255	9 309
Gross core loans and advances to customers (pre-impairments)	118 937	121 462

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers. An overview of developments during the financial year is provided on pages 44 and 45.

Audited R'million	31 March 2010	31 March 2009
Gross core loans and advances to customers	118 937	121 462
Total impairments	(782)	(1 018)
Portfolio impairments	(322)	(90)
Specific impairments	(460)	(928)
Net core loans and advances to customers	118 155	120 444
Average gross core loans and advances to customers	120 200	112 715
Current loans and advances to customers	111 670	115 360
Total gross non-current loans and advances to customers	7 267	6 102
Past due loans and advances to customers (1-60 days)	2 016	1 887
Special mention loans and advances to customers	546	643
Default loans and advances to customers	4 705	3 572
Gross core loans and advances to customers as at end of the month	118 937	121 462
Total gross non-current core loans and advances to customers	7 267	6 102
Default loans that are current and not impaired	385	21
Gross core loans and advances to customers that are past due but not impaired	5 191	3 003
Gross core loans and advances to customers that are impaired	1 691	3 078
Total income statement charge for impairments on core loans and advances	(863)	(766)
Gross default loans and advances to customers	4 705	3 572
Specific impairments	(460)	(928)
Portfolio impairments	(322)	(90)
Defaults net of impairments	3 923	2 554
Collateral and other credit enhancements	6 015	3 635
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	0.39%	0.76%
Portfolio impairments as a % of gross core loans and advances to customers	0.27%	0.07%
Total impairments as a % of gross core loans and advances to customers	0.66%	0.84%
Specific impairments as a % of gross default loans	9.78%	25.98%
Gross defaults as a % of gross core loans and advances to customers	3.96%	2.94%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.32%	2.12%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge on loans as a % of average loans and advances)	0.71%	0.68%

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

Audited R'million	Private Bank 31 March 2010	 31 March 2009	Capital Markets 31 March 2010	 31 March 2009
Gross core loans and advances to customers	85 917	84 558	28 794	32 825
Total impairments	(418)	(511)	(16)	(341)
Portfolio impairments	(114)	(64)	(16)	(19)
Specific impairments	(304)	(447)	–	(322)
Net core loans and advances to customers	85 499	84 047	28 778	32 484
Average gross core loans and advances	85 238	79 228	30 809	29 818
Current loans and advances to customers	79 167	79 559	28 568	32 121
Total gross non current loans and advances to customers	6 750	4 999	226	704
Past due loans and advances to customers (1-60 days)	1 776	1 712	155	63
Special mention loans and advances to customers	542	582	–	40
Default loans and advances to customers	4 432	2 705	71	601
Gross core loans and advances to customers	85 917	84 558	28 794	32 825
Total gross non-current loans and advances to customers	6 750	4 999	226	704
Default loans that are current and not impaired	385	21	–	–
Gross core loans and advances to customers that are past due but not impaired	4 876	2 767	226	103
Gross core loans and advances to customers that are impaired	1 489	2 211	–	601
Total income statement charge for impairments on core loans	(497)	(266)	(113)	(354)
Gross default loans and advances to customers	4 432	2 705	71	601
Specific impairments	(304)	(447)	–	(322)
Portfolio impairments	(114)	(64)	(16)	(19)
Defaults net of impairments	4 014	2 194	55	260
Collateral and other credit enhancements	5 789	3 036	156	449
Net default loans and advances to customers (limited to zero)	–	–	–	–
Specific impairments as a % of gross core loans and advances to customers	0.35%	0.53%	–	0.98%
Portfolio impairments as a % of gross core loans and advances to customers	0.13%	0.08%	0.06%	0.06%
Total impairments as a % of gross core loans and advances to customers	0.49%	0.60%	0.06%	1.04%
Specific impairments as a % of gross default loans	6.86%	16.52%	–	53.56%
Gross defaults as a % of gross core loans and advances to customers	5.16%	3.20%	0.25%	1.83%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.69%	2.61%	0.19%	0.80%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge on loans as a % of average loans and advances)	0.58%	0.34%	0.35%	1.17%

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

	Other*		Total	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	4 226	4 079	118 937	121 462
	(348)	(166)	(782)	(1 018)
	(192)	(7)	(322)	(90)
	(156)	(159)	(460)	(928)
	3 878	3 913	118 155	120 444
	4 153	3 669	120 200	112 715
	3 935	3 680	111 670	115 360
	291	399	7 267	6 102
	85	112	2 016	1 887
	4	21	546	643
	202	266	4 705	3 572
	4 226	4 079	118 937	121 462
	291	399	7 267	6 102
	–	–	385	21
	89	133	5 191	3 003
	202	266	1 691	3 078
	(253)	(146)	(863)	(766)
	202	266	4 705	3 572
	(156)	(159)	(460)	(928)
	(192)	(7)	(322)	(90)
	(146)	100	3 923	2 554
	70	150	6 015	3 635
	–	–	–	–
	3.69%	3.90%	0.39%	0.76%
	4.54%	0.17%	0.27%	0.07%
	8.23%	4.07%	0.66%	0.84%
	77.23%	59.84%	9.78%	25.98%
	4.78%	6.51%	3.96%	2.94%
	(3.76%)	2.73%	3.32%	2.12%
	–	–	–	–
	6.09%	3.98%	0.71%	0.68%

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

Audited R'million	31 March 2010	31 March 2009
Default loans that are current	605	938
1 – 60 days	2 428	2 354
61 – 90 days	461	710
91 – 180 days	1 075	1 241
181 – 365 days	1 305	518
>365 days	1 393	341
Total gross non-current loans and advances to customers (actual capital exposure)	7 267	6 102
1 – 60 days	514	274
61 – 90 days	184	105
91 – 180 days	833	481
181 – 365 days	872	213
>365 days	1 154	242
Total gross non-current loans and advances to customers (actual amount in arrears)	3 557	1 315

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

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 31 March 2010							
Default loans that are current and not impaired							
Total capital exposure	385	–	–	–	–	–	385
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	2 289	443	847	858	754	5 191
Amount in arrears	–	408	179	740	634	699	2 660
Gross core loans and advances to customers that are impaired							
Total capital exposure	220	139	18	228	447	639	1 691
Amount in arrears	–	106	5	93	238	455	897
As at 31 March 2009							
Default loans that are current and not impaired							
Total capital exposure	21	–	–	–	–	–	21
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	2 082	418	271	139	93	3 003
Amount in arrears	–	219	43	24	10	3	299
Gross core loans and advances to customers that are impaired							
Total capital exposure	917	272	292	970	379	248	3 078
Amount in arrears	–	55	62	457	203	239	1 016

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

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	2 016	–	–	–	–	2 016
Special mention	–	120	300	16	101	9	546
Special mention (1 – 90 days)	–	120	59	*16	*101	*9	305
Special mention (61 – 90 days and item well secured)	–	–	241	–	–	–	241
Default	605	292	161	1 059	1 204	1 384	4 705
Sub-standard	347	153	73	555	575	599	2 302
Doubtful	258	139	88	504	629	785	2 403
Loss	–	–	–	–	–	–	–
Total	605	2 428	461	1 075	1 305	1 393	7 267

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

Audited R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	366	–	–	–	–	366
Special mention	–	19	98	7	14	3	141
Special mention (1 – 90 days)	–	19	36	*7	*14	*3	79
Special mention (61 – 90 days and item well secured)	–	–	62	–	–	–	62
Default	–	129	86	826	858	1 151	3 050
Sub-standard	–	25	14	503	493	589	1 624
Doubtful	–	104	72	323	365	562	1 426
Loss	–	–	–	–	–	–	–
Total	–	514	184	833	872	1 154	3 557

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

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

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

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

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

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

An analysis of core loans and advances to customers

Audited R'million	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impair-ments	Portfolio impair-ments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 31 March 2010								
Current core loans and advances	111 670	–	–	111 670	–	(309)	111 361	–
Past due (1 – 60 days)	–	2 016	–	2 016	–	(7)	2 009	366
Special mention	–	546	–	546	–	(6)	540	141
Special mention (1 – 90 days)	–	305	–	305	–	(6)	299	79
Special mention (61 – 90 days and item well secured)	–	241	–	241	–	–	241	62
Default	385	2 629	1 691	4 705	(460)	–	4 245	3 050
Sub-standard	347	1 948	7	2 302	–	–	2 302	1 624
Doubtful	38	681	1 684	2 403	(460)	–	1 943	1 426
Loss	–	–	–	–	–	–	–	–
Total	112 055	5 191	1 691	118 937	(460)	(322)	118 155	3 557
As at 31 March 2009								
Current core loans and advances	115 360	–	–	115 360	–	(81)	115 279	–
Past due (1 – 60 days)		1 887	–	1 887	–	(3)	1 884	180
Special mention	–	643	–	643	–	(6)	637	116
Special mention (1 – 90 days)	–	247	–	247	–	(6)	241	77
Special mention (61 – 90 days and item well secured)	–	396	–	396	–	–	396	39
Default	21	473	3 078	3 572	(928)	–	2 644	1 019
Sub-standard	21	473	131	625	(56)	–	569	227
Doubtful	–	–	2 945	2 945	(870)	–	2 075	792
Loss	–	–	2	2	(2)	–	–	–
Total	115 381	3 003	3 078	121 462	(928)	(90)	120 444	1 315

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

Audited R'million	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)
As at 31 March 2010			
Private Banking professional and HNW individuals	79 167	1 776	305
Corporate sector	19 827	155	–
Banking, insurance, financial services (excluding sovereign)	9 960	–	–
Public and government sector (including central banks)	1 599	–	–
Trade finance	1 117	85	–
Total gross core loans and advances to customers	111 670	2 016	305
As at 31 March 2009			
Private Banking professional and HNW individuals	79 561	1 712	247
Corporate sector	21 000	63	–
Banking, insurance, financial services (excluding sovereign)	11 598	–	–
Public and government sector (including central banks)	2 149	–	–
Trade finance	1 052	112	–
Total gross core loans and advances to customers	115 360	1 887	247

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

Audited R'million	31 March 2010	31 March 2009
Private Banking professional and HNW individuals	85 917	84 560
Corporate sector	20 134	21 842
Banking, insurance, financial services (excluding sovereign)	9 960	11 598
Public and government sector (including central banks)	1 599	2 149
Trade finance	1 327	1 313
Total gross core loans and advances to customers	118 937	121 462

	Special mention (61 – 90 days and well secured)	Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
	237	2 227	2 205	–	85 917	(113)	(305)	(418)
	–	71	81	–	20 134	(203)	(81)	(284)
	–	–	–	–	9 960	(6)	–	(6)
	–	–	–	–	1 599	–	–	–
	4	4	117	–	1 327	–	(74)	(74)
	241	2 302	2 403	–	118 937	(322)	(460)	(782)
	335	505	2 198	2	84 560	(64)	(447)	(511)
	40	85	654	–	21 842	(13)	(420)	(433)
	–	–	–	–	11 598	(13)	–	(13)
	–	–	–	–	2 149	–	–	–
	21	35	93	–	1 313	–	(61)	(61)
	396	625	2 945	2	121 462	(90)	(928)	(1 018)

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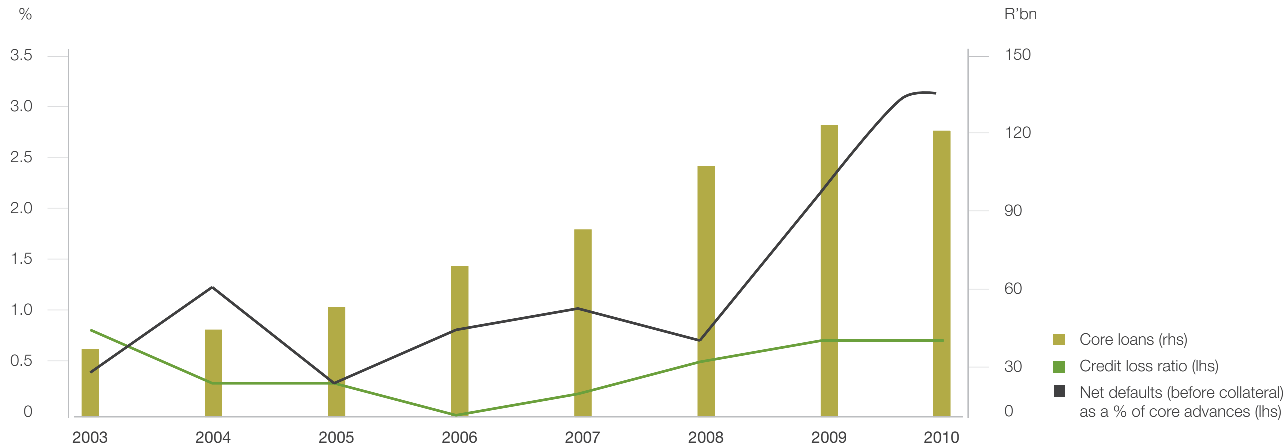
An analysis of default core loans and advances as at 31 March 2010

R'million	Gross core loans	Gross defaults	Collateral	Impairments
Private Bank				
Residential property investment	1 867	8	13	(5)
Residential mortgages (owner occupied and second homes)	24 314	138	81	(95)
Residential property development	3 122	718	1 096	–
Commercial property investment	36 288	2 213	2 037	(215)
Commercial property development	7 187	80	1 304	–
Cash and securities backed lending	4 198	595	624	(8)
Asset backed lending	3 765	478	444	(31)
Unlisted securities and general corporate lending	3 732	151	167	(36)
Unsecured lending	1 444	51	23	(28)
Total Private Bank	85 917	4 432	5 789	(418)
Capital Markets				
Preference share finance	7 820	–	–	–
Acquisition finance	4 255	–	–	–
Project finance	2 022	–	–	–
Structured finance	13 608	71	156	(16)
Resource finance and commodities	1 089	–	–	–
Total Capital Markets	28 794	71	156	(16)
Other*	4 226	202	70	(348)
Total group	118 937	4 705	6 015	(782)

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

Default and core loans trend



Collateral

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

R'million	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
As at 31 March 2010			
Eligible financial collateral	21 038	3 780	24 818
Listed shares	19 292	1 031	20 323
Cash	1 724	2 749	4 473
Debt securities issued by sovereigns	22	–	22
Mortgage bonds	146 740	–	146 740
Residential mortgages	45 482	–	45 482
Residential development	104	–	104
Commercial property development	678	–	678
Commercial property investments	100 476	–	100 476
Other collateral	33 573	3 777	37 350
Unlisted shares	1 087	–	1 087
Bonds other than mortgage bonds	8 648	3 198	11 846
Debtors, stock and other corporate assets	15 305	–	15 305
Guarantees	7 317	80	7 397
Credit derivatives	–	–	–
Other	1 216	499	1 715
Total collateral	201 351	7 557	208 908
Suretyships	46	–	46
Collateral including suretyships	201 397	7 557	208 954
As at 31 March 2009			
Eligible financial collateral	22 574	3 474	26 048
Listed shares	20 378	607	20 985
Cash	2 136	2 867	5 003
Debt securities issued by sovereigns	60	–	60
Mortgage bonds	147 657	139	147 796
Residential mortgages	53 398	139	53 537
Residential development	15 081	–	15 081
Commercial property development	13 439	–	13 439
Commercial property investments	65 739	–	65 739
Other collateral	27 888	4 286	32 174
Unlisted shares	857	–	857
Bonds other than mortgage bonds	8 537	2 350	10 887
Debtors, stock and other corporate assets	3 214	–	3 214
Guarantees	10 281	1 364	11 645
Credit derivatives	445	–	445
Other	4 554	572	5 126
Total collateral	198 119	7 899	206 018
Suretyships	14 543	–	14 543
Collateral including suretyships	212 662	7 899	220 561

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

4

Developments within the international economy have impacted on securitisation/ principal finance activities and have limited our strategic initiatives in this space

Securitisation/principal finance activities and exposures

The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been significantly curtailed given the current economic climate.

South Africa

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

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

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1; Series 1 Tranche 2; Series 2; and Series 3). These facilities, which totalled R2.4 billion as at 31 March 2010, have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to page 64). The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also sought out select opportunities in the credit/debt markets and traded and invested in structured credit investments. These have largely been investments in rated instruments within the UK and Europe.

In addition, we have own originated, securitised assets in our Private Banking business in South Africa. The primary motivations for the securitisation of assets within our Private Banking division are to:

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

Total assets that have been originated and securitised by the Private Bank amount to R7.2 billion (2009: R9.3 billion) and include auto loans (R0.9 billion), residential mortgages (R5.1 billion) and commercial mortgages (R1.2 billion).These securitisation structures have all been rated by Moody's.

Accounting treatment Audited

Refer to pages 173 and 174.

Credit analysis

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

Nature of exposure/ activity	Exposure as at 31 March 2010 R'mn	Exposure as at 31 March 2009 R'mn	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	2 099	644	On-balance sheet securitisation/ principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	1 794	–			
Unrated	305	644			
Warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	1 092	1 059	On-balance sheet securitisation/ principal finance.	The total exposure of R1 092 million is net of impairments of R106 million.	Risk-weighted depending on rating of counterparty.
Private Banking division assets which have been securitised	7 255	9 309	On-balance sheet exposure – reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes.	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 51.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
Liquidity facilities provided to third party corporate securitisation vehicles	2 434	3 968	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.		Unutilised facility that is risk-weighted.

*A further analysis of structured credit investments

R'million	Rated**	Unrated	Total
US corporate loans	67	–	67
European RMBS	1 727	305	2 032
Total	1 794	305	2 099

**A further analysis of rated structured credit investments

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	–	67	–	–	67
European RMBS	337	321	126	626	317	–	–	1 727
Total	337	321	126	626	384	–	–	1 794

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Equity and investment risk in the banking book

Equity and investment risk description

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

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

Management of equity and investment risk

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

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

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

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 135 and 136 and pages 165 to 169 for factors taken into consideration in determining fair value. We have a low level of assets exposed to the volatility of IFRS fair value accounting with "level 3" assets amounting to 0.1% of total assets (refer to page 165 for further information).

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

Audited R'million	Income (pre funding costs)				
	Unrealised	Realised	Dividends, net interest and other	Total	Fair value through equity
For the year ended 31 March 2010					
Unlisted investments	280	273	213	766	–
Listed equities	166	79	1	246	1
Investment and trading properties	447	–	(2)	445	–
Warrants, profit shares and other embedded derivatives	205	59	3	267	–
Total	1 098	411	215	1 724	1
For the year ended 31 March 2009					
Unlisted investments	489	332	440	1 261	–
Listed equities	(100)	(10)	8	(102)	(3)
Investment and trading properties	239	–	106	345	–
Warrants, profit shares and other embedded derivatives	30	104	11	145	–
Total	658	426	565	1 649	(3)

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

Summary of investments held and stress testing analyses

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

Audited R'million	On-balance sheet value of investments 31 March 2010	Valuation change stress test* 31 March 2010	On-balance sheet value of investments 31 March 2009	Valuation change stress test* 31 March 2009
Unlisted investments	5 888	883	4 756	713
Listed equities	815	204	1 053	263
Investment and trading properties	4 736	534	2 992	345
Warrants, profit shares and other embedded derivatives	638	223	528	185
Total	12 077	1 844	9 329	1 506

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

Stress test values applied

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

Stress testing summary

Based on the information above we could have a R1.8 billion reversal in revenue (which assumes a year in which there is a "worst case scenario"). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period.

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The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of "Equity risk" and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 94 for further detail.

Traded market risk management

Traded market risk description Audited

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

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

Traded market risk governance structure Audited

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A global Market Risk Forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global Market Risk Forum and ratified at the ERRF in accordance with the risk appetite defined by the board. Limits are reviewed either annually, in the event of a significant market event (e.g. 11 September 2001), or at the discretion of senior management.

Management and measurement of traded market risk

Market risk management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk.

These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. New instruments or products are independently validated before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least "risky" instruments being assigned the largest limits.

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

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

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following; October 1987 (Black Monday), 11 September 2001 and the December Rand crisis in 2001. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

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

In South Africa, we have Internal Model Approval and so trading capital is calculated as a function of the 99% 10-day VaR. Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis.

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VaR 95% (one-day)

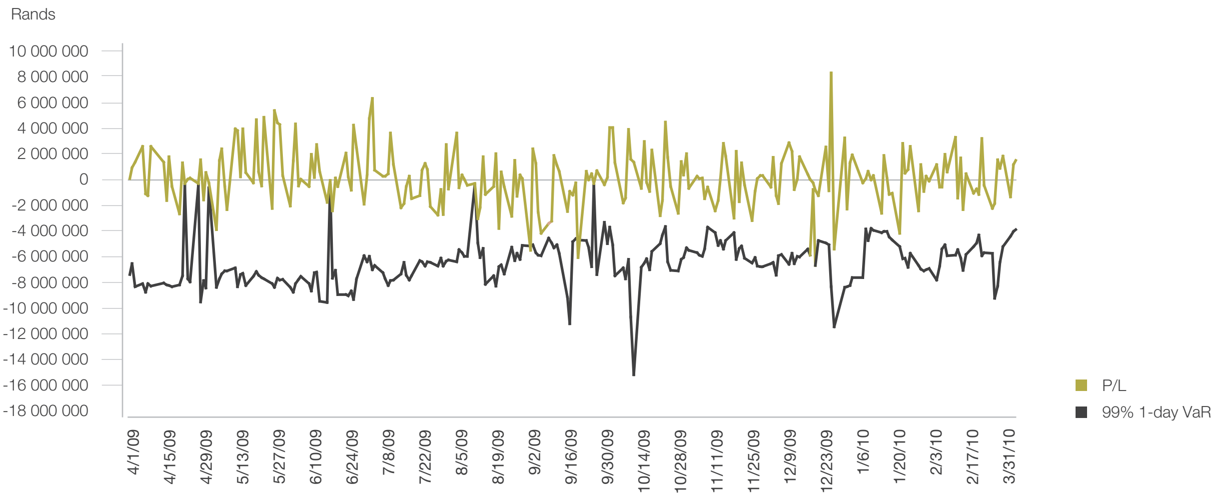
Audited R'million	Year end	Average	High	Low
31 March 2010				
Commodities	0.1	0.1	0.6	–
Equity derivatives	1.1	2.9	18.2	0.6
Foreign exchange	2.4	2.4	7.1	1.2
Interest rates	1.3	2.0	6.5	0.9
Consolidated*	3.6	4.5	16.9	2.3
31 March 2009				
Commodities	0.3	0.5	1.0	0.1
Equity derivatives	2.8	3.5	12.0	1.3
Foreign exchange	2.9	1.8	8.6	0.9
Interest rates	0.9	1.0	4.0	0.4
Consolidated*	4.1	4.5	15.3	2.1

**The consolidated VaR for each desk at year end is lower than the sum of the individual VaR's. This arises from the consolidation offset between various asset classes.*

The graph below shows total daily VaR and profit and loss figures for our trading activities over the reporting period. The values shown 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.

There have been two exceptions, i.e. where the loss is greater than the VaR. Both exceptions were marginal and in line with the 99% confidence interval expectations.

99% 1-day VaR backtesting



ETL 95% (one-day)

Audited R'million	31 March 2010	31 March 2009
Commodities	0.1	0.6
Equity derivatives	1.8	4.4
Foreign exchange	4.0	5.4
Interest rates	2.4	1.4
Consolidated*	5.0	6.8

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

Stress testing

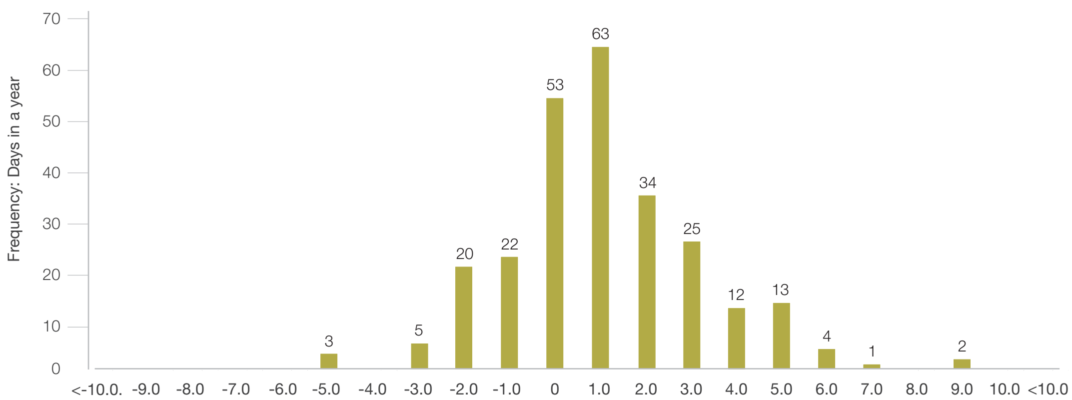
The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions (15 standard deviations).

Audited R'million	31 March 2010	31 March 2009
Commodities	0.6	2.3
Equity derivatives	8.6	21.7
Foreign exchange	18.4	22.1
Interest rates	10.3	7.2
Consolidated	37.9	53.3

Profit and loss histograms

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 154 days out of a total of 257 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2010 was R0.6 million (2009: R2.5 million).

Profit and loss (R'mn)



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Traded market risk mitigation

The market risk management team has a reporting line that is separate from the trading function, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are compared daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 500 days of unweighted data), where every "risk factor" is exposed to daily moves over the past two years. With the equity markets for example, every share and index is considered independently as opposed to techniques where proxies are used.

Non-statistical limits include product limits, tenor, notional, liquidity, buckets and option sensitivities (greeks). When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three month intervals out to two years and then, on a less granular basis, out to 30 years.

Traded market risk year in review

In South Africa markets have been relatively difficult to gauge over the past year resulting in a significant decline in client flow and trading activity. As a result the trading desks have reduced the amount of proprietary trading risk that they have been willing to accept and have concentrated on managing existing risks. Market risk limit utilisation by the trading desks has been relatively low throughout the year, which is evident in a decrease in the VaR numbers. Despite the difficult trading conditions all trading desks recorded a profit.

Market risk – derivatives Audited

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 171.

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 and risk mitigation

Under delegated authority of the board, the group has established Asset and Liability Management Committees (ALCO's) within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCO's are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk.

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 for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

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. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

The group's liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities. Branches and subsidiaries have no responsibility for contributing to group liquidity.

The ALCO's are typically made up of the Managing Director, the head of Risk, the head of the Funding desk, economists, divisional heads, the balance sheet risk management team, the Treasurer, Private Bank representatives and any appropriate co-opted personnel. The ALCO's meet on a monthly basis to discuss and decide on strategies to mitigate any undesirable liquidity and interest rate risk.

The group's Central Treasury function is mandated to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios. The Treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board approved risk appetite policy. Most non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The group's Central Treasury function directs pricing for all deposit products (including deposit products offered to the Private Clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, administers funds transfer pricing, and manages liquid securities and collateral, thus providing for a controlled and flexible response to volatile market conditions. The Central Treasury function is the sole interface to the wholesale market for both cash and derivative transactions.

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. The balance sheet risk management team, based within group Risk Management, independently identifies, quantifies and monitors risks, providing independent governance and oversight of the central treasury activities and the execution of the bank's policy, continuously assessing the risks whilst taking changes in market conditions into account. 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, thus providing a comprehensive and consistent governance framework.

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 industry recognised third party 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.

The group complies with the Basel Committee on Banking Supervision's Principles for Sound Liquidity Risk Management and Supervision

The 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 customers.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking and arises from the provision of retail and wholesale (non-trading) banking products and services. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally we are exposed to yield curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk.

Non-trading interest rate risk is measured and managed both from a net interest margin perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board approved risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure, this allows for the detection of interest rate risk by concentration of repricing, net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, and economic value sensitivity and stress testing to macroeconomic movement or changes which measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape by geography taking global trends into account. This combination of measures provides senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value. This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk.

Operationally, non-trading interest rate risk is transferred from the originating business to the Central Treasury function and aggregated or netted. The Central Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the composition of the banking group's discretionary liquid asset portfolio or through derivative transactions which transfer the risk into the trading books within Capital Markets division to be traded with the external market. Any resultant interest rate position is managed under the market risk limits. The Central Treasury mandate allows for tactically responding to market opportunities which may arise during changing interest rate cycles.

Our risk appetite policy requires that interest rate risk arising from fixed interest loans risk is transferred from the originating business to the Central Treasury function by match-funding. In turn, Central Treasury hedges all fixed rate assets with a term of more than one year on a deal-by-deal basis to within 3-months repricing with the use of variable vs. fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, the Central Treasury function hedges all fixed rate deposits with a term of more than one year to within 3-months repricing. Limits exist to ensure there is no undesired risk retained within any business or product area.

Interest rate sensitivity gap

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

Interest rate sensitivity as at 31 March 2010

R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non trading
Cash and short-term funds – banks	13 872	–	–	–	–	4 100	17 972
Cash and short-term funds – non-banks	6 455	–	–	–	–	–	6 455
Investment/trading assets	23 222	5 942	3 509	131	155	15 404	48 363
Securitised assets	9 689	40	40	213	14	–	9 996
Advances	94 948	1 045	2 163	9 631	3 457	688	111 932
Other assets	277	–	–	–	–	7 830	8 107
Assets	**148 463**	**7 027**	**5 712**	**9 975**	**3 626**	**28 022**	**202 825**
Deposits – banks	(9 384)	(50)	–	(120)	–	–	(9 554)
Deposits – non-banks	(118 742)	(7 996)	(8 411)	(3 782)	(633)	(1 508)	(141 072)
Negotiable paper	(840)	(450)	(236)	–	–	(33)	(1 559)
Securitised liabilities	(7 223)	(60)	(381)	(488)	–	–	(8 152)
Investment/trading liabilities	(2 964)	–	–	–	–	(3 037)	(6 001)
Subordinated liabilities	(1 355)	–	–	(3 750)	(200)	(36)	(5 341)
Other liabilities	(3 202)	(289)	(552)	(201)	(132)	(9 061)	(13 437)
Liabilities	**(143 710)**	**(8 845)**	**(9 580)**	**(8 341)**	**(965)**	**(13 675)**	**(185 116)**
Intercompany loans	**1 584**	**(299)**	**(537)**	**(185)**	**346**	**66**	**975**
Shareholders' funds	**(3 094)**	**–**	**–**	**–**	**(1 204)**	**(14 405)**	**(18 703)**
Balance sheet	**3 243**	**(2 117)**	**(4 405)**	**1 449**	**1 803**	**8**	**(19)**
Off-balance sheet	(4 631)	9 526	2 022	(4 513)	(2 385)	–	19
Repricing gap	**(1 388)**	**7 409**	**(2 383)**	**(3 064)**	**(582)**	**8**	**–**
Cumulative repricing gap	(1 388)	6 021	3 638	574	(8)	–	–

Economic value sensitivity

As discussed previously our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to mainly net interest income should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact to equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bp Down	(149.2)	0.1	3.0	(0.1)	(0.4)	(0.3)	(129.0)
200bp Up	126.6	(0.4)	(3.5)	–	0.4	0.3	99.3

Liquidity risk description

Liquidity risk is the risk that we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, 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 deposits, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss, unpredicted customer non-payment of loan obligations and a sudden increased demand for loans in the absence of corresponding funding inflows 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, the 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 in each jurisdiction, namely SARB, the Bank of Mauritius
- The 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 intergroup 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
- The 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
- The group maintains adequate contingency funding plans.

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.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. Our Private

Bank continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 26.1% from 1 April 2009 to R51.2 billion at 31 March 2010. Our Capital Markets division also continued to experience strong inflows during the financial year. Our total retail customer deposit base increased by 12.8% from 1 April 2009 to R143.1 billion at 31 March 2010. On average our fixed and notice customer deposits have amounted to approximately 71% of total deposits since April 2006 thereby displaying a strong "stickiness" and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. We have instituted various offshore syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and source of liquidity. These entities form part of the consolidated group balance sheet as reported. Our funding and liquidity capacity is not reliant on these entities to any material extent and we do not rely on these vehicles for funding in the normal course of business.

As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities 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. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short–term interbank borrowings. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch.

We do not rely on interbank deposits to fund term lending. From 1 April 2009 to 31 March 2010 average cash and near cash balances over the period amounted to R41.0 billion in South Africa.

The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

Each banking entity within the group maintains a contingency funding plan to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The liquidity contingency plans outline extensive early warning indicators and clear and decisive crisis response strategies. Early warning indicators span bank specific and systemic crises. Crisis response strategies address roles and responsibilities, composition of decision making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank specific events, while minimising detrimental long-term implications for the business.

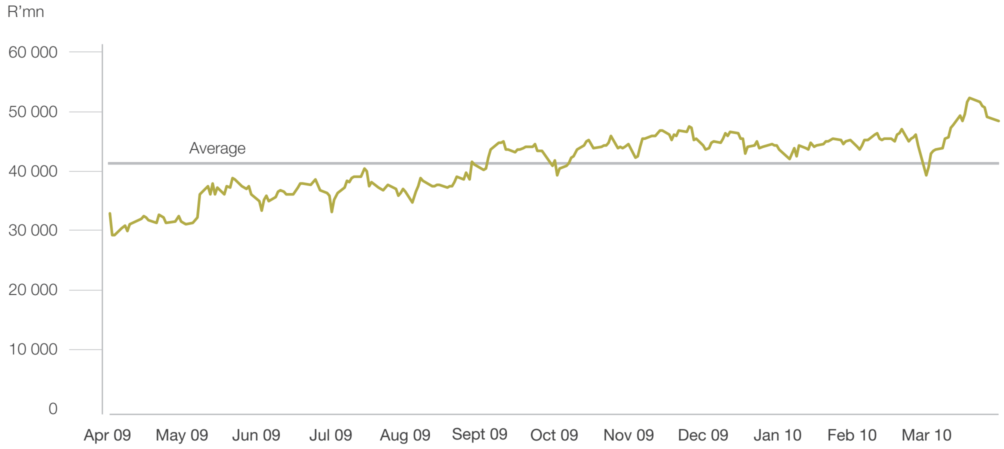
Investec Limited
cash and near cash

up 47% to
R48 billion

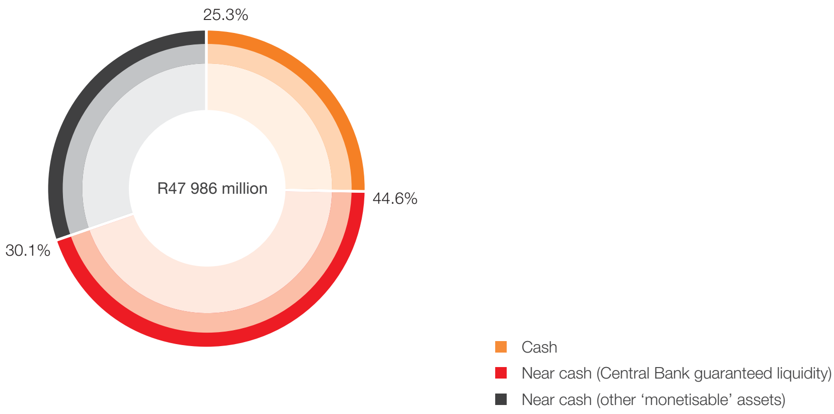
Average cash and near cash
for the group

up to
R41 billion

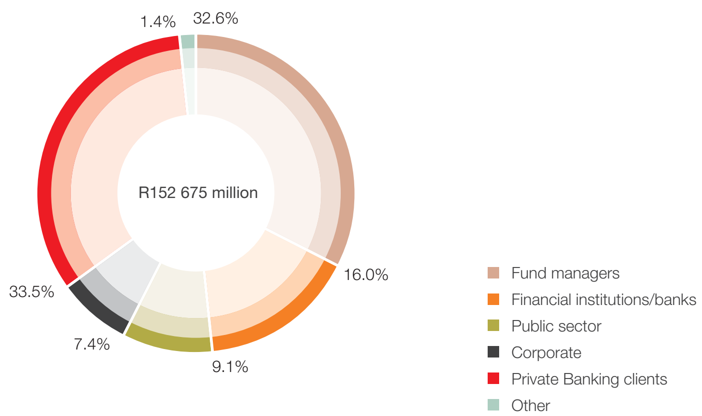
Investec Limited cash and near cash trend



An analysis of cash and near cash



Bank and non-bank depositor concentration by type



Liquidity mismatch

The table that follows shows our liquidity mismatch across our core geographies.

The table will not agree directly to the balances disclosed in the balance sheet since the table incorporates cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

We maintained a strong liquidity profile throughout the year. Our limited reliance on securitisations as a source of funding has meant that the uncertainty in securitisation markets has not impacted our liquidity risk profile. Despite competitive pressures we were able to increase deposits taken from the retail market and raise additional liquidity. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

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

With respect to the behavioural liquidity mismatch:

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

4

Contractual liquidity as at 31 March 2010

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds – banks*	15 958	1 087	16	20	350	374	480	18 285
Cash and short-term funds – non-banks	5 573	882	–	–	–	–	–	6 455
Investment/trading assets**	26 897	8 393	513	847	2 345	13 041	10 134	62 170
Securitised assets	630	128	185	509	485	3 619	4 440	9 996
Advances	6 599	6 874	7 600	8 439	12 728	39 929	29 763	111 932
Other assets	579	2 964	162	204	64	1 461	2 853	8 287
Assets	56 236	20 328	8 476	10 019	15 972	58 424	47 670	217 125
Deposits – banks	(332)	(1 909)	(628)	(50)	(3 385)	(3 250)	–	(9 554)
Deposits – non-banks	(46 654)^	(29 215)	(27 236)	(11 409)	(18 146)	(7 069)	(3 392)	(143 121)
Negotiable paper	–	(230)	(233)	(450)	(646)	–	–	(1 559)
Securitised liabilities	(145)	(834)	(1 743)	(60)	(787)	(3 395)	(1 188)	(8 152)
Investment/trading liabilities	(5 570)	(1 159)	(446)	(411)	(1 005)	(6 643)	(1 682)	(16 916)
Subordinated liabilities	–	–	–	–	–	(4 691)	(650)	(5 341)
Other liabilities	(590)	(2 851)	(1 622)	(1 299)	(2 210)	(1 293)	(4 027)	(13 892)
Liabilities	(53 291)	(36 198)	(31 908)	(13 679)	(26 179)	(26 341)	(10 939)	(198 535)
Shareholders' funds	–	–	–	–	–	–	(18 590)	(18 590)
Liquidity gap	2 945	(15 870)	(23 432)	(3 660)	(10 207)	32 083	18 141	–
Cumulative liquidity gap	2 945	(12 925)	(36 357)	(40 017)	(50 224)	(18 141)	–	–

Note: contractual liquidity adjustments (as discussed on page 78)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
*Cash and short-term funds – banks	12 341	1 087	16	20	350	374	4 097	18 285
**Investment/trading assets	8 658	1 477	9 249	9 489	10 122	13 041	10 134	62 170

Behavioural liquidity (as discussed on page 78)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	13 228	9 181	(2 565)	6 097	(3 394)	(52 379)	29 832	–
Cumulative	13 228	22 409	19 844	25 941	22 547	(29 832)	–	–

^Includes call deposits of R43.0 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.

Balance sheet risk year in review

In contrast to the prior year the South African interest rate environment was stable and relatively uneventful. The cost of term deposits, however, rose steadily throughout 2009 which placed interest rate margins under pressure. This was compensated by higher yields earned on liquid and trading assets. The gap between treasury bill and deposit yields shrank to almost zero over the year largely due to increased borrowing requirements from the government. Liquidity conditions stabilised and improved over the financial year. The Private Bank aggressively grew its deposit book and moderated its asset base resulting in a substantial increase in surplus cash reserves which we placed largely in higher yielding treasury bills. Our liquidity was further boosted by several successful medium term senior and subordinated notes issues totaling over R4 billion. The cost of these issues varied between 150bp and 200bp over Jibar. Total customer deposits increased by 12.8% from 1 April 2009 to R143.1 billion at 31 March 2010 (Private Bank deposits amount to R51.2 billion and other retail deposits amount to R91.9 billion). Cash and near cash balances increased by 46.7% from 1 April 2009 to R48.0 billion at 31 March 2010. The prospect of regulatory change will continue to force us and other banks to lengthen our deposit books, reprice new assets upwards and reduce our rate of asset growth.

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

- Investec Bank Limited (IBL):
  - During the year IBL undertook a series of domestic term debt and bond tap issues, raising a total of R4 050 million
  - May 2009 raised R1 835 million of floating rate funds with a term of 2 years and 2 months, and a coupon of 195 over 3-month Jibar
  - August 2009 raised R160 million of floating rate funds with a term of 6 years and 4 months, and a coupon of 215 over 3-month Jibar
  - September 2009 raised R120 million of floating rate funds with a term of 2 years and 8 months, and a coupon of 170 over 3-month Jibar
  - November 2009 raised R60 million of fixed funds with a term of 1 years and 7 months, and a coupon of 65 over the R157 Government Bond
  - December 2009 raised R611 million of floating rate funds with a term of 2 years and 8 months, and a coupon of 150 over 3-month Jibar
  - March 2010 raised R570 million of fixed rate funds with a term of 4 years and 11 months, and a coupon of 210 over the R157 Government Bond
  - March 2010 raised R170 million of floating rate funds with a term of 2 years and 11 months, and a coupon of 155 over 3-month Jibar
  - March 2010 raised R524 million of floating rate funds with a term of 4 years and 11 months, and a coupon of 200 over 3-month Jibar
  - During the year IBL undertook a sub debt tier II capital callable debt issue, raising R250 million of floating rate funds with a term of 9 years and 7 months, callable in 4 years and 7 months, and a coupon of 325 over 3-month Jibar.

Operational risk management

Operational risk description

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

A group wide operational risk system is used for the recording, identification, assessment, measurement and monitoring of operational risks facing the individual business units

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

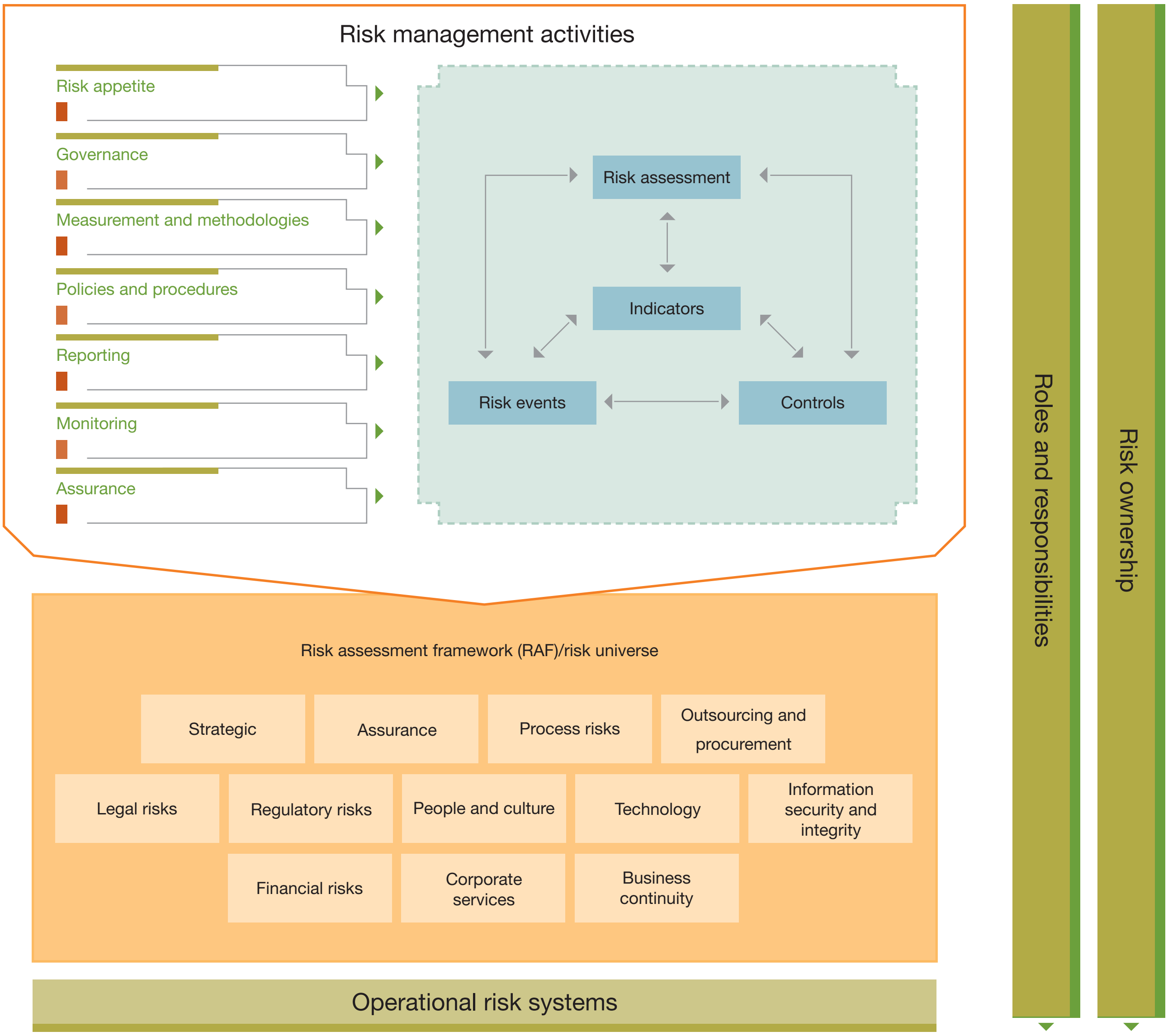
We have adopted The Standardised Approach to calculate the regulatory operational risk capital requirement.

Operational risk management framework

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

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

The following diagram provides an overview of the operational risk management framework



Operational risk governance structure

The governance structure for operational risk management is outlined below.

Board

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

Group Operational Risk Management

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

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

Group Operational Risk Management is responsible for the interaction and relationship with the various supervisors of the group in relation to operational risk.

Business Units

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

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

Risk appetite

The Operational Risk Appetite policy sets out the operational risk exposure that the bank is willing to accept or retain, and the required action for mitigation and escalation of operational risk exposures.

If a risk appetite threshold is breached, mitigating treatments are implemented to bring the exposure back within an acceptable range.

Measurement and methodologies

Operational risk identification and risk assessments

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

The RAF is organised into risk areas and relevant associated detailed risks. A controlled operational risk exposure is determined based on an assessment of the consequence, likelihood of occurrence and the effectiveness of the relevant controls.

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

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

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

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

4

Key operational risks

The following risks have been identified, through a combination of a top down and bottom up process, as key operational risks for the group:

Area	Key operational risks	Key considerations
People	Talent	• Inability to attract and retain suitable skills and resources
Processes	Business practices	• Unsuitable products and services • Conflicts of interest
	Data or model risk	• Inaccurate and unreliable data and models
	Legal	• Inappropriate documentation and legal advice
	Regulatory compliance	• Non-adherence to laws, regulations and industry codes
	Settlement and execution	• Inadequate settlement/payment processes and systems
	Tax	• Underestimation of tax liability
	Unauthorised transaction execution	• Trading outside of mandate or approved limits
Systems	Business continuity	• Unavailability of systems and processes • Inability to continue operations
	Privacy and confidentiality	• Loss of information and data assets
	Technology	• Inappropriate and unreliable technology skills and resources
External	Financial crime	• Theft or misappropriation of the financial assets of the company
	Outsourcing	• Inadequate monitoring and management of third party outsourcing relationships

Group Operational Risk Management interacts regularly with Internal Audit and group Compliance to discuss matters of common concern relating to the risk and control environment.

We have considered these risks and appropriate measures have been taken to mitigate and manage the exposure to these risks within acceptable levels.

Operational risk measurement

Each key operational risk has been subjected to a scenario analysis process. Various plausible, extreme, infrequent scenarios were developed and documented for each material operational risk. Scenario information was sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

The data collected through the scenario process was evaluated using a Monte Carlo simulation technique. This provided a measure of the exposure arising from the key risks and was used to determine internal operational risk capital requirements. This is reviewed by the Capital Committee.

The operational risk capital measurement process improves awareness of operational risk and the control environment within the business units.

Operational risk events

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

Operational risk indicators

Business units track and report appropriate risk indicators in order to monitor and control their operational risk exposures. These are reviewed regularly to ensure that they are relevant.

Policies and practices

Policies and practices have been established by group Operational Risk Management to ensure that operational risk is managed in an appropriate manner, and integrated across the group. These are regularly reviewed by the Operational Risk Committees and/or working groups as well as the BRCC.

Reporting

Group Operational Risk Management reports to the board, BRCC and Audit Committee on a regular basis. These reports are based on monitoring performed by group Operational Risk Management, input received from the business units and data recorded in the operational risk system. Improving the relevance and reliability of reporting continues to be an area of focus.

Monitoring

The individual components of the Operational Risk Management Framework (risk assessments, risk events, indicators, scenario analysis etc.) are monitored on an ongoing basis by group Operational Risk Management and the ERMs. These components are integrated to inform each other, enabling more efficient monitoring of operational risk data integrity, compliance with the policies and practices, and the operational risk profile across the group.

Assurance

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

Developments

Supervisory interaction

During the year, the group was subject to regulatory onsite reviews by the SARB.

Areas of focus include:

- Embedding more sophisticated operational risk practices within the group
- Business continuity capability: rigorous and ongoing simulations and readiness evaluation. The impact of the Soccer World Cup in South Africa has been considered and appropriate actions taken to mitigate the potential risks
- Financial crime: initiatives to improve understanding, awareness and internal processes are in place to minimise losses and recover assets and, where appropriate, to report suspicious transactions to the relevant authorities. Developments in this area are monitored through participation in the industry fora
- Privacy and confidentiality: ongoing focus on ensuring the confidentiality, availability and integrity of our information by identifying and reducing the risks to our information assets and systems
- Continued attention to practices and controls relating to execution, delivery and process risks.

Embedding operational risk management practices in the group remains an ongoing activity. The framework and practices are continuously monitored and developed to ensure that they remain relevant, appropriate, adequate and in line with leading industry practices and regulatory requirements.

Insurance

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

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

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

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

Legal risk management

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

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

The scope of our activities is continuously reviewed and includes the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

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

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

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

Capital management and allocation

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

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single unified enterprise.

Investec plc is regulated by the FSA in the UK and Investec Limited is regulated by the SARB. In addition, a number or subsidiaries are subject to the capital regulations of the regulators for the jurisdictions in which they operate.

Philosophy and approach

As a consequence of the global financial crisis over the past two years, capital adequacy standards for banks globally have been raised. Investec has always held capital in excess of regulatory requirements and the group intends to perpetuate this philosophy to ensure that it continues to remain well capitalised. Accordingly, the group maintains capital adequacy targets of a minimum tier one capital ratio of 11% and a total capital adequacy ratio range of 14% to 17%, on a consolidated basis, for Investec Limited.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

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

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

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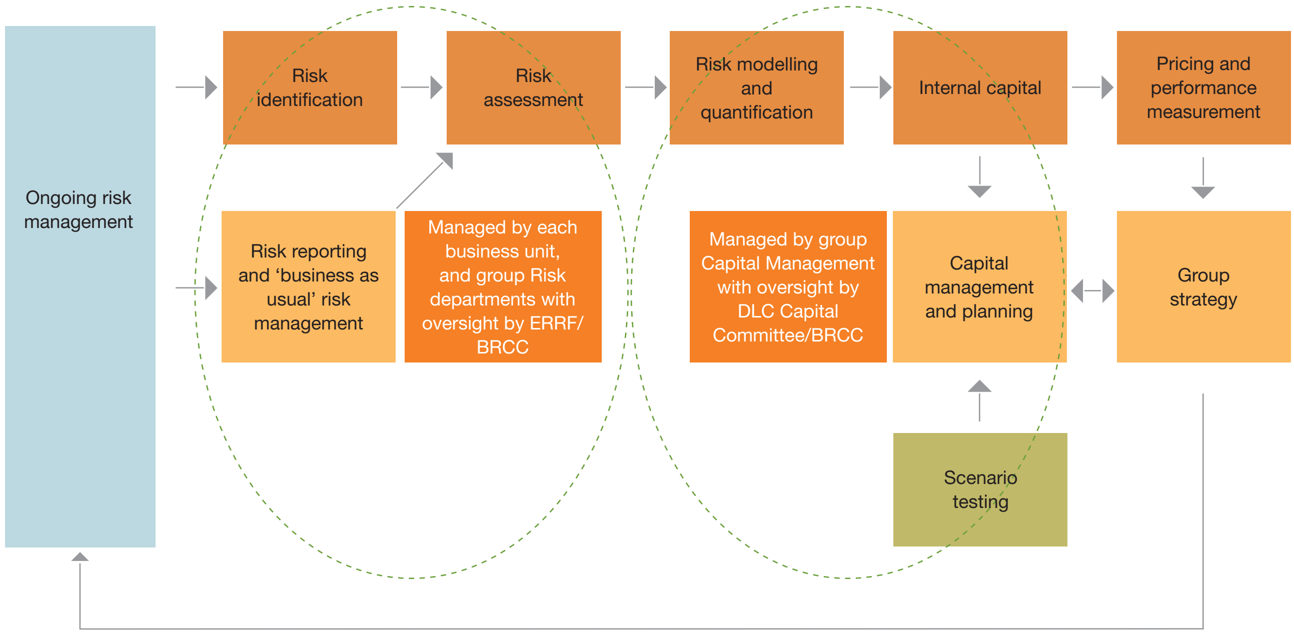
Consequently the objectives of the internal capital framework are to:

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

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

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

The (simplified) integration of risk and capital management



Risk assessment and identification

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

Risk reporting

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

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

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

Role of regulatory capital in capital management

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

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

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

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

Internal capital

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite.

Internal capital requirements are supported by the board approved risk assessment process described above. Assessments for all risks are based on analysis of internal data, management expertise and judgment and external benchmarking.

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

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Traded market risk
- Equity and property risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks
- Business risk
- Operational risk

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

Capital management, planning and scenario testing

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

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

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

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

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

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

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

Pricing and performance measurement

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

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

Responsibility for the risk and capital management process

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

In order to feed into this forum, Investec plc convenes a separate Capital Committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted Capital Management Committee also exists in Australia. The Southern African operations meet monthly through the Regulatory Forum, which analyses regulatory information, including capital use in Investec Bank Limited and Investec Bank (Mauritius) Limited. This structure ensures that capital is actively managed from the lowest reporting level and cascades up to the ultimate responsible body – the BRCC.

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

- Business units, in particular those who conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Capital Markets):
  - The transactional consultants within the business units consider the capital requirements and the projected return on this capital as part of the deal approval process. Pricing explicitly takes into account the capital usage
  - Each business unit is responsible for translating their detailed individual strategies into a "bottom-up" capital usage projection for incorporation into the group capital plan. These plans assist senior management with prioritising the use of our available capital
- Group Finance:
  - Regulatory reporting is the responsibility of a dedicated team within group Finance, who are responsible for ensuring regulatory capital requirements are continuously met
  - Financial control, through the capital management function, is responsible for the development and implementation of the internal capital framework and to manage and report on regulatory capital requirements. The development of the internal capital framework includes the result of analysis performed by Risk Management
  - The Capital Management function also co-ordinates, with assistance from business units, the development of the group's capital plan
  - As part of the responsibility for the internal capital framework, the allocation of capital is managed centrally by group Finance
  - As with Risk Management, the group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes
- Risk Management:
  - The credit approval process for each (relevant) transaction is approved only after review and approval by our central credit risk management team. Capital usage forms an explicit part of the approval process
  - For exposures which generate market risk, the market risk management team quantify and monitor market risk generated by trading activities. Traded market risk is closely monitored by our various risk management fora
  - As part of operational risk management, a process managed by centralised operational risk management and embedded risk managers within each business unit identify, assess and quantify key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used held via the internal capital framework
  - Underpinning all risk management functions is their IT support division, which ensures that all applications used to calculate and report risk are functioning properly and reconcile to underlying source systems
- Board and group executive:
  - The board has ultimate responsibility which is mandated to BRCC for the oversight of day to day risk management, capital management and ensuring that both risk and capital are managed commensurate with our strategy and risk appetite
  - The BRCC has delegated management of capital to the DLC Capital Committee and risk management to ERRF.

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

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

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

Capital disclosures in terms of Basel II

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

Accounting and regulatory treatment of group subsidiaries

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

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment: Fully consolidated	Regulatory treatment: Entities that are given a deduction treatment	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the group
Investec International Holdings (Gibraltar) Ltd		100%	Yes		SA	None
Quyn Martin Asset Management (Pty) Ltd		100%	Yes		SA	None
Investec Group Data (Pty) Ltd		100%	Yes		SA	None
APA Network Consultants (Pty) Ltd		100%	Yes		SA	None
Fuzztique (Pty) Limited		100%	Yes		SA	None
Cordatus Capital (Pty) Ltd		100%	Yes		SA	None
Investec Property Group Holdings Ltd		100%	Yes		SA	None

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

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Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 185 to 187.

R'million	Investec Limited	IBL*
As at 31 March 2010		
Regulatory capital		
Tier 1		
Called up share capital	–	25
Share premium	10 416	10 530
Retained income	9 405	6 055
Treasury shares	(1 140)	–
Other reserves	439	158
Minority interests in subsidiaries	–	–
Goodwill	(378)	(95)
Primary capital (Tier 1)	18 742	16 673
Less: deductions	(266)	(266)
	18 476	16 407
Tier 2 capital		
Aggregate amount	5 553	5 553
Less: deductions	(265)	(265)
	5 288	5 288
Total capital	23 764	21 695
As at 31 March 2009		
Regulatory capital		
Tier 1		
Called up share capital	–	22
Share premium	9 862	9 056
Retained income	7 872	5 098
Treasury shares	(1 758)	–
Other reserves	340	6
Minority interests in subsidiaries	–	–
Goodwill	(309)	–
Total Tier 1	16 007	14 182
Less: deductions	(141)	(242)
	15 866	13 940
Tier 2		
Aggregate amount	5 106	5 106
Less: deductions	(142)	(142)
	4 964	4 964
Tier 3		
Aggregate amount	–	–
Other deductions from Tier 1 and Tier 2	–	–
Total capital	20 830	18 904

**Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Capital requirements

R'million	Investec Limited	IBL*
As at 31 March 2010		
Capital requirements	14 465	13 272
Credit risk – prescribed standardised exposure classes	11 516	10 965
Corporates	7 481	6 991
Secured on real estate property	1 000	1 000
Counterparty risk on trading positions	321	321
Short term claims on institutions and corporates	1 282	1 221
Retail	698	698
Institutions	661	661
Other exposure classes	73	73
Securitisation exposures	356	356
Equity risk – standardised approach	717	697
Listed equities	55	35
Unlisted equities	662	662
Market risk – portfolios subject to internal models approach	154	91
Interest rate	31	31
Foreign Exchange	31	31
Commodities	1	1
Equities	91	28
Operational risk – standardised approach	1 722	1 163
As at 31 March 2009		
Capital requirements	13 951	12 652
Credit risk – prescribed standardised exposure classes	11 431	10 780
Corporates	9 154	8 507
Secured on real estate property	968	968
Counterparty risk on trading positions	349	349
Short term claims on institutions and corporates	292	288
Retail	251	251
Institutions	331	331
Other exposure classes	86	86
Securitisation exposures	169	169
Equity risk – standardised approach	625	576
Listed equities	96	47
Unlisted equities	529	529
Market risk – portfolios subject to internal models approach	171	106
Interest rate	17	17
Foreign Exchange	39	39
Commodities	8	8
Equities	107	42
Operational risk – standardised approach	1 555	1 021

**Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

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Capital adequacy

R'million	Investec Limited	IBL*
As at 31 March 2010		
Tier 1 capital	18 742	16 673
Less: deductions	(266)	(266)
	18 476	16 407
Tier 2 capital		
Aggregate amount	5 553	5 553
Less: deductions	(265)	(265)
	5 288	5 288
Total capital	23 764	21 695
Risk-weighted assets (banking and trading)	152 264	139 716
Credit risk – prescribed standardised exposure classes	121 226	115 429
Corporates	78 746	73 588
Secured on real estate property	10 525	10 525
Counterparty risk on trading positions	3 380	3 380
Short term claims on institutions and corporates	13 495	12 857
Retail	7 352	7 352
Institutions	6 955	6 955
Other exposure classes	773	772
Securitisation exposures	3 748	3 748
Equity risk – standardised approach	7 547	7 337
Listed equities	578	368
Unlisted equities	6 969	6 969
Market risk – portfolios subject to internal models approach	1 618	956
Interest rate	325	325
Foreign Exchange	326	326
Commodities	13	13
Equities	954	292
Operational risk – standardised approach	18 125	12 246
Capital adequacy ratio	15.6%	15.5%
Tier 1 ratio	12.1%	11.7%
Capital adequacy ratio – pre operational risk	17.7%	17.0%
Tier 1 ratio – pre operational risk	13.8%	12.9%

**Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

Capital adequacy (continued)

R'million	Investec Limited	IBL*
As at 31 March 2009		
Tier 1 capital	16 007	14 182
Less: deductions	(141)	(242)
	15 866	13 940
Tier 2		
Aggregate amount	5 106	5 106
Less: deductions	(142)	(142)
	4 964	4 964
Total capital	20 830	18 904
Risk-weighted assets (banking and trading)	146 856	133 180
Credit risk – prescribed standardised exposure classes	120 331	113 478
Corporates	96 359	89 547
Secured on real estate property	10 186	10 186
Counterparty risk on trading positions	3 678	3 678
Short term claims on institutions and corporates	3 077	3 036
Retail	2 640	2 640
Institutions	3 489	3 489
Other exposure classes	902	902
Securitisation exposures	1 778	1 778
Equity risk – standardised approach	6 573	6 061
Listed equities	1 009	497
Unlisted equities	5 564	5 564
Market risk – portfolios subject to internal models approach	1 805	1 117
Interest rate	182	182
Foreign Exchange	405	405
Commodities	83	83
Equities	1 135	447
Operational risk – standardised approach	16 369	10 745
Capital adequacy ratio	14.2%	14.2%
Tier 1 ratio	10.8%	10.5%
Capital adequacy ratio – pre operational risk	16.0%	15.4%
Tier 1 ratio – pre operational risk	12.2%	11.4%

**Where: IBL is Investec Bank Limited. The information for Investec Limited includes the information for IBL.*

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Analysis of rated counterparties in each standardised credit risk exposure class

The table below shows the exposure amounts associated with the credit quality steps and the relevant risk weightings.

		31 March 2010		31 March 2009	
Credit quality steps	Risk weight	Exposure R'mn	Exposure after Credit Risk Mitigation R'mn	Exposure R'mn	Exposure after Credit Risk Mitigation R'mn
Central Banks and Sovereigns					
1	–	21 363	21 363	10 468	10 468
2	20%	–	–	–	–
3	50%	43	43	24	24
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	–	–		
2	50%	6 303	6 303	4 253	4 253
3	50%	5 624	5 480	2 368	2 368
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short term claims on institutions					
1	20%	3 986	3 986	2 982	2 982
2	20%	6 067	6 067	4 933	4 933
3	20%	2 023	2 023	6 477	6 477
4	50%	–	–	4	4
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	40	40	186	186
2	50%	133	133	60	60
3	100%	157	145	87	87
4	100%	–	–	99	99
5	150%	–	–	–	–
6	150%	–	–	–	–
Securitisation positions					
1	20%	1 042	1 042	101	101
2	50%	2 147	2 147	2 397	2 397
3	100%	820	820	189	189
4	350%	500	500	37	37
5	1 250%	638	638	360	360
Total rated counterparty exposure		50 886	50 730	35 025	35 025

Credit ratings

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

Rating agency		Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited
Fitch	Individual rating	C	C
	Support rating	5	2
	Foreign currency		
	Short-term	F3	F3
	Long-term	BBB	BBB
	National		
	Short-term		F1 (zaf)
	Long-term		A+(zaf)
Moody's	Bank financial strength rating		C-
	Foreign currency		
	Short-term deposit rating		Prime-2
	Long-term deposit rating		A3
	National		
	Short-term		P1 (za)
	Long-term		Aa2 (za)
Global Credit Ratings	Local currency		
	Short-term rating		A1+(za)
	Long-term rating		AA-(za)

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Internal audit

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

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

As a result of the silo specific regulatory responsibilities arising from our DLC structure, there are two group Internal Audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. An Internal Audit function, reporting into Investec plc, also exists in Sydney. The combined functions cover all of the geographies in which Investec operates. These departments use similar risk-based methodologies and cooperate technically and operationally.

The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the Chairman of the Audit Committee. They operate independently of executive management but have access to their local Chief Executive Officer and the Chairman of the Audit Committee. The head of the Investec plc Audit Department is also responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged in order to maximise efficiency. For administrative purposes the heads of Internal Audit also report to the global head of Corporate Governance and Compliance. The functions have adopted, and comply with, the International Standards for the Professional Practice of Internal Auditing.

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

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

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

Compliance risk is the risk that we fail to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to our businesses. We seek to bring the highest standard of compliance best practice to all our jurisdictions. In keeping with our core values, we also endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust.

We are subject to extensive supervisory and regulatory governance in the countries in which we operate. The SARB is our lead regulator. Significant business developments in any of our operations must be approved by the Reserve Bank as well as by the business home country regulatory authority.

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

The Compliance divisions operate under matrix management reporting structures and are decentralised throughout the businesses.

Under these arrangements, Compliance Officers are appointed to all significant business units and report to the business heads, but remain under the general supervision of group Compliance. Where appropriate, certain cross-enterprise compliance functions, such as Compliance Monitoring, are centralised and report directly to the group Compliance Officer.

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

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

In keeping with our core values, we endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust

South Africa – year in review

Anti-money laundering and terror financing

The implementation of the Financial Intelligence Centre Act (FICA) and Protection of Constitutional Democracy against Terrorist and Related Activities (POCDATARA) is ongoing. The requirements provided by this regulation are set out in the group Anti-Money Laundering (AML) and Anti-Terror Financing Policy, which incorporates the Client Acceptance Policy.

The AML system, which calculates the risk rating of clients taken on by the business and monitors any changes to the risk ratings of existing clients, continues to be used to implement the Customer Acceptance Policy. Clients are risk weighted according to the money laundering and/or terror financing risks they may potentially pose. This risk rating includes cross referencing clients against international databases of adverse client information (including persons named on the United Nations lists). Clients assessed as being high risk are required to satisfy enhanced due diligence processes.

The initiative for all business units to implement both the AML and Automated Suspicious Activity Monitoring (ASAM) systems is ongoing. Business units not currently using the AML and ASAM systems have alternative controls in place to manage the risks.

The ASAM system, an enhancement to the AML system to address suspicious activity reporting, is operational in the higher risk businesses. ASAM uses a clients' risk weighting together with profiles of the clients' transactional behaviour across business unit transactional systems to determine potentially suspicious activities. Potential suspicions are further investigated to determine whether they need to be reported. ASAM is being further enhanced to automate cash threshold reporting.

Consumer protection

Consumer protection regulation continues to be a focus into 2010 with ongoing monitoring and reporting of compliance with the requirements of the Financial Advisory and Intermediary Services Act (FAIS) and the National Credit Act (NCA).

To better regulate the quality of financial advice, the FSB has introduced amendments to the FAIS 'Fit and Proper' requirements, which deal with the qualifications and experience needed to perform a Representative or Key Individual role for a Financial Services Provider (FSP). Compliance and Human Resources have developed a system to monitor the 'Fit and Proper' status of Representatives and Key Individuals of all licensed Investec FSPs.

The effective dates of the Consumer Protection Act (CPA) are April and October 2010. The CPA was enacted to promote a fair, accessible and sustainable marketplace for consumer products and services, promote responsible consumer behaviour, improve standards of consumer information and prohibit unfair marketing and business practices. Group Compliance is overseeing the implementation of the NCA in the affected areas.

The draft Protection of Personal Information Act (POPI) has been circulated to the industry for comment. Once enacted POPI will have a material impact on all aspects of Investec's business that concern the processing of personal information in respect of Investec's clients and employees, as well as information relating to Investec group and subsidiaries.

Market conduct, including conflicts of interest

The potential conflicts of interest identified through workshops with the respective business areas have been consolidated into a Conflicts Index Matrix for the South African business. This matrix includes an outline of general conflict types, the business areas between which the conflicts could occur and current mitigations and controls in place to manage the respective conflicts, as well as indicating where enhanced controls are necessary.

A specific module of the Enterprise Risk Assessor system (ERA) is being developed for the recording of the conflicts of interest framework and the documentation of existing controls. The ERA system will additionally provide the platform for conflicts of interest monitoring.

A South African module of the Voyeur system has been developed. Voyeur was designed and custom built by the UK Compliance team and is used to manage conflicts of interest. Voyeur will allow for a more streamlined approach to global conflicts of interest management.

Risk-based monitoring

The annual reassessment programme for all relevant legislation loaded on the Enterprise Risk Assessor system (ERA) is ongoing. The reassessment includes a re-evaluation of all the risks, controls, treatments and monitoring tests to ensure that these are still relevant. Our focus has been on thematic monitoring across business areas and on streamlining the monitoring reports to management.

Training

The Compliance Awareness Induction Programme (CAIP) has been run successfully throughout the year. All new employees are required to attend the face to face version of CAIP and are required to complete and pass an online assessment. CAIP incorporates modules on:

- Compliance and the regulatory framework
- AML and terror financing
- Consumer protection
- Market conduct, including conflicts of interest.

To date approximately 600 employees have completed CAIP face to face training. The material has been adapted to online training so as to broaden the audience of CAIP to all employees. The online version of CAIP is being piloted in Private Bank during 2010.

Introduction

While the board provides leadership based on an ethical foundation, and oversees the overall process and structure of corporate governance, each business area and every employee of the group is responsible for acting in accordance with sound corporate governance practices.

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

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

Investec Limited and Investec plc are managed as a single economic enterprise as a result of the Dual Listed Companies structure. Details of the group operational structure can be found on page 4.

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2010 annual report.

Investec is committed to promoting sustainable stakeholder confidence in our conduct as a business and as a responsible corporate citizen

Board statement

The board, management and employees of Investec Limited are in full support of and committed to complying with the JSE Listings Requirements, regulatory requirements in the countries in which we operate and, as from 1 March 2010, the majority of the King Code of Governance Principles for South Africa 2009 (King III), whereby all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

King III

King III was released on 1 September 2009 and came into effect on 1 March 2010, with companies having to apply the principles in respect of financial years commencing on or after 1 March 2010. King III distinguishes between statutory provisions, voluntary principles and recommended practices. The King III Report provides best practice recommendations, whereas the King III Code provides the principles that all entities should apply. Recognition is given to the fact that certain new principles in King III are matters of law, as they are contained in the Companies Act 71 of 2008 (the new Companies Act). As the new Companies Act has not been implemented to date - certain of these principles required by King III have not been adopted or applied.

The board elected to apply the majority of the principles in King III as from 1 March 2010, with the result that we now need to explain how the principles have been or have not been applied. A detailed schedule referencing how the relevant principles are being applied by the group can be found in the Investec group's 2010 annual report.

A detailed exercise was undertaken to benchmark Investec's governance practices against the principles required under King III. The exercise indicated that in substance Investec applies most of the principles, but this will remain work in progress for the remainder of 2010. The following principles of King III are currently not being applied by Investec:

- The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act
  - This principle is a matter of law, as contained in the new Companies Act, which has not

been implemented to date

- The board should elect a chairman of the board who is an independent non-executive director

  The Chairman, Hugh Herman, is not considered to be independent as, at the time of his appointment and up to 2005, his duties included promoting the group and introducing clients, but excluded day-to-day executive decisions. His role was full time and he sat on certain management forums. He was also included in various management incentive schemes.
- The evaluation of the board, its committees and the individual directors should be performed every year
  - The last evaluation of the board was conducted during 2008. The next evaluation of the board, its committees and the individual directors will be conducted during 2010 and annually thereafter
- Companies should disclose the remuneration of the three most highly paid employees.
  - Details of the directors' remuneration and the group's remuneration process are set out in the Investec group's 2010 annual report
  - The new Companies Act, which has not been implemented to date, requires that the remuneration of the companies' prescribed officers be disclosed. The board will resolve on the identity of the prescribed officers as and when required under the new Companies Act
- Sustainability reporting and disclosure should be independently assured
  - We do not believe that this is necessary given the nature of our business and level of sustainability reporting required
  - The Audit Committees have overseen the sustainability report and the content of the report has been verified by the Internal Audit division.

Further information on our application of King III is provided in the Investec group's 2010 annual report.

Financial reporting and going concern

The directors are required to confirm that they are satisfied that Investec Limited, has adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial statements by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec Limited financial statements, accounting policies and the information contained in the annual report.

The board is of the opinion, based on its knowledge of the group, key processes in operation and specific enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 74 to 80 and pages 85 to 96.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control are effective.

Board of directors

The composition of the board of Investec Limited is set out on pages 116 to 118.

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

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

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

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

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

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

Further disclosures

Refer to the Investec group's 2010 annual report for more information regarding:

- Board meetings
- Skills, knowledge, experience and attributes of directors
- Board and directors' performance evaluation
- Terms of appointment
- Ongoing training and development
- Independent advice
- Chairman and Chief Executive Officer
- Board committees – including the report prepared by the Chairman of the Audit Committee.

Company Secretary

Benita Coetsee is the Company Secretary of Investec Limited. She is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the Company Secretary whose appointment and removal is a board matter. Les Penfold is global head of Company Secretarial and coordinates and drives the secretarial functions and board governance across the group.

Management and succession planning

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

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

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

Board committees

The board is supported by key committees, as follows:

- Audit Committee*
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Board Risk and Capital Committee
  - Capital Committee
  - Executive Risk Review Forum
  - Various specialist risk committees and forums as described in the Investec group's 2010 annual report
- Nominations and Directors' Affairs Committee
- Remuneration Committee

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

**In accordance with Section 269A of the South African Companies Act, No. 61 of 1973, as amended, the Audit Committee of Investec Limited performs the functions required under Section 270A(1) of the said Act, on behalf of its subsidiaries. A full description of the committee roles and responsibilities as well as a report from the Audit Committee Chairman can be found in the Investec group's 2010 annual report.*

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The board considers that the group's systems of internal control are appropriately designed to:

- Provide reasonable, although not absolute, assurance of both the integrity and reliability of financial information
- Identify and appropriately mitigate significant risks
- Safeguard, verify and maintain accountability of assets
- Mitigate risk exposure to fraud and misappropriation
- Support business objectives and sustainability under normal and adverse operating conditions
- Ensure compliance with applicable laws and regulations

Internal control

We apply the majority of the principles under King III.

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

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

Internal Audit reports any control recommendations to senior management, group Risk Management and the relevant Audit Committee. Appropriate processes, including review by the Audit and Compliance Implementation Forums, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are reviewed regularly by the Executive Risk Review Forum and by the Board Risk and Capital Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk and Capital Committee and the Audit Committees. Reports from the Audit Committees, Board Risk and Capital Committee and Risk and Control functions are reviewed at each board meeting.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the Audit Committees and are independently assessed by Internal Audit and Compliance.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. Group Finance and Investor Relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the independent audit process.

External audit

Investec's external auditors are KPMG Inc. and Ernst & Young Inc. The independence of the external auditors is reviewed by the Audit Committees each year.

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

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

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

Regulation and supervision

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main one being the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB). Some of our businesses are subject to supervision by the Financial Services Board, National Credit Regulator, the South African Financial Intelligence Centre and the Bank of Mauritius.

Communication, public disclosure obligations and stakeholder relations

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

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

Values and code of conduct

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written Statement of Values, which serves as our Code of Ethics, and is continually reinforced.

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such all new employees are invited, and are strongly encouraged, to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our Organisation Development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the Human Resources practices manual, available on our intranet.

We continually strive to conduct our business with uncompromising integrity and fairness, so as to promote trust and confidence in the banking industry.

Sustainable business practices

We have an acute awareness of the need for longevity and durability, across all our businesses, and an ingrained understanding of the practices that underpin sustainability. Our triple bottom line approach is documented on pages 269 and 270 of the combined consolidated financial statements of Investec plc and Investec Limited and further detail can be found on our website.

Annexure 1: Summary employment equity progress report

Every designated employer that is a public company is required in terms of Section 22 of the Employment Equity Act to publish a summary report of their employment equity progress in their annual report. Investec Limited's progress in this regard is reported in the table below.

	Male			
Occupational levels	A	C	I	W
Top management	5	2	5	88
Senior management	15	7	19	142
Professionally qualified and experienced specialists and mid-management	90	26	50	435
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	139	38	52	157
Semi-skilled and discretionary decision making	83	12	3	6
Unskilled and defined decision making	–	–	–	–
Total permanent	332	85	129	828
Temporary employees	7	1	1	14
Grand total	339	86	130	842

Where: A = Africans, C = Coloureds, I = Indians and W = Whites

Annexure 2: Homeloan Mortgage Disclosure

In terms of the Home Loan Mortgage Disclosure Act 63 of 2003, all financial institutions are required to disclose information regarding the provision of home loans. Investec offers home loans to individuals through its Private Banking division. The information required to be disclosed by the Act can be seen in the tables below.

Status	No of applications	Rand amount
Received	10 622	R26 402 831 075
Approved	6 835	R15 513 817 112
Declined	223	R633 449 539
Expired (approved - not taken up)	1 899	R4 758 999 935
New instruction	1 665	R5 496 564 488
Disbursed/paid out	3 740	R5 275 623 144

	African		Coloured	
	No of applications	Rand amount	No of applications	Rand amount
Received	908	R1 313 147 300	208	R267 161 625
Approved	534	R736 470 031	151	R188 951 320
Declined	27	R39 961 888	6	R10 329 309
Expired (approved - not taken up)	164	R213 525 416	33	R41 096 264
New instruction	183	R323 189 966	18	R26 784 732
Disbursed/paid out	331	R277 914 442	103	R76 758 545

	Eastern Cape		Free State	
	No of applications	Rand amount	No of applications	Rand amount
Received	455	R904 661 697	79	R103 256 731
Approved	301	R636 576 826	50	R47 484 480
Declined	21	R21 948 680	2	R2 210 000
Expired (approved - not taken up)	90	R162 865 054	16	R31 994 663
New instruction	43	R83 271 137	11	R21 567 588
Disbursed/paid out	122	R163 176 420	24	R18 498 245

	Female				Foreign Nationals		Total
	A	C	I	W	Male	Female	
	–	–	–	23	2	1	126
	12	16	16	116	1	–	344
	127	70	93	460	12	10	1 373
	213	150	117	375	2	3	1 246
	34	9	–	6	1	–	154
	–	–	–	–	–	–	–
	386	245	226	980	18	14	3 243
	11	6	5	9	1	–	55
	397	251	231	989	19	14	3 298

	White		Indian		Other		Unknown	
	No of applications	Rand amount	No of applications	Rand amount	No of applications	Rand amount	No of applications	Rand amount
	6 194	R13 117 004 402	620	R947 160 506	60	R96 764 532	2 632	R10 661 592 711
	4 026	R7 365 498 165	365	R527 192 423	37	R63 045 439	1 722	R6 632 659 735
	121	R279 190 421	13	R23 575 805	–	–	56	R280 392 117
	1 146	R2 513 958 246	149	R232 807 252	21	R31 628 393	386	R1 725 984 365
	901	R2 958 357 571	93	R163 585 026	2	R2 090 700	468	R2 022 556 494
	2 234	R2 659 067 939	260	R269 862 438	24	R28 737 731	788	R1 963 282 049

	Gauteng		Kwazulu Natal		Limpopo		Mpumalanga	
	No of applications	Rand amount	No of applications	Rand amount	No of applications	Rand amount	No of applications	Rand amount
	5794	R15 558 749 863	948	R1 789 759 413	23	R35 908 543	78	R160 032 068
	3 545	R8 400 484 026	674	R1 242 671 695	13	R16 872 588	47	R104 254 455
	117	R357 788 043	16	R35 810 150	3	R2 157 280	3	R6 560 000
	1 098	R2 894 735 558	127	R241 823 860	1	R5 400 000	18	R34 658 192
	1 034	R3 905 742 236	131	R269 453 708	6	R11 478 675	10	R14 559 421
	1 970	R2 657 211 999	411	R654 542 902	9	R11 777 621	30	R59 502 737

Annexure 2: Homeloan Mortgage Disclosure (continued)

	North West		Northern Cape	
	No of applications	Rand amount	No of applications	Rand amount
Received	62	R148 238 876	12	R17 995 580
Approved	41	R96 604 928	6	R7 624 620
Declined	–	–	–	–
Expired (approved - not taken up)	11	R9 101 468	3	R4 012 752
New instruction	10	R42 532 480	3	R6 358 208
Disbursed/paid out	30	R54 733 634	3	R2 543 423

	Western Cape		Unknown	
	No of applications	Rand amount	No of applications	Rand amount
	2 911	R6 988 859 978	260	R695 368 326
	2 003	R4 640 962 909	155	R320 280 585
	54	R192 629 914	7	R14 345 473
	488	R1 219 857 117	47	R154 551 271
	366	R935 410 038	51	R206 190 997
	1 075	R1 580 365 946	66	R73 270 218

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Additional information

Additional information | FIVE

FORWARD
THINKING

As at 31 March 2010 Investec Limited had 269.8 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2010

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 216	1 to 500	41.7	1 032 958	0.4
2 121	501 – 1000	21.0	1 667 758	0.6
2 465	1001 – 5000	24.4	5 613 337	2.1
470	5001 – 10000	4.7	3 429 148	1.3
493	10001 – 50 000	4.9	12 140 520	4.5
126	50 001 – 100 000	1.2	9 148 668	3.4
213	100 001 and over	2.1	236 734 543	87.7
10 104		100.0	269 766 932	100.0

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Shareholder classification as at 31 March 2010

	Investec Limited number of shares	% holding
Public*	212 488 130	78.7
Non-public	57 278 802	21.3
Non-executive directors of Investec plc/Investec Limited**	951 000	0.4
Executive directors of Investec plc/Investec Limited	7 913 098	2.9
Investec staff share schemes	28 859 149	10.7
PEU INL Investment 1 (Pty) Ltd **	5 555 555	2.1
Tiso INL Investments (Pty) Ltd	14 000 000	5.2
Total	269 766 932	100.0

**As per the JSE listing requirements.*

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

Largest shareholders as at 31 March 2010

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

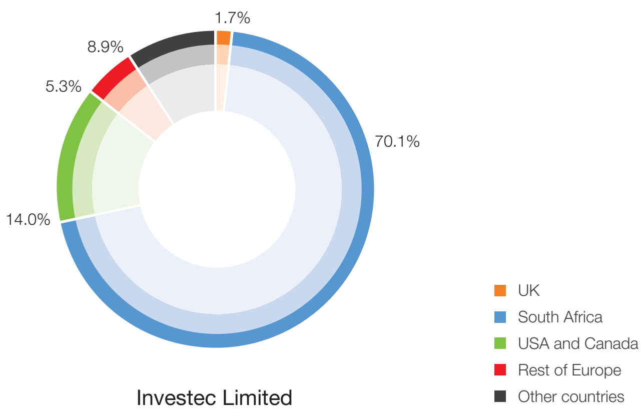
Shareholder analysis by manager group		Number of shares	% holding
1	PIC (ZA)	38 535 193	14.3
2	Investec Staff Share Schemes (ZA)	28 859 149	10.7
3	Old Mutual Asset Managers (ZA)	15 779 166	5.9
4	Tiso INL Investments (Pty) Ltd (ZA)**	14 000 000	5.2
5	Entrepreneurial Development Trust (ZA)**	14 000 000	5.2
6	STANLIB Asset Management (ZA)	12 665 208	4.7
7	BlackRock Inc (US)	7 853 753	2.9
8	Acadian Asset Management (US)	6 608 042	2.5
9	Investec Securities (Pty) Limited (ZA)*	6 085 821	2.3
10	PEU INL Investment 1 (Pty) Ltd (ZA)**	5 555 555	2.1
	Cumulative total	149 941 887	55.8

The top 10 shareholders account for 55.8% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

**Managed on behalf of clients.*

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

Geographic holding by beneficial owner as at 31 March 2010



Investec Limited

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Share statistics

Investec Limited ordinary shares in issue

For the year ended 31 March	2010	2009	2008	2007	2006	2005	2004
Closing market price per share (Rands)[1]							
– year end	62.49	38.86	57.43	93.30	62.60	35.60	25.06
– highest	65.40	63.19	104.40	94.60	66.50	38.00	30.20
– lowest	37.51	27.20	50.90	59.06	34.10	21.56	15.50
Number of ordinary shares in issue (million)[1]	269.8	268.4	234.3	227.7	220.0	220.0	220.0
Market capitalisation (R'million)[2]	46 299	27 715	37 766	56 848	37 121	21 111	14 860
Daily average volume of shares traded ('000)	1 068.2	1 167.8	840.6	619.7	478.0	510.5	495.0

1. *On 4 September 2006 the group implemented a 5:1 share split of Investec plc and Investec Limited shares. Historical information has been restated for comparative purposes.*
2. *The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 740.9 million shares in issue.*

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Executive directors

Name	Age at 31 March 2010	Qualifications	Current directorships	Investec committee membership	Brief biography
Chief Executive Officer Stephen Koseff	58	BCom CA(SA) H Dip BDP MBA	The Bidvest Group Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer and General Manager of Banking, Treasury and Merchant Banking.
Managing Director Bernard Kantor	60	CTA	Phumelela Gaming and Leisure Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Bernard joined Investec in 1980. He has had varied experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer.
Group Risk and Finance Director Glynn R Burger	53	BAcc CA(SA) H Dip BDP MBL	Investec Bank Limited and a number of Investec subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Glynn joined Investec in 1980. His positions within Investec have included Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa.
Alan Tapnack	63	BCom CA(SA)	Investec Bank plc and a number of Investec plc's subsidiaries	Board Risk and Capital Committee and DLC Capital Committee	Alan is a former partner of PriceWaterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and has held the positions of Chief Finance Officer and Chief Executive Officer of Investec Bank plc and Chief Executive Officer of Investec's UK operations.

Non-executive directors

Name	Age at 31 March 2010	Qualifications	Current directorships	Investec committee membership	Brief biography
Non-executive Chairman Hugh S Herman	69	BA LLB LLD (hc)	Growthpoint Properties Limited, Metaf Investment Holdings (Pty) Ltd, Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and a number of Investec subsidiaries	DLC Nominations and Directors' Affairs Committee	Hugh practised as an attorney before joining Pick 'n Pay, a leading South African retail group, where he became managing director.
Sam E Abrahams	71	FCA CA(SA)	Investec Bank Limited, Foschini Limited and a number of Investec subsidiaries	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, DLC Nominations and Directors' Affairs Committee, Board Risk and Capital Committee and DLC Capital Committee	Sam is a former international partner and South African managing partner of Arthur Andersen.

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Name	Age at 31 March 2010	Qualifications	Current directorships	Investec committee membership	Brief biography
George FO Alford	61	BSc (Econ) FCIS FIPD MSI	Investec Bank plc	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk and Capital Committee	George is a former head of private banking and personnel at Kleinwort Benson Group and was a senior adviser to the UK Financial Services Authority.
Cheryl A Carolus	51	BA (Law) B Ed	De Beers Consolidated Mines Limited, Gold Fields Limited, South African Airways (Pty) Limited, Mercedes-Benz South Africa (Pty) Limited, WWF South Africa and International, The IQ Business Group (Pty) Limited, Fenner Conveyor Belting South Africa (Pty) Limited, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, Executive Chairperson of Peotona Group Holdings (Pty) Limited and director of a number of the Peotona Group companies	–	Cheryl acted as the South African High Commissioner to London between 1998 to 2001 and was chief executive officer of South African Tourism.
PKO Crosthwaite (appointed 18 June 2010)	61	MA (Hons)	Jupiter Green Investment Trust, Melrose plc and Toluna plc	–	Perry is a former partner of Henderson Crosthwaite Limited and the founding director of Henderson Crosthwaite Institution Brokers. He was previously a director of Investec Bank plc.
Bradley Fried (appointed 1 April 2010)	44	BCom CA(SA) MBA	A number of Investec subsidiaries	–	Bradley joined Investec in 1999 and has held the positions of joint head of investment banking and chief executive of Investec Bank plc. He is on the Audit Committee of HM Treasury and is the Chief Executive in Residence at Judge Business School. He is Managing Partner of Grovepoint Capital LLP.
Haruko Fukuda OBE	63	MA (Cantab) DSc	Director of Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Metro AG	–	Haruko was previously chief executive officer of the World Gold Council, and senior adviser at Lazard. She is former vice chairman of Nikko Europe plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.
Geoffrey MT Howe	60	MA (Hons)	Jardine Lloyd Thompson Group plc (Chairman), The JP Morgan Fleming Overseas Investment Trust plc and Nationwide Building Society (Chairman)	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk and Capital Committee	Geoffrey is a former managing partner of Clifford Chance LLP and was director and group general counsel of Robert Fleming Holdings Ltd. He is also a former chairman of Railtrack Group plc.

Name	Age at 31 March 2010	Qualifications	Current directorships	Investec committee membership	Brief biography
Ian R Kantor	63	BSc (Eng) MBA	Insinger de Beaufort Holdings SA (in which Investec Limited indirectly holds a 8.6% interest), Investec Bank plc, Bank Insinger de Beaufort NV where he is Chairman of the management board	–	Former chief executive of Investec Limited.
Senior independent director Sir Chips Keswick	70	–	Investec Bank plc, De Beers SA, Arsenal Holdings Plc and Arsenal Football Club Plc	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee, DLC Nominations and Directors' Affairs Committee and Board Risk and Capital Committee	Sir Chips is former chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc. He was on the Court of the Bank of England.
M Peter Malungani	52	BCom MAP LDP	Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited, Peu Group (Pty) Limited and a number of Peu subsidiaries	Board Risk and Capital Committee	Peter is Chairman and founder of Peu Group (Pty) Limited.
Sir David Prosser	66	BSc (Hons) FIA	Pippbrook Limited, Epsom Downs Racecourse Limited and The Royal Automobile Club Limited	DLC Audit Committee, Investec plc Audit Committee and Investec Limited Audit Committee	Sir David was previously chief executive of Legal & General Group PLC, joining Legal & General in 1988 as group director (Investments) becoming deputy chief executive in January 1991 and group executive in September 1991. Sir David was previously chairman of the Financial Services Skills Council.
Peter RS Thomas	65	CA(SA)	Investec Bank Limited, various Investec companies, JCI Limited and various unlisted companies	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Board Risk and Capital Committee and DLC Nominations and Directors' Affairs Committee. Peter is the director responsible for our Sustainability process.	Peter was the former managing director of The Unisec Group Limited.
Fani Titi	47	BSc (Hons) MA MBA	Investec Bank Limited (Chairman), AECI Limited, Tshiya Group (Pty) Limited, Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd	Board Risk and Capital Committee and DLC Nominations and Directors' Affairs Committee	Fani is Chairman of Investec Bank Limited and was the former chairman of Tiso Group Limited.

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Financial statements

FRESH APPROACH

Financial statements | **SIX**

Directors' Responsibility statement

The annual financial statements and the group annual financial statements of Investec Limited, as set out on pages 123 to 193, are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, as if Investec Limited were a standalone component of the Dual Listed Companies structure of Investec Limited and Investec plc, as explained in the paragraph of the Directors' report headed: Purpose and basis of preparation of financial statements, and are prepared in accordance with International Financial Reporting Standards on this basis.

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

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

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

Approval of group annual financial statements and company annual financial statements

The group annual financial statements and company annual financial statements of Investec Limited, as identified in the first paragraph, were approved by the board of directors on 29 June 2010 and signed on its behalf by

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer

Declaration by the Company Secretary

In terms of Section 268G(d) of the South African Companies Act, 61 of 1973, as amended, I hereby certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2010, all such returns as are required of a public company in terms of the South African Companies Act and that all such returns are true, correct and up to date.

Benita Coetsee
Company Secretary, Investec Limited

29 June 2010

Independent auditors' report to the members of Investec Limited

We have audited the consolidated and separate annual financial statements of Investec Limited, which comprise, the balance sheets at 31 March 2010, the income statements, statements of comprehensive income, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Directors' report, as set out on pages 123 to 193.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, these financial statements are prepared to present, in all material respects, the consolidated and separate financial position of Investec Limited at 31 March 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, as if Investec Limited were a standalone component of the Dual Listed Companies structure of Investec Limited and Investec plc, as explained in the Directors' report.

For an understanding of the combined consolidated financial position of the Dual Listed Companies structure of Investec Limited and Investec plc at 31 March 2010, and their combined consolidated financial performance and combined consolidated cash flows for the year then ended, the user is referred to the combined consolidated financial statements contained in the 2010 annual report of Investec Limited and Investec plc.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditors

Per JP Grist
Chartered Accountant (SA)
Registered Auditor
Director

29 June 2010

Wanderers Office Park
52 Corlett Drive, Illovo
Johannesburg

KPMG Inc.

KPMG Inc.
Registered Auditors

Per VT Yuill
Chartered Accountant (SA)
Registered Auditor
Director

29 June 2010

KPMG Crescent
85 Empire Road, Parktown
Johannesburg

Business review

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

A review of the operations for the year can be found on pages 13 to 32.

Authorised and issued share capital

Details of the share capital are set out in note 33 to the financial statements.

During the year the following shares were issued:

- Allotment and issue on 16 April 2009 of 64 516 ordinary shares of R0.0002 each at a premium of R38.9998 per share (total issue price of R39.00 per share)
- Allotment and issue on 5 June 2009 of 309 893 ordinary shares of R0.0002 each at a premium of R31.7698 per share (total issue price of R31.77 per share)
- Allotment and issue on 5 June 2009 of 2 008 924 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 31 July 2009 of 22 000 000 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 8 October 2009 of 300 196 ordinary shares of R0.0002 each at a premium of R55.7598 per share (total issue price of R55.76 per share)
- Allotment and issue on 16 October 2009 of 351 950 ordinary shares of R0.0002 each at a premium of R55.7498 per share (total issue price of R55.75 per share)
- Allotment and issue on 27 November 2009 of 193 788 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 27 November 2009 of 405 120 ordinary shares of R0.0002 each at a premium of R59.4698 per share (total issue price of R59.47 per share)
- Allotment and issue on 16 February 2010 of 3 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each at a premium of R85.73 per share (total issue price of R85.74 per share)
- Allotment and issue on 26 February 2010 of 1 973 114 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 16 March 2010 of 2 229 396 non-redeemable, non-cumulative, non-participating preference shares at R0.01 each at a premium of R88.22 per share (total issue price of R88.23 per share).

Financial results

The results of Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2010.

Ordinary dividends

An interim dividend of 100.0 cents per ordinary share (2009: 128.0 cents) was declared to shareholders registered on 11 December 2009 and was paid on 18 December 2009.

The directors have proposed a final dividend of 89.0 cents per ordinary share (2009: 66.0 cents) to shareholders registered on 30 July 2010 to be paid on 17 August 2010. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 12 August 2010.

Preference dividends

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

Preference dividend number 10 for the period 1 April 2009 to 30 September 2009 amounting to 398.91 cents per share was declared to members holding preference shares registered on 27 November 2009 and was paid on 8 December 2009.

Preference dividend number 11 for the period 1 October 2009 to 31 March 2010 amounting to 365.92 cents per share was declared to members holding preference shares registered on 18 June 2010 and will be paid on 1 July 2010.

Redeemable cumulative preference shares

Dividends amounting to R30 505 468 were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretaries of Investec Limited are reflected on pages 116 to 118 and at the end of the annual report.

In accordance with the Articles of Association, SE Abrahams, GFO Alford, GR Burger, HS Herman, IR Kantor, PRS Thomas, A Tapnack and F Titi, retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in the Investec group's 2010 annual report. The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

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Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 38, 102 and 103.

Share incentive trusts

Details regarding options granted during the year are set out in the Investec group's 2010 annual report.

Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems. Further details on the role and responsibility of the Audit Committee are set out in the Investec group's 2010 annual report.

Auditors

Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as auditors of Investec Limited. A resolution to reappoint them as auditors will be proposed at the next annual general meeting scheduled to take place on 12 August 2010.

Contracts

Refer to the Investec group's 2010 annual report.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 175, 180 and 181.

Major shareholders

The largest shareholders of Investec Limited are reflected on page 114.

Special resolutions

At the annual general meeting held on 13 August 2009, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and its subsidiaries to acquire its own ordinary and non-redeemable, non-cumulative, non-participating preference shares in terms of Section 85 to 89 of the South African Companies Act No 61 of 1973
- The authorised ordinary share capital has increased to 450 000 000 (four hundred and fifty million) by the creation of 150 000 000 (one hundred and fifty million) new ordinary shares of R0.0002 each
- The authorised special convertible redeemable preference share capital has increased to 700 000 000 (seven hundred million) by the creation of 140 000 000 (one hundred and forty million) new ordinary shares of R0.0002 each
- An amendment was made to the Memorandum of Association by updating the authorised share capital of Investec Limited
- An amendment was made to the Articles of Association by inserting a new Article 47: Annual and General meetings
- An amendment was made to the Articles of Association by inserting a new Article 50.1: Contents of Notice of General Meetings
- An amendment was made to the Articles of Association by inserting a new Article 63.1(a): Votes attaching to shares
- An amendment was made to the Articles of Association by inserting a new Article 72: Timing for the deposit of form of proxy
- An amendment was made to the Articles of Association by inserting a new Article 73: Rights of Proxy.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable South African law and International Financial Reporting Standards. These policies are set out on pages 133 to 144.

Purpose and basis of preparation of financial statements

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

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

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

Financial instruments

Detailed information on the group's risk management process and policy can be found in the Risk Management report on pages 35 to 98. Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 138 and 139 and in notes 13 and 43.

Creditor payment policy

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

Employees

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

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices. This takes the form of staff education, regular fire drills and maintenance of an open door policy with regards to dialogue on the issue. Where appropriate the appointment of individuals responsible for various areas of health and safety are made.

Donations

During the year, Investec Limited made donations for charitable purposes, totalling R28.0 million.

Environment

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate. Further information on our sustainability practices can be found in the Investec group's 2010 annual report and on our website.

Subsequent events

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

Benita Coetsee
Company Secretary
Investec Limited

29 June 2010

Income statements

For the year to 31 March		Group		Company	
R'million	Notes	2010	2009	2010	2009
Interest income		24 325	21 639	46	109
Interest expense		(20 569)	(17 661)	(31)	(50)
Net interest income		3 756	3 978	15	59
Fee and commission income		3 252	3 693	–	–
Fee and commission expense		(115)	(178)	–	–
Principal transactions		2 315	2 249	1 390	1 747
Operating loss from associates	18	(47)	(1)	–	–
Investment income on assurance activities	27	1 139	1 041	–	–
Premiums and reinsurance recoveries on insurance contracts	27	359	262	–	–
Other operating income/(loss)		59	(103)	–	–
Other income		6 962	6 963	1 390	1 747
Claims and reinsurance premiums on insurance business	27	(1 418)	(1 228)	–	–
Total operating income net of insurance claims		9 300	9 713	1 405	1 806
Impairment losses on loans and advances	16	(863)	(766)	–	–
Operating income		8 437	8 947	1 405	1 806
Administrative expenses	2	(4 677)	(4 762)	(12)	(68)
Depreciation, amortisation and impairment of property, equipment and intangibles	21/24	(132)	(89)	–	–
Operating profit before goodwill		3 628	4 096	1 393	1 738
Impairment of goodwill	23	(41)	(31)	–	–
Operating profit		3 587	4 065	1 393	1 738
Profit on disposal of group operations		–	10	–	–
Profit before taxation		3 587	4 075	1 393	1 738
Taxation	4	(835)	(1 018)	(14)	(32)
Profit after taxation		2 752	3 057	1 379	1 706
Earnings attributable to minority interests		5	7	–	–
Earnings attributable to shareholders		2 747	3 050	1 379	1 706

Statements of comprehensive income

For the year to 31 March	Group		Company	
R'million	2010	2009	2010	2009
Profit after taxation	2 752	3 057	1 379	1 706
Other comprehensive income:				
Fair value movements on cash flow hedges*	18	(1)	–	–
Gain on realisation of available for sale assets recycled to the income statement*	(40)	(56)	–	–
Fair value movements on available for sale assets*	55	(44)	–	–
Foreign currency adjustments	(462)	(29)	–	–
Total comprehensive income	2 323	2 927	1 379	1 706
Total comprehensive income attributable to minority shareholders	5	7	–	–
Total comprehensive income attributable to ordinary shareholders	2 318	2 920	1 379	1 706
Total comprehensive income	2 323	2 927	1 379	1 706

**Net of taxation of R9 million.*

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Balance sheets

At 31 March		Group		Company	
R'million	Notes	2010	2009	2010	2009
Assets					
Cash and balances at central banks		3 660	3 158	–	–
Loans and advances to banks		14 625	12 185	27	29
Cash equivalent advances to customers		6 455	5 378	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	11	4 676	8 388	–	–
Trading securities	12	43 268	26 982	288	250
Derivative financial instruments	13	7 850	9 991	–	–
Investment securities	14	3 163	635	–	–
Loans and advances to customers	16	111 932	112 161	1	1
Securitised assets	17	9 996	13 013	–	–
Interests in associated undertakings	18	180	166	–	–
Deferred taxation assets	19	403	508	18	–
Other assets	20	7 319	4 892	1	1
Property and equipment	21	188	190	–	–
Investment properties	22	3 033	2 568	–	–
Goodwill	23	280	308	–	–
Intangible assets	24	98	88	–	–
Investments in subsidiaries	26	–	–	10 747	9 883
		217 126	200 611	11 082	10 164
Other financial instruments at fair value through income in respect of					
– Liabilities to customers	27	59 946	45 590	–	–
– Assets related to reinsurance contracts	27	32	24	–	–
		277 104	246 225	11 082	10 164
Liabilities					
Deposits by banks		9 554	12 159	–	–
Derivative financial instruments	13	7 144	10 505	–	–
Other trading liabilities	28	3 491	2 072	–	–
Repurchase agreements and cash collateral on securities lent	11	6 281	2 290	–	–
Customer accounts (deposits)		143 121	126 870	–	–
Debt securities in issue	29	1 559	954	–	–
Liabilities arising on securitisation	17	8 152	11 100	–	–
Current taxation liabilities	30	1 348	1 192	186	154
Deferred taxation liabilities	19	861	870	–	–
Other liabilities	31	11 683	11 340	472	467
		193 194	179 352	658	621
Liabilities to customers under investment contracts	27	59 899	45 515	–	–
Insurance liabilities, including unit-linked liabilities	27	47	74	–	–
Reinsured liabilities	27	32	24	–	–
		253 172	224 965	658	621
Subordinated liabilities	32	5 341	5 091	–	–
		258 513	230 056	658	621
Equity					
Ordinary share capital	33	1	1	1	1
Share premium	35	8 899	8 372	8 942	8 480
Treasury shares	36	(1 140)	(1 758)	–	–
Other reserves		(176)	185	62	62
Retained income		9 474	7 859	1 419	1 000
Shareholders' equity excluding minority interests		17 058	14 659	10 424	9 543
Minority interests	37	1 533	1 510	–	–
– Perpetual preferred securities issued by subsidiaries		1 518	1 491	–	–
– Minority interests in partially held subsidiaries		15	19	–	–
Total shareholders' equity		18 591	16 169	10 424	9 543
Total liabilities and equity		277 104	246 225	11 082	10 164

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R'million	Ordinary share capital	Share premium	Treasury shares	Compulsorily convertible debentures
Group				
At 1 April 2008	1	7 454	(1 227)	22
Movement in reserves 1 April 2008 - 31 March 2009				
Total comprehensive income for the year	–	–	–	–
Issue of ordinary shares	*	636	–	–
Share based payments adjustments	–	–	–	–
Minorities arising on acquisitions of subsidiaries	–	–	–	–
Movement of treasury shares	–	–	(531)	–
Transfer from regulatory general risk reserve	–	–	–	–
Redemption of compulsorily convertible debentures	–	282	–	(22)
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
At 31 March 2009	1	8 372	(1 758)	–
Movement in reserves 1 April 2009 - 31 March 2010				
Total comprehensive income for the year	–	–	–	–
Issue of ordinary shares	*	73	–	–
Issue of perpetual preference shares	–	454	–	–
Movement of treasury shares	–	–	247	–
Share based payments adjustments	–	–	–	–
Transfer from share based payments reserve to treasury shares	–	–	371	–
Transfer from retained earnings to regulatory general risk reserve	–	–	–	–
Movement in minorities due to acquisitions and disposals	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends paid to minority interests	–	–	–	–
At 31 March 2010	1	8 899	(1 140)	–

**Less than R1 million.*

Other reserves								
Capital reserve account	Available for sale reserves	Regulatory general risk reserve	Foreign currency reserve	Cash flow hedge reserve	Retained income	Share-holders' equity excluding minority interests	Minority interests	Total equity
62	48	857	112	–	5 730	13 059	1 502	14 561
–	(100)	–	(29)	(1)	3 050	2 920	7	2 927
–	–	–	–	–	–	636	–	636
–	–	–	–	–	351	351	–	351
–	–	–	–	–	–	–	1	1
–	–	–	–	–	–	(531)	–	(531)
–	–	(764)	–	–	764	–	–	–
–	–	–	–	–	(260)	–	–	–
–	–	–	–	–	(1 379)	(1 379)	–	(1 379)
–	–	–	–	–	(397)	(397)	–	(397)
62	(52)	93	83	(1)	7 859	14 659	1 510	16 169
–	15	–	(462)	18	2 747	2 318	5	2 323
–	–	–	–	–	–	73	–	73
–	–	–	–	–	–	454	27	481
–	–	–	–	–	–	247	–	247
–	–	–	–	–	394	394	–	394
–	–	–	–	–	(371)	–	–	–
–	–	68	–	–	(68)	–	–	–
–	–	–	–	–	–	–	(3)	(3)
–	–	–	–	–	(734)	(734)	–	(734)
–	–	–	–	–	(353)	(353)	–	(353)
–	–	–	–	–	–	–	(6)	(6)
62	(37)	161	(379)	17	9 474	17 058	1 533	18 591

6

R'million	Ordinary share capital	Share premium	Other reserves	Retained income	Total equity
Company					
At 1 April 2008	1	7 564	62	658	8 285
Movement in reserves 1 April 2008 - 31 March 2009					
Total comprehensive income for the year	–	–	–	1 706	1 706
Issue of ordinary shares	–	916	–	–	916
Share based payments adjustments	–	–	–	351	351
Dividends paid to ordinary shareholders	–	–	–	(1 485)	(1 485)
Dividends paid to perpetual preference shareholders	–	–	–	(230)	(230)
At 31 March 2009	1	8 480	62	1 000	9 543
Movement in reserves 1 April 2009 - 31 March 2010					
Total comprehensive income for the year	–	–	–	1 379	1 379
Issue of ordinary shares	–	8	–	–	8
Issue of perpetual preference shares	–	454	–	–	454
Share based payments adjustments	–	–	–	24	24
Dividends paid to ordinary shareholders	–	–	–	(780)	(780)
Dividends paid to perpetual preference shareholders	–	–	–	(204)	(204)
At 31 March 2010	1	8 942	62	1 419	10 424

Cash flow statements

For the year to 31 March		Group		Company	
R'million	Notes	2010	2009	2010	2009
Cash flows from operating activities					
Operating profit adjusted for non-cash items	39	4 615	5 126	1 404	1 806
Taxation paid		(581)	(722)	–	–
Increase in operating assets		(30 088)	(3 336)	(25)	33
Increase/(decrease) in operating liabilities		29 185	(2 108)	5	(14)
Net cash inflow/(outflow) from operating activities		3 131	(1 040)	1 384	1 825
Cash flows from investing activities					
Net cash flow on acquisition of group operations	26	(16)	–	–	–
Cash flow on disposal of group operations		–	10	–	–
Cash flow on net acquisition of associates		–	(34)	–	–
Cash flow on acquisition and disposal of property, equipment and intangible assets		(141)	(274)	–	–
Net cash outflow from investing activities		(157)	(298)	–	–
Cash flows from financing activities					
Dividends paid to ordinary shareholders		(734)	(1 379)	(780)	(1 485)
Dividends paid to other equity holders		(359)	(397)	(204)	(230)
Proceeds on issue of shares, net of related costs		527	636	462	916
Proceeds on acquisition/(issue) of treasury shares, net of related costs		247	(531)	–	–
Proceeds on issue of other equity instruments		27	–	–	–
Proceeds on subordinated debt raised		250	400	–	–
Reduction in subordinated debt		–	–	–	(379)
Net decrease in subsidiaries and loans to group companies		–	–	(864)	(648)
Net cash outflow from financing activities		(42)	(1 271)	(1 386)	(1 826)
Effects of exchange rates on cash and cash equivalents		(47)	–	–	–
Net increase/(decrease) in cash and cash equivalents		2 885	(2 609)	(2)	(1)
Cash and cash equivalents at the beginning of the year		10 849	13 458	29	30
Cash and cash equivalents at the end of the year		13 734	10 849	27	29
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		3 660	3 158	–	–
On demand loans and advances to banks		3 619	2 313	27	29
Cash equivalent advances to customers		6 455	5 378	–	–
Cash and cash equivalents at the end of the year		13 734	10 849	27	29

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

Basis of presentation

The group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and in the manner required by the Companies Act of South Africa.

The group financial statements have been prepared on a historical cost basis, except for investment properties, available for sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting and liabilities for cash-settled share-based payments.

Accounting policies applied are consistent with those of the prior year, except for the adoption of the following amendments:

- IFRS 7 – Improving Disclosures about Financial Instruments, an amendment to IFRS 7

  The group has applied the improvement that requires enhanced disclosures about financial instruments. The amended standard requires additional disclosure about fair value measurement and liquidity risk.

- IAS 1 – Presentation of Financial Statements (revised)

  Adoption of this standard has resulted in the reformatting of the statement of total recognised gains and losses into a statement of comprehensive income.

These changes have had no impact on the recognition and measurement policies applied by the group.

Disclosure under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the Risk Management Report on pages 35 to 97.

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

Basis of consolidation

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

Subsidiaries are held in the company at the lower of cost (including loan advances to subsidiaries) and impaired value. Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as associates. In the group accounts, associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases, except as noted below.

The combined consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post acquisition changes in the group's share of the net assets of the associate.

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

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

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the groups' other components, whose operating results are reviewed regularly by the board and for which discrete financial information is available.

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

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

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

Goodwill

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

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

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

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

Share-based payments to employees

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

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

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

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

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Foreign currency transactions and foreign operations

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

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

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:

- Foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

Revenue recognition

Revenue consists of interest income, fee and commission income and principal transactions.

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

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

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

Principal transaction income includes trading profits, dividend income, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties. Dividend income is recognised when the group's right to receive payment is established.

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Funding costs allocated against trading profits are disclosed in note 7.

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

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

Financial instruments

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

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

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

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

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

Financial assets and liabilities are designated as held at fair value through profit and loss only if:

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

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

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

Available for sale financial assets

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

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

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available for sale 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, limited to the impairment value previously recognised in the income statement.

Financial liabilities

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

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

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

Valuation of financial instruments

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

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

- Fixed maturity securities classified as trading, held at fair value through profit or loss and available for sale;
- Equity securities;
- Private equity investments;
- Derivative positions;
- Loans and advances designated as held at fair value through profit and loss;
- Loans and advances designated as available for sale; and
- Financial liabilities classified as trading or designated as held at fair value through profit and loss.

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

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group has implemented a collective impairment allowance at a central level (within the Group Services and Other business segment) that takes into account macro economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

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

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

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

Derecognition of financial assets and liabilities

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

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

Reclassification of financial instruments

The bank may reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available for sale', 'Loans and receivables', or 'Held-to maturity' categories. It may also reclassify, in certain circumstances, financial instruments out of the 'Available for sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

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

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

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

Hedge accounting

The group applies either fair value or cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction
- The hedge is expected to be highly effective in achieving offsetting, that is within a range of 80% to 125%, changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; the derivative expires, or is sold, terminated or exercised; when the hedge item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

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

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument, relating to the effective portion is initially recognised in comprehensive income and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in principal transactions.

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

Embedded derivatives

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

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

Offsetting of financial assets and liabilities

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

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

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

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

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

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

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under "Repurchase agreements and cash collateral on securities lent". Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under "Reverse repurchase agreements and cash collateral on securities borrowed". The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

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

Financial guarantees

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

Installment credit, leases and rental agreements

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

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

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

Property and equipment

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

Cost is the cash equivalent paid, or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

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

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

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

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

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

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

Investment property

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

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

Trading properties

Trading properties are carried at the lower of cost and net realisable value.

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

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

Taxation and deferred taxation

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

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

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

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

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

Items recognised directly in comprehensive income are net of related current and deferred taxation.

Insurance contracts

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

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

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

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

Employee benefits

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

The group has no liabilities for other post retirement benefits.

Intangible assets

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

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

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

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations issued but not yet effective

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

New standards

IFRS 9 – Financial Instruments (applicable for reporting periods beginning on or after 1 January 2013)

The International Accounting Standards Board (IASB) has issued IFRS 9 – Financial Instruments, which is the first step in its project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB expanded IFRS 9 during 2010 to add new requirements for the classification and measurement of financial liabilities and impairments of financial assets. Future amendments will address the derecognition of financial instruments and hedge accounting.

The implementation of the standard is expected to have an impact on the group. The group is currently evaluating the impact of the adoption of the current requirements of the standard.

The standard is effective for the group for the year commencing 1 April 2014.

Revised IFRS 3 – Business Combinations and Consequential Amendments to IAS 27 – Consolidated and Separate Financial Statements (applicable for financial years beginning on or after 1 July 2009)

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

The standard will be effective for the group for the year commencing 1 April 2010.

IAS 24 – Related Parties (applicable for financial years beginning on or after 1 January 2011)

The amended standard requires commitments, as well as the nature of the relationship between related parties to be identified and disclosed. The amended standard gives clarity to the related party definition and other terms in the standard.

The standard will be effective for the group for the year commencing 1 April 2011.

Amendments to IAS 32 – Classification of Rights Issues (applicable for financial years beginning on or after 1 February 2010)

The amendment states that rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

The amendment is effective for the group for the annual periods commencing on or after 1 April 2010 and is not expected to have a significant impact on the group.

Other

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

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

- IFRS 5 – Discontinued Operations
- IFRS 2 – Group Cash-Settled Share-Based Transactions
- IAS 17 – Leases
- IAS 38 – Intangible Assets
- IAS 18 – Revenue
- IAS 36 – Impairment of Assets
- IAS 39 – Financial Instruments Recognition and Measurement
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distribution of Non-Cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

Key management assumptions

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

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 12, Trading securities and note 14, Investment securities
- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time. Refer to note 22 for the carrying value of investment property
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available for sale financial assets involves the assessment of future cash flows which is judgmental in nature
- Determination of interest income and interest expense using the effective interest method involves judgment in determining the timing and extent of future cash flows.

For the year to 31 March R'million	Asset Management	Private Wealth*
1. Segmental analysis		
Group		
Business analysis 2010		
Interest income	43	9
Interest expense	(5)	19
Net interest income	38	28
Fee and commission income	1 518	488
Fee and commission expense	–	(33)
Principal transactions	2	13
Operating loss from associates	–	–
Investment income on assurance activities	–	–
Premiums and reinsurance recoveries on insurance contracts	–	–
Other operating income/(loss)	59	–
Other income	1 579	468
Claims on reinsurance premiums on insurance business	–	–
Total operating income net of insurance claims	1 617	496
Impairment losses on loans and advances	–	–
Operating income	1 617	496
Administrative expenses	(902)	(319)
Depreciation, amortisation and impairment of property, equipment and intangibles	(10)	(1)
Operating profit before goodwill	705	176
Impairment of goodwill	(41)	–
Profit before taxation	664	176
Cost to income ratio	56.4%	64.5%
Total assets	1 844	5 728

**Previously Private Client Portfolio Management and Stockbroking.*

	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total
	126	15 898	72	14 287	(6 110)	24 325
	(212)	(14 117)	(35)	(13 015)	6 796	(20 569)
	(86)	1 781	37	1 272	686	3 756
	142	394	334	397	(21)	3 252
	–	(12)	(17)	(35)	(18)	(115)
	504	62	689	364	681	2 315
	–	–	–	–	(47)	(47)
	–	–	–	–	1 139	1 139
	–	–	–	–	359	359
	(4)	–	–	–	4	59
	642	444	1 006	726	2 097	6 962
	–	–	–	–	(1 418)	(1 418)
	556	2 225	1 043	1 998	1 365	9 300
	–	(497)	(29)	(113)	(224)	(863)
	556	1 728	1 014	1 885	1 141	8 437
	(192)	(1 348)	(457)	(969)	(490)	(4 677)
	–	(31)	–	(48)	(42)	(132)
	364	349	557	868	609	3 628
	–	–	–	–	–	(41)
	364	349	557	868	609	3 587
	34.5%	62.0%	43.8%	50.9%	39.0%	51.7%
	1 418	60 035	2 751	126 183	79 145	277 104

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For the year to 31 March R'million	Asset Management	Private Wealth*
1. Segmental analysis (continued)		
Business analysis 2009		
Interest income	53	122
Interest expense	–	(92)
Net interest income	53	30
Fee and commission income	1 541	509
Fee and commission expense	–	(33)
Principal transactions	–	1
Operating loss from associate	–	–
Investment income on assurance activities	–	–
Premiums and reinsurance recoveries on insurance contracts	–	–
Other operating income/(loss)	(71)	–
Other income	1 470	477
Claims and reinsurance premiums on insurance business	–	–
Total operating income net of insurance claims	1 523	507
Impairment losses on loans and advances	–	–
Operating income	1 523	507
Administrative expenses	(785)	(326)
Depreciation, amortisation and impairment of property, equipment and intangibles	(9)	(1)
Operating profit before goodwill	729	180
Impairment of goodwill	(31)	–
Operating profit	698	180
Profit on disposal of group operations	–	–
Profit before taxation	698	180
Cost to income ratio	52.1%	64.7%
Total assets	2 049	3 527

**Previously Private Client Portfolio Management and Stockbroking.*

	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total
	146	21 111	92	20 685	(20 570)	21 639
	(242)	(19 416)	(37)	(19 482)	21 608	(17 661)
	(96)	1 695	55	1 203	1 038	3 978
	261	495	430	488	(31)	3 693
	–	(15)	(65)	(19)	(46)	(178)
	310	45	1 161	643	89	2 249
	–	–	–	–	(1)	(1)
	–	–	–	–	1 041	1 041
	–	–	–	–	262	262
	(4)	10	–	–	(38)	(103)
	567	535	1 526	1 112	1 276	6 963
	–	–	–	–	(1 228)	(1 228)
	471	2 230	1 581	2 315	1 086	9 713
	–	(266)	(54)	(354)	(92)	(766)
	471	1 964	1 527	1 961	994	8 947
	(160)	(1 399)	(582)	(1 052)	(458)	(4 762)
	–	(32)	–	(1)	(46)	(89)
	311	533	945	908	490	4 096
	–	–	–	–	–	(31)
	311	533	945	908	490	4 065
	–	–	–	–	10	10
	311	533	945	908	500	4 075
	34.0%	64.1%	36.8%	45.5%	46.4%	49.9%
	1 204	51 844	3 060	123 052	61 489	246 225

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For the year to 31 March R'million	2010	2009
1. Segmental analysis (continued)		
A further analysis of business line operating profit before goodwill, non-operating items and taxation is shown below:		
Asset Management	705	729
Private Wealth*	176	180
Property Activities	364	311
Private Banking	349	533
Investment Banking		
Corporate Finance	65	79
Institutional Research, Sales and Trading	20	82
Principal Investments	472	784
	557	945
Capital Markets	868	908
Group Services and Other Activities		
International Trade Finance	58	62
Central Funding	978	868
Central Costs	(427)	(440)
	609	490
Total	3 628	4 096

**Previously Private Client Portfolio Management and Stockbroking.*

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

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

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

For the year to 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
2. Administrative expenses				
Staff costs	3 098	3 097	11	68
– Salaries and wages (including directors' remuneration)^	2 562	2 606	–	–
– Share based payments expense	394	351	11	68
– Social security costs	20	23	–	–
– Pensions and provident fund contributions	122	117	–	–
Premises (excluding depreciation)	378	313	–	–
Equipment (excluding depreciation)	363	434	–	–
Business expenses*	642	723	1	–
Marketing expenses	196	195	–	–
	4 677	4 762	12	68
The following amounts were paid to the auditors:				
Audit fees	29	39	–	–
Audit related fees	6	5	–	–
Other services	3	2	–	–
	38	46	–	–
Audit fees by audit firm				
Ernst & Young	19	25	–	–
KPMG Inc	19	20	–	–
Other	–	1	–	–
	38	46	–	–
Minimum operating lease payments recognised in administrative expenses	245	249	–	–

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

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

3. Share-based payments

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

Expense charged to income statement (included in administrative expenses) For the year to 31 March R'million	AM*	PW*	PA*	PB*	IB*	CM*	GSO*	Total
2010	28	26	18	86	40	78	118	394
2009	26	22	13	73	33	53	131	351

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

	Group			
	2010		2009	
Details of options outstanding during the year	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Outstanding at the beginning of the year	31 401 201	4.08	28 917 806	6.55
Granted during the year	12 930 830	–	5 498 450	–
Exercised during the year*	(8 906 518)	6.10	(1 691 084)	26.28
Expired during the year	(1 774 315)	4.19	(1 323 971)	12.60
Outstanding at the end of the year	33 651 198	1.98	31 401 201	4.08
Exercisable at the end of the year	1 557 437	38.42	2 318 989	39.89

**The weighted average share price during the year was R52.83 (2009: R44.63).*

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At 31 March	2010	2009
3. Share-based payments (continued)		
The exercise price range and weighted average remaining contractual life for the options outstanding at 31 March 2010 were as follows:		
Options with strike prices		
Exercise price range	R32.00 – R57.60	R20.28 – R57.60
Weighted average remaining contractual life	1.16 years	1.76 years
Long-term incentive grants with no strike price		
Weighted average remaining contractual life	3.03 years	2.74 years
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model inputs into the model were as follows:		
– Share price at date of grant	R44.25 – R56.00	R45.00 – R47.00
– Exercise price	R0	R0
– Expected volatility	33% - 45%	34% - 45%
– Option life	5 years	5 years
– Expected dividend yield	3.24%	9.55%
– Risk-free rate	8.55% – 8.75%	7.71% – 11.96%

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

For information on the share options granted to directors, refer to the Remuneration report in the combined consolidated financial statements of Investec plc and Investec Limited.

For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
4. Taxation				
Taxation on income				
South Africa				
– Current taxation	712	728	32	31
– Capital gains taxation	7	5	–	–
– Deferred taxation	92	273	(18)	–
Total South African taxation	811	1 006	14	31
Foreign taxation				
– Mauritius	10	6	–	–
– Botswana	6	3	–	–
Total foreign taxation	16	9	–	–
Taxation on income	827	1 015	14	31
Secondary taxation on companies	8	3	–	1
Total taxation charge of the year	835	1 018	14	32
Tax rate reconciliation:				
Profit before taxation as per income statement	3 587	4 075	1 393	1 738
Total taxation charge in income statement	835	1 018	14	32
Less: secondary taxation on companies	(8)	(3)	–	(1)
Total taxation on income	827	1 015	14	31
Effective rate of taxation	23.1%	24.9%	1.0%	1.8%
The standard rate of South African normal taxation has been affected by:				
– Dividend income	1.9%	6.8%	27.4%	28.0%
– Foreign earnings*	0.2%	0.1%	–	–
– Capital gains	0.2%	0.1%	–	–
– Other permanent differences	2.6%	(3.9%)	(0.4%)	(1.8%)
	28.0%	28.0%	28.0%	28.0%

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

For the year to 31 March	Group				Company			
	2010		2009		2010		2009	
	Cents per share	Total (R'million)	Cents per share	Total (R'million)	Cents per share	Total (R'million)	Cents per share	Total (R'million)
5. Dividends								
Ordinary dividend								
Final dividend in prior year*	66.00	324	202.00	793	66.0	339	202.00	842
Interim dividend for current year*	100.00	410	128.00	586	100.0	441	128.00	643
Total dividend attributable to ordinary shareholders recognised in current financial year	166.00	734	330.00	1 379	166.0	780	330.00	1 485

The directors have proposed a final dividend in respect of the financial year ended 31 March 2010 of 89.0 cents (2009: 66.0 cents) per ordinary share. The final dividend will be payable on 17 August 2010 to shareholders on the register at the close of business on 30 July 2010 The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on 12 August 2010.

	Cents per share	Total (R'million)	Cents per share	Total (R'million)	Cents per share	Total (R'million)	Cents per share	Total (R'million)
Perpetual preference dividend								
Final dividend in prior year	1 074.59	198	1 038.64	191	518.77	115	501.41	111
Interim dividend for current year	826.31	155	1 110.35	206	398.91	89	536.03	119
Total dividend attributable to perpetual preference shareholders recognised in current financial year	1 900.90	353	2 148.99	397	917.68	204	1 037.44	230

The directors have declared a final dividend in respect of the financial year ended 31 March 2010 of 365.92 cents (2009: 518.77 cents) per perpetual preference share (Investec Limited) and 392.05 cents (2009: 555.71 cents) per perpetual preference share (Investec Bank Limited). The final dividend will be payable on 1 July 2010 to shareholders on the register at the close of business on 18 June 2010.

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

For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
6. Headline earnings				
Headline earnings attributable to ordinary shareholders				
Calculation of headline earnings				
Earnings attributable to shareholders	2 747	3 050	1 379	1 706
Preference dividends paid	(353)	(397)	(204)	(230)
Earnings attributable to ordinary shareholders	2 394	2 653	1 175	1 476
Headline adjustments, net of taxation	(253)	(75)	–	–
Goodwill impairment	41	31	–	–
Revaluation of investment properties	(254)	(102)	–	–
Profit on disposal of group operations	–	(10)	–	–
Impairment of associates	–	62	–	–
Profit on disposal of available for sale instruments	(40)	(56)	–	–
Headline earnings attributable to ordinary shareholders	2 141	2 578	1 175	1 476

Taxation on headline earnings adjustments amounted to R105.3 million (2009: R49.7 million), with no impact on earnings attributable to minorities.

For information on the earnings per share of the combined consolidated Investec plc and Investec Limited entities, refer to the notes to the financial statements in the combined consolidated financial statements of Investec plc and Investec Limited.

For the year to 31 March R'million	At fair value through profit and loss		Held-to-maturity
	Trading	Designated at inception	
7. Analysis of income and impairments by category of financial instrument			
Group			
2010			
Net interest income	159	757	390
Fee and commission income	227	117	–
Fee and commission expense	–	(9)	–
Principal transactions*	441	991	–
Operating income from associates	–	–	–
Investment income on assurance activities	–	–	–
Premiums and reinsurance recoveries on insurance contracts	–	–	–
Other operating income/(loss)	–	59	–
Other income including net interest income	827	1 915	390
Claims and reinsurance recoveries on insurance contracts	–	–	–
Total operating income net of insurance claims	827	1 915	390
Impairment losses on loans and advances	–	–	–
Operating income	827	1 915	390
2009			
Net interest income	847	3 270	28
Fee and commission income	332	3	–
Fee and commission expense	–	6	–
Principal transactions*	1 927	524	–
Operating income from associates	–	–	–
Investment income on assurance activities	–	–	–
Premiums and reinsurance recoveries on insurance contracts	–	–	–
Other operating income/(loss)	–	(99)	–
Other income including net interest income	3 106	3 704	28
Claims and reinsurance recoveries on insurance contracts	–	–	–
Total operating income net of insurance claims	3 106	3 704	28
Impairment losses on loans and advances	–	–	–
Operating income	3 106	3 704	28

**Included in principal transactions is funding costs of R549 million (2009: R602 million) and non-trading dividend income of R242 million (2009: R559 million).*

	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Other fee income	Total
	15 101	–	(12 651)	–	–	–	3 756
	411	–	(1)	–	100	2 398	3 252
	(19)	–	(1)	–	2	(88)	(115)
	–	172	–	–	482	229	2 315
	–	–	–	–	(47)	–	(47)
	–	–	–	1 139	–	–	1 139
	–	–	–	359	–	–	359
	–	–	–	–	–	–	59
	15 493	172	(12 653)	1 498	537	2 539	10 718
	–	–	–	(1 418)	–	–	(1 418)
	15 493	172	(12 653)	80	537	2 539	9 300
	(863)	–	–	–	–	–	(863)
	14 630	172	(12 653)	80	537	2 539	8 437
	16 577	–	(16 744)	–	–	–	3 978
	440	–	–	–	209	2 709	3 693
	(19)	–	–	–	–	(165)	(178)
	–	66	(592)	–	317	7	2 249
	–	–	–	–	(1)	–	(1)
	–	–	–	1 041	–	–	1 041
	–	–	–	262	–	–	262
	–	–	–	–	(4)	–	(103)
	16 998	66	(17 336)	1 303	521	2 551	10 941
	–	–	–	(1 228)	–	–	(1 228)
	16 998	66	(17 336)	75	521	2 551	9 713
	(766)	–	–	–	–	–	(766)
	16 232	66	(17 336)	75	521	2 551	8 947

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For the year to 31 March R'million	At fair value through profit and loss		
	Trading	Designated at inception	Held-to-maturity
7. Analysis of income and impairments by category of financial instrument (continued)			
Company			
2010			
Net interest income	–	–	–
Principal transactions*	–	29	–
Other income including net interest income	–	29	–
Impairment losses on loans and advances	–	–	–
Operating income	–	29	–
2009			
Net interest income	–	–	–
Principal transactions*	–	66	–
Other income including net interest income	–	66	–
Impairment losses on loans and advances	–	–	–
Operating income	–	66	–

**Included in principal transactions is non-trading dividend income of R1 361 million (2009: R1 681 million).*

	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Other fee income	Total
	15	–	–	–	–	–	15
	–	–	–	–	1 361	–	1 390
	15	–	–	–	1 361	–	1 405
	–	–	–	–	–	–	–
	15	–	–	–	1 361	–	1 405
	59	–	–	–	–	–	59
	–	–	–	–	1 681	–	1 747
	59	–	–	–	1 681	–	1 806
	–	–	–	–	–	–	–
	59	–	–	–	1 681	–	1 806

6

At 31 March R'million	At fair value through profit and loss: Trading	At fair value through profit and loss: Designated at inception	Available for sale
8. Analysis of financial assets and liabilities by measurement basis			
Group			
2010			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	305	–
Cash equivalent advances to customers	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 707	–	–
Trading securities	17 849	25 419	–
Derivative financial instruments*	7 850	–	–
Investment securities	1	4	29
Loans and advances to customers	–	15 149	–
Securitised assets	–	1 120	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	1 646	3	–
Property, plant and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	31 053	42 000	29
Financial instruments at fair value through income in respect of			
– Liabilities to customers	–	–	–
– Assets related to reinsurance contracts	–	–	–
	31 053	42 000	29
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	7 144	–	–
Other trading liabilities	3 491	–	–
Repurchase agreements and cash collateral on securities lent	3 281	–	–
Customer accounts (deposits)	26	15 248	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation	–	1 514	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	659	294	–
	14 601	17 056	–
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
Reinsured liabilities	–	–	–
	14 601	17 056	–
Subordinated liabilities	–	–	–
	14 601	17 056	–

**Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 43.*

6

	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
	–	–	3 660	–	3 660	–	–	3 660
	305	–	14 320	–	14 320	–	–	14 625
	–	–	6 455	–	6 455	–	–	6 455
	3 707	–	969	–	969	–	–	4 676
	43 268	–	–	–	–	–	–	43 268
	7 850	–	–	–	–	–	–	7 850
	34	3 129	–	–	3 129	–	–	3 163
	15 149	118	96 665	–	96 783	–	–	111 932
	1 120	–	8 876	–	8 876	–	–	9 996
	–	–	–	–	–	–	180	180
	–	–	–	–	–	–	403	403
	1 649	–	3 742	–	3 742	–	1 928	7 319
	–	–	–	–	–	–	188	188
	–	–	–	–	–	–	3 033	3 033
	–	–	–	–	–	–	280	280
	–	–	–	–	–	–	98	98
	73 082	3 247	134 687	–	137 934	–	6 110	217 126
	–	–	–	–	–	59 946	–	59 946
	–	–	–	–	–	32	–	32
	73 082	3 247	134 687	–	137 934	59 978	6 110	277 104
	–	–	–	9 554	9 554	–	–	9 554
	7 144	–	–	–	–	–	–	7 144
	3 491	–	–	–	–	–	–	3 491
	3 281	–	–	3 000	3 000	–	–	6 281
	15 274	–	–	127 847	127 847	–	–	143 121
	–	–	–	1 559	1 559	–	–	1 559
	1 514	–	–	6 638	6 638	–	–	8 152
	–	–	–	–	–	–	1 348	1 348
	–	–	–	–	–	–	861	861
	953	–	–	8 882	8 882	–	1 848	11 683
	31 657	–	–	157 480	157 480	–	4 057	193 194
	–	–	–	–	–	59 899	–	59 899
	–	–	–	–	–	47	–	47
	–	–	–	–	–	32	–	32
	31 657	–	–	157 480	157 480	59 978	4 057	253 172
	–	–	–	5 341	5 341	–	–	5 341
	31 657	–	–	162 821	162 821	59 978	4 057	258 513

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At 31 March R'million	At fair value through profit and loss Trading	 Designated at inception	Available for sale
8. Analysis of financial assets and liabilities by measurement basis (continued)			
Group			
2009			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	476	–
Cash equivalent advances to customers	175	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	2 632	–	–
Trading securities	12 671	14 311	–
Derivative financial instruments*	9 991	–	–
Investment securities	2	7	135
Loans and advances to customers	–	14 479	–
Securitised assets	–	1 514	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	1 927	–	–
Property, plant and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	27 398	30 787	135
Other financial instruments at fair value through income in respect of			
– Liabilities to customers	–	–	–
– Assets related to reinsurance contracts	–	–	–
	27 398	30 787	135
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments*	10 505	–	–
Other trading liabilities	2 072	–	–
Repurchase agreements and cash collateral on securities lent	2 281	–	–
Customer accounts (deposits)	38	13 626	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation	–	1 514	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	1 167	319	–
	16 063	15 459	–
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
Reinsured liabilities	–	–	–
	16 063	15 459	–
Subordinated liabilities	–	–	–
	16 063	15 459	–

**Derivative financial instruments include derivative financial instruments held as hedges. For more information refer to note 43.*

6

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
–	–	3 158	–	3 158	–	–	3 158
476	–	11 709	–	11 709	–	–	12 185
175	–	5 203	–	5 203	–	–	5 378
2 632	–	5 756	–	5 756	–	–	8 388
26 982	–	–	–	–	–	–	26 982
9 991	–	–	–	–	–	–	9 991
144	491	–	–	491	–	–	635
14 479	208	97 474	–	97 682	–	–	112 161
1 514	–	11 499	–	11 499	–	–	13 013
–	–	–	–	–	–	166	166
–	–	–	–	–	–	508	508
1 927	–	2 382	–	2 382	–	583	4 892
–	–	–	–	–	–	190	190
–	–	–	–	–	–	2 568	2 568
–	–	–	–	–	–	308	308
–	–	–	–	–	–	88	88
58 320	699	137 181	–	137 880	–	4 411	200 611
–	–	–	–	–	45 590	–	45 590
–	–	–	–	–	24	–	24
58 320	699	137 181	–	137 880	45 614	4 411	246 225
–	–	–	12 159	12 159	–	–	12 159
10 505	–	–	–	–	–	–	10 505
2 072	–	–	–	–	–	–	2 072
2 281	–	–	9	9	–	–	2 290
13 664	–	–	113 206	113 206	–	–	126 870
–	–	–	954	954	–	–	954
1 514	–	–	9 586	9 586	–	–	11 100
–	–	–	–	–	–	1 192	1 192
–	–	–	–	–	–	870	870
1 486	–	–	8 584	8 584	–	1 270	11 340
31 522	–	–	144 498	144 498	–	3 332	179 352
–	–	–	–	–	45 515	–	45 515
–	–	–	–	–	74	–	74
–	–	–	–	–	24	–	24
31 522	–	–	144 498	144 498	45 613	3 332	224 965
–	–	–	5 091	5 091	–	–	5 091
31 522	–	–	149 589	149 589	45 613	3 332	230 056

At 31 March R'million	At fair value through profit and loss Trading	 Designated at inception	Available for sale
8. Analysis of financial assets and liabilities by measurement basis (continued)			
Company			
2010			
Assets			
Loans and advances to banks	–	–	–
Trading securities	–	288	–
Loans and advances to customers	–	–	–
Deferred taxation assets	–	–	–
Other assets	–	–	–
Investment in subsidiaries	–	–	–
	–	288	–
Liabilities			
Current taxation liabilities	–	–	–
Other liabilities	–	–	–
	–	–	–
2009			
Loans and advances to banks	–	–	–
Trading securities	–	250	–
Loans and advances to customers	–	–	–
Other assets	–	–	–
Investment in subsidiaries	–	–	–
	–	250	–
Liabilities			
Current taxation liabilities	–	–	–
Other liabilities	–	–	–
	–	–	–

	Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
	–	–	27	–	27	–	–	27
	288	–	–	–	–	–	–	288
	–	–	1	–	1	–	–	1
	–	–	–	–	–	–	18	18
	–	–	1	–	1	–	–	1
	–	–	–	–	–	–	10 747	10 747
	288	–	29	–	29	–	10 765	11 082
	–	–	–	–	–	–	186	186
	–	–	–	472	472	–	–	472
	–	–	–	472	472	–	186	658
	–	–	29	–	29	–	–	29
	250	–	–	–	–	–	–	250
	–	–	1	–	1	–	–	1
	–	–	1	–	1	–	–	1
	–	–	–	–	–	–	9 883	9 883
	250	–	31	–	31	–	9 883	10 164
	–	–	–	–	–	–	154	154
	–	–	–	467	467	–	–	467
	–	–	–	467	467	–	154	621

6

9. Fair value hierarchy

For financial assets and financial liabilities carried at fair value, the table below provides details of the basis used for determining the fair value according to the following hierarchy:

Level 1 – The use of quoted market prices for identical instruments in an active market.
Level 2 – The use of a valuation technique using observable inputs. This may include:
- using quoted prices in active markets for similar instruments;
- using quoted prices in inactive markets for identical or similar instruments; or
- using models where all significant inputs are observable.

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

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

At 31 March R'million	Total instruments at fair value per note 8	Valuation technique applied		
		Level 1	Level 2	Level 3
2010				
Group				
Assets				
Loans and advances to banks	305	–	305	–
Reverse repurchase agreements and cash collateral on securities borrowed	3 707	3 234	473	–
Trading securities	43 268	25 603	17 474	191
Derivative financial instruments	7 850	3	7 832	15
Investment securities	34	34	–	–
Loans and advances to customers	15 149	–	15 149	–
Securitised assets	1 120	–	1 120	–
Other assets	1 649	1 633	16	–
	73 082	30 507	42 369	206
Liabilities				
Derivative financial instruments	7 144	–	7 144	–
Other trading liabilities	3 491	3 491	–	–
Repurchase agreements and cash collateral on securities lent	3 281	3 281	–	–
Customer accounts (deposits)	15 274	–	15 274	–
Liabilities arising on securitisation	1 514	–	1 514	–
Other liabilities	953	807	146	–
	31 657	7 579	24 078	–

At 31 March R'million	Total instruments at fair value per note 8	Valuation technique applied		
		Level 1	Level 2	Level 3
9. Fair value hierarchy (continued)				
2009				
Group				
Assets				
Loans and advances to banks	476	–	476	–
Cash equivalent advances to customers	175	175	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	2 632	2 363	269	–
Trading securities	26 982	14 236	12 310	436
Derivative financial instruments	9 991	298	9 655	38
Investment securities	144	122	22	–
Loans and advances to customers	14 479	–	14 479	–
Securitised assets	1 514	1 514	–	–
Other assets	1 927	1 927	–	–
	58 320	20 635	37 211	474
Liabilities				
Derivative financial instruments	10 505	4	10 501	–
Other trading liabilities	2 072	2 072	–	–
Repurchase agreements and cash collateral on securities lent	2 281	2 281	–	–
Customer accounts (deposits)	13 664	–	13 664	–
Liabilities arising on securitisation	1 514	1 514	–	–
Other liabilities	1 486	1 348	138	–
	31 522	7 219	24 303	–
2010				
Company				
Assets				
Trading securities	288	–	288	–
	288	–	288	–
2009				
Assets				
Trading securities	250	–	250	–
	250	–	250	–

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9. Fair value hierarchy (continued)

Transfers between level 1 and level 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value:

At 31 March R'million	Transfers from level 1 to level 2
Assets	
Derivative financial instruments	286
Securitised assets	1 120
Liabilities	
Derivative financial instruments	26
Liabilities arising on securitisation	1 514

Based on a review of the revised definitions included in IFRS 7, certain instruments classified as Level 1 in the prior year were classified as Level 2 in the current year.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

R'million	Fair value movements through the income statement
Group	
Opening balance at 1 April 2009	474
	–
Total gains or losses recognised in the current year	(38)
Sales	(11)
Settlements	(8)
Transfers out of level 3	(211)
Foreign exchange adjustments	(1)
Closing balance at 31 March 2010	**205**

Instruments were transferred out of level 3 to level 2 due to improved levels of observable inputs.

9. Fair value hierarchy (continued)

The following table quantifies the changes in fair values recognised on level 3 financial instruments:

For the year to 31 March R'million	Group
Total gains or losses on level 3 financial instruments included in profit or loss for the period	
Net interest income	4
Fee and commission income	26
Principal transactions	(68)
	(38)
Total gains and losses for the period included in profit or loss for level 3 financial instruments held at the end of reporting period	
Net interest income	4
Fee and commission income	26
Principal transactions	(68)
	(38)

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions

	Reflected in profit and loss	
At 31 March 2010 R'million	Favourable changes	Unfavourable changes
Group		
Assets		
Derivative financial instruments	24	(21)
Trading securities	44	(35)

At 31 March R'million	2010 Amount at amortised cost per note 8	2010 Fair value	2009 Amount at amortised cost per note 8	2009 Fair value
10. Fair value of financial instruments at amortised cost				
Group				
Assets				
Cash and balances at central banks	3 660	3 660	3 158	3 158
Loans and advances to banks	14 320	14 320	11 709	11 709
Cash equivalent advances to customers	6 455	6 455	5 203	5 203
Reverse repurchase agreements and cash collateral on securities borrowed	969	969	5 756	5 756
Investment securities	3 129	2 975	491	742
Loans and advances to customers	96 783	96 787	97 682	97 726
Securitised assets	8 876	8 876	11 499	11 499
Other assets	3 742	3 747	2 382	2 601
	137 934	137 789	137 880	138 394
Liabilities				
Deposits by banks	9 554	9 566	12 159	12 161
Repurchase agreements and cash collateral on securities lent	3 000	3 000	9	9
Customer accounts	127 847	128 368	113 206	112 141
Debt securities in issue	1 559	1 563	954	955
Liabilities arising on securitisation	6 638	6 661	9 586	9 586
Other liabilities	8 882	8 880	8 584	8 585
Subordinated liabilities	5 341	5 529	5 091	5 348
	162 821	163 567	149 589	148 785
Company				
Assets				
Loans and advances to banks	27	27	29	29
Loans and advances to customers	1	1	1	1
Other assets	1	1	1	1
	29	29	31	31
Liabilities				
Other liabilities	472	472	467	467
	472	472	467	467

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

At 31 March R'million	Group 2010	Group 2009
11. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	3 199	6 442
Cash collateral on securities borrowed	1 477	1 946
	4 676	8 388
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. The fair value of the securities accepted under these terms as at 31 March 2010 amounts to R3.2 billion (2009: R6.4 billion).		
Liabilities		
Repurchase agreements	6 281	2 289
Cash collateral on securities lent	–	1
	6 281	2 290

	Group				Company			
	2010		2009		2010		2009	
At 31 March R'million	Fair value	Cumulative unrealised gains/ (losses)	Fair value	Cumulative unrealised gains/ (losses)	Fair value	Cumulative unrealised gains/ (losses)	Fair value	Cumulative unrealised gains/ (losses)
12. Trading securities								
Listed equities	5 524	(1 666)	5 295	(1 344)	288	66	250	–
Unlisted equities	5 778	2 398	4 580	2 459	–	–	–	–
Promissory notes	11 799	310	7 548	158	–	–	–	–
Liquid asset bills	18 213	(293)	6 123	(143)	–	–	–	–
Debentures	–	–	1 327	(28)	–	–	–	–
Government and other bonds	1 954	(19)	2 109	(133)	–	–	–	–
	43 268	730	26 982	969	288	66	250	–

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13. Derivative financial instruments

Group

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

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

	2010			2009		
At 31 March R'million	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	6 975	387	149	7 590	220	309
Currency swaps	38 024	808	549	86 916	243	615
OTC options	2 234	28	22	4 819	89	205
Other foreign exchange contracts	2 404	6	5	4 309	34	30
OTC derivatives	49 637	1 229	725	103 634	586	1 159
Exchange traded futures	1 755	–	–	3 764	12	–
Exchange traded options	898	–	–	–	–	–
	52 290	1 229	725	107 398	598	1 159
Interest rate derivatives						
Caps and floors	1 106	–	16	9 289	–	40
Swaps	289 521	4 989	5 060	294 026	4 868	4 721
Forward rate agreements	328 570	332	351	569 654	1 245	1 149
OTC options	6 911	29	30	11 011	166	166
Other interest rate contracts	658	162	104	1 298	126	159
	626 766	5 512	5 561	885 278	6 405	6 235
Equity and stock index derivatives						
OTC options	12 211	417	802	398	77	900
Exchange traded futures	15 703	–	–	–	–	–
Exchange traded options	25 205	–	–	–	6	–
	53 119	417	802	398	83	900
Commodity derivatives						
OTC options	839	25	25	5 668	2 025	2 038
Commodity swaps and forwards	1 078	246	31	1 939	530	173
	1 917	271	56	7 607	2 555	2 211
Credit derivatives						
Credit swaps	142	2	–	–	–	–
Credit link notes	37	–	–	325	105	–
	179	2	–	325	105	–
Embedded derivatives*		419	–		245	–
Derivatives per balance sheet		7 850	7 144		9 991	10 505

Mainly includes profit shares received as part of lending transactions.

At 31 March R'million	Group 2010	Group 2009
14. Investment securities		
Listed equities	33	122
Unlisted equities	–	20
Bonds	3 130	493
	3 163	635

At 31 March R'million	Carrying value	Fair value adjustment Year to date	Fair value adjustment Cumulative	Maximum exposure to credit risk
15. Designated at fair value: loans and receivables and financial liabilities				
Group				
Loans and receivables				
2010				
Loans and advances to banks	305	(79)	(7)	305
Loans and advances to customers	15 149	(4)	789	15 149
	15 454	(83)	782	15 454
2009				
Loans and advances to banks	476	25	88	476
Loans and advances to customers	14 479	686	723	14 479
	14 955	711	811	14 955

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Year to date	Fair value adjustment Cumulative
Financial liabilities				
2010				
Customer accounts (deposits)	15 248	16 912	(41)	(1 663)
Liabilities arising on securitisation	1 514	1 120	–	395
Other liabilities	294	279	26	15
	17 056	18 311	(15)	(1 253)
2009				
Customer accounts (deposits)	13 626	14 028	(452)	(402)
Liabilities arising on securitisation	1 514	1 514	–	–
Other liabilities	319	345	(107)	(26)
	15 459	15 887	(559)	(428)

Changes in fair value relating to credit risk is determined as the change in the fair value of the financial instrument that is not attributable to changes in market inputs.

6

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
16. Loans and advances to customers				
Loans and advances to customers	111 932	112 161	1	1
Specific and portfolio impairments included above	858	1 081	–	–
Gross loans and advances to customers	112 790	113 242	1	1
Less: warehouse facilities and warehouse assets arising from securitisation and principal finance activities	(1 108)	(1 089)	–	–
Securitised assets (refer to note 17)	7 255	9 309	–	–
Gross core loans and advances to customers	118 937	121 462	1	1
For further analysis on gross core loans and advances refer to pages 46 to 62 in the Risk Management section.				
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments:				
Specific impairment				
Balance at beginning of year	994	367	–	–
Charge to the income statement	472	697	–	–
Utilised	(928)	(74)	–	–
Exchange adjustment	–	4	–	–
Balance at end of year	538	994	–	–
Portfolio impairment				
Balance at beginning of year	87	72	–	–
Charge to the income statement	234	14	–	–
Exchange adjustment	(1)	1	–	–
Balance at end of year	320	87	–	–
Reconciliation of income statement charge:				
Total impairment on loans and advances	706	711	–	–
Specific impairment charged to income statement	472	697	–	–
Portfolio impairment charged to income statement	234	14	–	–
Total impairment on securitised assets	27	33	–	–
Specific impairment charged to income statement	27	30	–	–
Portfolio impairment charged to income statement	–	3	–	–
Bad debts written off directly to the income statement	130	22	–	–
Total income statement charge	863	766	–	–

At 31 March R'million	Group	
	2010	2009

17. Securitised assets and liabilities arising on securitisation

	2010	2009
Securitised assets are made up of the following categories of assets:		
Loans and advances to customers	8 299	10 865
Loans and advances to banks	633	663
Other financial instruments at fair value	1 120	1 514
	10 052	13 042
Impairment of loans and advances to customers	(56)	(29)
Total securitised assets	9 996	13 013
Analysis of securitised assets by risk exposure		
Gross core loans and advances to customers	7 255	9 309
Securitisation exposures arising from securitisation/principal finance activities	91	126
Total credit and counterparty exposure	7 346	9 435
Loans and advances to customers with no legal credit exposure	2 650	3 578
Gross loans and advances deemed to have no legal credit exposure	2 706	3 607
Impairment of loans and advances to customers deemed to have no legal credit exposure	(56)	(29)
Total securitised assets	9 996	13 013
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments of loans and advances that have been securitised:		
Specific impairment		
Balance at beginning of year	26	1
Charge to the income statement	27	30
Utilised	–	(5)
Balance at end of year	53	26
Portfolio impairment		
Balance at beginning of year	3	–
Charge to the income statement	–	3
Balance at end of year	3	3
The associated liabilities are recorded on balance sheet in "Liabilities arising on securitisation".		
Carrying value at year end	8 152	11 100

Liabilities arising on securitisation

Securitised liabilities include bonds, medium term notes repayable and commercial paper. Bonds that are listed on the Bond Exchange of South Africa have maturity dates as noted below:

R26.1 million – Final legal maturity of 10 July 2018

R41.0 million – Final legal maturity of 10 January 2045

R2.0 billion – Final legal maturity of 15 November 2032

R2.6 billion – Final legal maturity on 15 December 2035

R882.0 million – Final legal maturity on 20 April 2024

R408.0 million – Final legal maturity on 20 December 2025

At 31 March R'million	Group 2010	Group 2009
18. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	180	166
Investment in associated undertakings	180	166
Analysis of the movement in our share of net assets:		
At beginning of year	166	195
Impairments	–	(62)
Acquisitions	24	–
Loan to associate	37	34
Share of associate losses	(47)	(1)
Share of net asset value at end of year	180	166
Associated undertakings:		
Unlisted	180	166
The group holds 23.9% of the shareholding of Global Ethanol Holdings Limited, a company incorporated in Australia. The directors' valuation of the investment in the associate approximates its carrying value. The group holds 40% in Dolphin Coast Marina Estate Limited.		
Summarised financial information at 31 March		
Global Ethanol Holdings Limited		
Assets	1 494	2 407
Liabilities	1 440	1 861
Dolphin Coast Marina Estate Limited		
Assets	83	75
Liabilities	1	1

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At 31 March R'million	Group		Company	
	2010	2009	2010	2009
19. Deferred taxation				
Deferred taxation asset	403	508	18	–
Deferred taxation liability	(861)	(870)	–	–
Net deferred tax (liability)/asset	(458)	(362)	18	–
The net deferred tax (liability)/asset arises from:				
Income and expenditure accruals	852	459	18	–
Unrealised fair value adjustments	(1 310)	(821)	–	–
	(458)	(362)	18	–
Reconciliation of net deferred taxation (liability)/asset:				
Opening balance	(362)	(89)	–	–
Charge to the income statement	(92)	(273)	18	–
Other	(13)	–	–	–
Charged directly to equity	9	–	–	–
Closing balance	(458)	(362)	18	–

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

At 31 March R'million	Group		Company	
	2010	2009	2010	2009
20. Other assets				
Settlement debtors	2 791	1 835	–	–
Dealing properties	1 703	424	–	–
Accruals and prepayments	401	326	–	–
Other debtors	2 424	2 307	1	1
	7 319	4 892	1	1

6

At 31 March R'million	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Total
21. Property and equipment					
Group					
2010					
Cost					
At beginning of year	–	19	147	353	519
Additions	–	–	18	45	63
Disposals	–	–	(7)	(21)	(28)
At end of year	–	19	158	377	554
Accumulated depreciation and impairment					
At beginning of year	–	(9)	(98)	(222)	(329)
Disposals	–	–	4	5	9
Depreciation	–	(4)	(3)	(39)	(46)
At end of year	–	(13)	(97)	(256)	(366)
Net carrying value	–	6	61	121	188
2009					
Cost					
At beginning of year	17	20	141	298	476
Additions	–	–	14	71	85
Disposals	(17)	(1)	(8)	(16)	(42)
At end of year	–	19	147	353	519
Accumulated depreciation and impairment					
At beginning of year	(12)	(5)	(95)	(199)	(311)
Disposals	12	–	3	15	30
Depreciation	–	(4)	(6)	(38)	(48)
At end of year	–	(9)	(98)	(222)	(329)
Net carrying value	–	10	49	131	190

At 31 March R'million	Group 2010	 2009
22. Investment properties		
At fair value		
At beginning of year	2 568	2 182
Additions	104	253
Disposals	(88)	(106)
Revaluation	449	239
At end of year	3 033	2 568

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

At 31 March R'million	Group 2010	 2009
23. Goodwill		
Cost		
At beginning of year	1 270	1 270
Additions	13	–
At end of year	1 283	1 270
Accumulated impairments		
At beginning of year	(962)	(931)
Impairment	(41)	(31)
At end of year	(1 003)	(962)
Net book value	280	308
Analysis of goodwill by line of business		
Asset Management	240	268
Private Wealth	36	36
Property Activities	4	4
Total group	280	308

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

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

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

Impairment losses comprise:

- R41 million (2009: R31 million) in respect of the Asset Management segment. The impairment calculation was based on a discounted cash flow valuation, utilising a discount rate of 12.99% (2009: 13.17%).

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At 31 March R'million	Acquired software	Internally generated software	Total
24. Intangible assets			
Group			
2010			
Cost			
At beginning of year	229	34	263
Additions	95	2	97
Disposals	(6)	–	(6)
At end of year	318	36	354
Accumulated amortisation and impairments			
At beginning of year	(152)	(23)	(175)
Disposals	4	1	5
Amortisation	(81)	(5)	(86)
At end of year	(229)	(27)	(256)
Net carrying value	89	9	98
2009			
Cost			
At beginning of year	170	52	222
Additions	67	14	81
Disposals	(8)	(32)	(40)
At end of year	229	34	263
Accumulated amortisation and impairments			
At beginning of year	(123)	(24)	(147)
Disposals	4	9	13
Amortisation	(33)	(8)	(41)
At end of year	(152)	(23)	(175)
Net carrying value	77	11	88

25. Acquisitions and disposals

2010

On 26 February 2010, Investec Asset Management Holdings (Pty) Ltd bought out the 24.51% minority shareholder of Investec Asset Management Namibia (Pty) Ltd. Goodwill arising from the transaction amounted to R13 million.

2009

There were no acquisitions of group companies in the year. The Private Banking division disposed of its short-term insurance business on 1 December 2008, with a net profit of R10 million realised on the sale.

At 31 March R'million	Nature of business	Issued ordinary capital	Holding %	Shares at book value 2010	Shares at book value 2009	Net indebtedness 2010	Net indebtedness 2009
				R'million		R'million	
26. Investment in subsidiaries							
Company							
Direct subsidiaries of Investec Limited							
Investec Bank Ltd Ä	Banking	R24 584 183	100	9 255	7 806	678	130
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R200	100	*	*	–	–
Investec Assurance Ltd Ä	Insurance company	R10 000 000	100	10	10	–	–
Investec Employee Benefits Holdings (Pty) Ltd Ä	Investment holding	R 1	100	*	*	48	739
Investec Hong Kong (Pty) Ltd _	Investment holding	HKD 2	100	*	*	–	–
Investec Int. (Gibraltor) (Ltd) §	Investment holding	£1 000	100	165	239	–	–
Investec Personal Financial Services (Pty) Ltd Ä	Stockbroking	R7 000	100	21	21	–	–
Investec Securities Ltd Ä	Stockbroking	R172 000	100	132	132	(36)	(36)
Sibvest Limited Ä	Investment holding	R100	100	97	97	(98)	(98)
Fedsure International Ltd Ä	Investment holding	R1 012 456	100	243	149	–	–
Investec Property Group Holdings Ltd Ä	Investment holding	R3 000	100	*	*	–	–
Other subsidiaries				2	22	230	672
				9 925	8 476	822	1 407

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

Ä South Africa
_ Hong Kong
§ Gibraltar
**Less the R1 million.*

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At 31 March	Nature of business	Issued ordinary capital	Holding %
26. Investment in subsidiaries (continued)			
Indirect subsidiaries of Investec Limited			
Grayinvest Limited Ä	Investment holding	R100	100
Investec Asset Management (Pty) Ltd Ä	Asset management	R50 000	100
Investec Insurance Brokers (Pty) Ltd Ä	Insurance broking	R2	100
Investec International Holdings (Pty) Ltd Ä	Investment holding	R102	100
Investec Fund Managers SA Ltd Ä	Unit trust management	R8 000 000	100
Investec Bank (Mauritius) Ltd i	Banking	R535 630 446	100
Investec Property Ltd Ä	Property trading	R1 174	100
Reichmans Holdings (Pty) Ltd Ä	Trade and asset finance	R15	100
Investec Employee Benefits Ltd Ä	Long-term Insurance	R7 544 000	100
Traded Endowment Policies Ltd^	Endowments trading	£28 530 788	100

Details of subsidiaries which are not material to the financial position of the group are not stated above.

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

Securitisation entities

- Private Mortgages 1 (Pty) Ltd
- Private Mortgages 2 (Pty) Ltd
- Private Mortgages 3 (Pty) Ltd
- Private Commercial Mortgages (Pty) Ltd
- Grayston Conduit 1 (Pty) Ltd
- Corporate Finance Solutions Receivables (Pty) Ltd

Ä South Africa
^ United Kingdom
i Mauritius

At 31 March R'million	Group	
	2010	2009
27. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts	59 946	45 589
Investec Employee Benefits Limited ("IEB")	4 281	4 822
Investec Assurance Limited	55 618	40 693
Insurance liabilities, including unit-linked liabilities - IEB	47	74
Reinsured liabilities - IEB	32	24
Total policyholder liabilities	59 978	45 613
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	4 138	4 745
Reinsured assets	32	24
Other assets	190	151
	4 360	4 920
Investments shown above comprise:		
Interest bearing securities	999	1 296
Stocks, shares and unit trusts	2 735	2 735
Deposits	404	714
	4 138	4 745
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	51 807	39 175
Debtors and prepayments	725	1 206
Other assets	3 086	312
Assets of long-term assurance fund attributable to policyholders	55 618	40 693
Investments shown above comprise:		
Interest bearing securities	9 679	4 969
Stocks, shares and unit trusts	27 753	21 920
Deposits	14 375	12 286
	51 807	39 175
The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of the linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets under the policy.		
Income statement items related to assurance activities		
Investment income on assurance activities	1 139	1 041
Premiums and reinsurance recoveries on insurance contracts	359	262
Claims and reinsurance premiums on insurance business	(1 418)	(1 228)
Operating expenses	(30)	(24)
Net income before taxation	50	51
Taxation	(14)	(14)
Net income after taxation	36	37

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At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
28. Other trading liabilities				
Short positions				
– Equities	2 493	544	–	–
– Gilts	998	1 528	–	–
	3 491	2 072	–	–

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
29. Debt securities in issue				
Repayable in:				
Not more than three months	447	633	–	–
Over three months but not more than one year	1 112	321	–	–
	1 559	954	–	–

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
30. Current taxation				
Income taxation payable	1 278	1 099	186	154
Indirect taxes payable	70	93	–	–
	1 348	1 192	186	154

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
31. Other liabilities				
Settlement liabilities	3 465	3 685	–	–
Redeemable preferences dividends	54	112	–	2
Cumulative redeemable preference shares including accrued dividends	4 391	3 541	399	402
Other non-interest bearing liabilities	1 282	1 585	25	14
Other creditors and accruals	2 491	2 417	48	49
	11 683	11 340	472	467

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At 31 March R'million	Group	
	2010	2009
32. Subordinated liabilities (including convertible debt)		
Issued by Investec Bank Limited		
– a wholly owned subsidiary of Investec Limited		
IV01 16% subordinated unsecured bonds 2012	180	180
IV03 16% subordinated bonds 2017	1 508	1 508
IV04 10.75% subordinated unsecured callable bonds	2 062	2 062
IV07 variable rate subordinated unsecured callable bonds	941	941
IV08 13.735% subordinated unsecured callable bonds	200	200
IV09 variable rate subordinated unsecured callable bonds	200	200
IV012 variable rate subordinated unsecured callable bonds	250	-
	5 341	5 091
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand		
Remaining maturity:		
In more than one year, but not more than two years	180	-
In more than two years, but not more than five years	3 653	3 583
In more than five years	1 508	1 508
	5 341	5 091

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

IV01 16% subordinated bonds

R180 million (2009: R180 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

IV03 16% subordinated bonds

R1 508 million (2009: R1 508 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 3-month JIBAR plus 200 basis points until maturity. The settlement date of the bonds is 31 March 2017.

IV04 10.75% subordinated unsecured callable bonds

R2 062 million (2009: R2 062 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

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

IV07 variable rate subordinated unsecured callable bonds

R941 million (2009: R941 million) Investec Bank Limited local registered unsecured subordinated callable bonds due in 2018. Interest is paid at 3-month JIBAR plus 140 basis points until 31 March 2013. Interest is payable quarterly in arrears. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a 3-month JIBAR plus 200 basis points.

IV08 13.735% subordinated unsecured callable bonds

R200 million (2009: R200 million) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will switch to a floating rate of 3-month JIBAR plus 562.5 basis points payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable bonds

R200 million (2009: R200 million) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 375 basis points until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 562.5 basis points above JIBAR payable quarterly in arrears until called.

IV012 variable rate subordinated unsecured callable bonds

R250 million (2009: RNil) Investec Bank Limited IV012 local registered unsecured subordinated callable bonds are due in November 2019. Interest is paid at 3-month JIBAR plus 325 basis points until 26 November 2014. Interest is payable quarterly in arrears. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014. If not called, the bonds will switch to a 3-month JIBAR plus 450 basis points.

At 31 March	Group		Company	
R'million	2010	2009	2010	2009
33. Ordinary share capital				
Authorised				
450 000 000 (2009: 300 000 000) ordinary shares of R0.0002				
Issued				
269 766 932 (2009: 268 355 257) ordinary shares of R0.0002	1	1	1	1

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

The unissued shares are under the control of the directors until the next annual general meeting.

At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
34. Perpetual preference shares				
Company				
Authorised				
100 000 000 (2009: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.				
Issued				
27 411 396 (2009: 22 182 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R104.49 per share.	2 762	2 309	2 762	2 309
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium	2 762	2 309	2 762	2 309

**Less than R1 million.*

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

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

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At 31 March R'million	Group 2010	Group 2009	Company 2010	Company 2009
35. Share premium				
Share premium on ordinary shares	6 137	6 063	6 180	6 171
Share premium on perpetual preference shares	2 762	2 309	2 762	2 309
	8 899	8 372	8 942	8 480

At 31 March	Group 2010	Group 2009
36. Treasury shares		
Treasury shares held by subsidiaries of Investec Limited	R'million	R'million
Investec Limited ordinary shares	1 142	1 759
Premium paid on options held to acquire Investec Limited shares	(2)	(1)
	1 140	1 758
Number of Investec Limited ordinary shares held by subsidiaries	31 917 516	43 840 281
Reconciliation of treasury shares	Number	Number
At beginning of year	43 840 281	28 413 734
Purchase of own shares by subsidiary companies	8 142 895	34 534 292
Shares disposed of by subsidiaries	(20 065 660)	(19 107 745)
At end of year	31 917 516	43 840 281
	R'million	R'million
Market value of treasury shares	2 004	1 704

At 31 March R'million	Group 2010	Group 2009
37. Minority interests		
Minority interests in partially held subsidiaries	15	19
Perpetual preference shares issued by Investec Bank Limited	1 518	1 491
	1 533	1 510

Authorised

70 000 000 (2009: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.

Issued

15 276 630 (2009: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each, issued at a premium of R99.99 per share.

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

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

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At 31 March R'million	Group			
	2010		2009	
	Total future minimum payments	Present value	Total future minimum payments	Present value
38. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers:				
Lease receivables in:				
Less than 1 year	771	607	764	562
1 – 5 years	969	837	1 121	940
Greater than 5 years	1	1	5	5
	1 741	1 445	1 890	1 507

Unearned finance income amounted to R296 million (2009: R383 million). At 31 March 2010 and 31 March 2009, there were no unguaranteed residual values. There were no finance lease receivables in Investec Limited company at 31 March 2010 and 31 March 2009.

For the year to 31 March R'million	Group		Company	
	2010	2009	2010	2009
39. Notes to cash flow statement				
Cash generated from operating activities is derived as follows:				
Profit before taxation	3 587	4 075	1 393	1 738
Adjustment for non-cash items included in operating profit:				–
Impairment of goodwill	41	31	–	–
Depreciation, amortisation and impairment of property, equipment and intangibles	132	89	–	–
Impairment of loans and advances	863	766	–	–
Operating loss from associates	47	1	–	–
Impairment of associate carrying value	-	62	–	–
Profit on disposal of group operations	-	(10)	–	–
Share based payment charges	394	351	11	68
Fair value gains on investment properties	(449)	(239)	–	–
Operating profit adjusted for non-cash items	4 615	5 126	1 404	1 806

For the year to 31 March R'million	Group	
	2010	2009
40. Related party transactions		
Compensation to the board of directors and other key management personnel*		
Short-term employee benefits	288	262
Share-based payments	72	75
	360	337

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

For the year to 31 March R'million	Group and company 2010	Group and company 2009
40. Related party transactions (continued)		
Transactions, arrangements and agreements involving directors and others		
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
Balance at beginning of year	270	369
Increase in loans	125	71
Repayment of loans	(169)	(114)
Exchange adjustments	(45)	(56)
Balance at end of year	**181**	**270**
Guarantees		
Balance at beginning of year	27	10
Additional guarantees granted	6	21
Repayment of guarantees	(25)	
Exchange adjustments	(2)	(4)
Balance at end of year	**6**	**27**
Deposits		
Balance at beginning of year	(423)	(368)
Increase in deposits	(344)	(208)
Utilisation of deposits	235	84
Exchange adjustments	88	69
Balance at end of year	**(444)**	**(423)**
The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.		
Transactions with other related parties		
Various members of key management personnel are members of the boards of directors of other companies. At 31 March 2010, Investec Limited group had the following loans outstanding from these related parties.	94	176

Refer to note 26 for loans to/(from) subsidiaries.

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For the year to 31 March R'million	Group and company	
	2010	2009
40. Related party transactions (continued)		
Transactions with Investec plc and its subsidiaries		
Assets		
Loans and advances to banks	489	1 172
Repurchase agreements and cash collateral on securities borrowed	–	4 091
Loans and advances to customers	114	113
Investment securities	1 815	–
Interest in associated companies	127	164
Derivative financial instruments	36	170
Liabilities		
Deposits from banks	(323)	(653)
Customer accounts (deposits)	(1)	(17)
Derivative financial instruments	(19)	(200)

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties. During the year to March 2010, interest of R56.9 million (2009: R112.7 million) was received from entities in the Investec plc group. Interest of R3.7 million (2009: R22.3 million) was paid to entities in the Investec plc group. In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2010, this resulted in a net payment by Investec plc group of R43.3 million (2009: R40.0 million). Specific transactions of an advisory nature between group entities have resulted in a net fee payment by Investec plc group of R14.9 million (2009: R7.4 million).

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At 31 March R'million	Group	
	2010	2009
41. Commitments		
Undrawn facilities	21 497	23 498
Other commitments	1 173	–
	22 670	23 498
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.		
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	269	245
1 – 5 years	1 518	1 080
Later than 5 years	2 773	3 117
	4 560	4 442

At 31 March 2010, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% per annum. The majority of the leases have renewal options.

At 31 March R'million	Group	
	2010	2009
42. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	6 790	6 898
	6 790	6 898

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

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

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

43. Hedges

Group

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

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

Fair value hedges

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

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2010						
Interest rate swaps – liabilities	Subordinated bonds	21	(35)	(6)	16	–

As at 28 February 2010, the IVO4 bonds were no longer hedged. The cumulative fair value is now being amortised to the income statement over the remainder of the term of the bond.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2009						
Interest rate swaps – liabilities	Subordinated bonds	249	379	223	(150)	(272)

43. Hedges (continued)

Cash flow hedges

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Period in which the hedged cash flows are expected to occur and affect comprehensive income	Ineffective portion recognised in the income statement
2010				
Cross currency swap	Foreign currency credit paper	166	1 – 5 years	3

2009

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

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At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
44. Liquidity analysis of financial liabilities based on undiscounted cash flows								
Group								
2010								
Liabilities								
Deposits by banks	884	1 342	631	50	3 394	3 253	–	9 554
Derivative financial instruments	7 085	1	–	1	4	54	–	7 145
– Held for trading	7 085	–	–	–	–	–	–	7 085
– Held as hedges	–	1	–	1	4	54	–	60
Repurchase agreements and cash collateral on securities lent	3 281	3 001	–	–	–	–	–	6 282
Customer accounts (deposits)	40 979	29 727	32 751	11 243	18 702	8 587	1 133	143 122
Debt securities in issue	–	234	213	456	656	–	–	1 559
Liabilities arising on securitisation	7	794	2 398	57	2 527	3 971	65	9 819
Other liabilities including other trading liabilities	3 671	993	2 066	1 459	2 204	1 193	126	11 712
	55 907	36 092	38 059	13 266	27 487	17 058	1 324	189 193
Subordinated liabilities	–	–	–	–	–	3 833	1 508	5 341
Total on balance sheet liabilities	55 907	36 092	38 059	13 266	27 487	20 891	2 832	194 534
Off balance sheet	10 300	739	763	2 286	5 475	1 134	1 693	22 390
Total liabilities	66 207	36 831	38 822	15 552	32 962	22 025	4 525	216 924
2009								
Liabilities								
Deposits by banks	455	2 944	135	215	95	8 316	–	12 160
Derivative financial instruments	10 504	–	–	–	–	2	–	10 506
– Held for trading	10 504	–	–	–	–	–	–	10 504
– Held as hedges	–	–	–	–	–	2	–	2
Repurchase agreements and cash collateral on securities lent	2 281	–	–	–	–	–	9	2 290
Customer accounts (deposits)	37 942	36 604	25 403	9 212	13 186	3 773	751	126 871
Debt securities in issue	–	154	479	301	20	–	–	954
Liabilities arising on securitisation	125	1 625	1 803	2 227	12	6 849	69	12 710
Other liabilities including other trading liabilities	1 556	244	1 826	4 962	221	2 059	531	11 399
	52 863	41 571	29 646	16 917	13 534	20 999	1 360	176 890
Subordinated liabilities	–	–	–	–	–	3 583	1 508	5 091
Total on balance sheet liabilities	52 863	41 571	29 646	16 917	13 534	24 582	2 868	181 981
Off balance sheet	2 990	298	4 622	3 567	6 541	6 168	8 877	33 063
Total liabilities	55 853	41 869	34 268	20 484	20 075	30 750	11 745	215 044

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the "Demand" time bucket, and not by contractual maturity, because trading liabilities are typically held for short periods of time. For an analysis based on discounted cash flows, please refer to page 79.

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